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Date: 10 June 2014

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 18 June 2014 at 16:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**
Councillor Harrison (Chairman), Councillor Ford (Vice-Chairman) and
Councillor Murray.

Labour Group
Councillors Dunn and Shepherd.



AGENDA

Open to Public and Press

- | | | |
|----|---|----------|
| 1 | Apologies | |
| 2 | To confirm the Open Minutes of the Meeting held on 2nd April 2014 | |
| | Open Minutes | 5 - 8 |
| 3 | To note any declarations of interest arising from any items on the Agenda | |
| 4 | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| 5 | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| 6 | INTERNAL AUDIT - QUARTERLY PROGRESS REPORT | 9 - 28 |
| 7 | EFFECTIVENESS OF INTERNAL AUDIT | 29 - 37 |
| 8 | HEAD OF INTERNAL AUDIT'S ANNUAL AUDIT OPINION 2013/14 | 38 - 50 |
| 9 | LOCAL CODE OF CORPORATE GOVERNANCE – ANNUAL REVIEW 2013/14 | 51 - 81 |
| 10 | ANNUAL GOVERNANCE STATEMENT 2013/ 14 | 82 - 100 |

Exclusion of the Public and Press:

- 11 The Chairman may therefore move:-
That in accordance with Section 100 (A) of the Local Government Act 1972 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.
- 12 To receive any Exempt questions by Members of the Council pursuant to



AUDIT SUB-COMMITTEE

2nd April 2014

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Ford (Vice Chairman)

Labour Group

Councillor Dunn and Shepherd

AS/20 **APOLOGY**

An apology for absence from the Meeting was received from Councillor Mrs. Hood (Conservative)

MATTERS DELEGATED TO SUB-COMMITTEE

AS/21 **EXTERNAL AUDIT PLAN YEAR ENDING 31ST MARCH 2014**

The Council's appointed Auditors presented their Annual Plan and approach for the year ending 2014. This set out where the External Auditors would focus their activities and predominantly would involve work on the annual accounts and financial statements, arrangements for securing value for money, assessing the Annual Governance Statement and other emerging issues, such as pensions. It was a broad plan to detail how the auditors would approach their work in order to satisfy statutory requirements. The outcome will be reported to the Sub-Committee in September 2014, with the Annual Audit Letter being reported to Council in December 2014. Kyla Bellingall took Members through the report and responded to questions. The issues discussed included the Medium Term Financial Plan deficit, CIPFA training, and fees for the Audit being set by The Audit Commission.

RESOLVED:-

That the proposed Audit Plan for 2013/14 and the proposed approach to undertaking audit work for the year is approved.

AS/22 **GRANT CERTIFICATION WORK PLAN 2013-14**

A report was submitted to enable the Sub-Committee to consider the proposed Grant Certification Work Plan for 2013/14. In particular, Members were asked to consider the recommendation in an Action Plan appended to the Auditor's report.

The plan provided an estimate of the fees that would be charged to the Council and how they were calculated.

It was confirmed that the results would be reported to the committee next year following completion of the Auditors work.

Members reviewed the documents, commenting on the results of the certification work and the claims history. A Summary of expected claims & returns for the year ended 31st March for 2014 was appended to the report. It was also confirmed that all areas were on track for the plan.

RESOLVED:-

That the proposed Plan for 2013/14 and the proposed approach to undertaking the grant certification work for the year is approved.

AS/23 **AUDIT COMMISSION UPDATE YEAR ENDING 31ST MARCH 2014**

A report was submitted from the Council's External Auditors, detailing the progress on delivering their responsibilities for 2013/14. This included an update on interim accounts work, together with a summary of emerging national issues and developments that may be relevant to the Council.

The report focused on what the Council should address in the current financial climate, together with legislative changes in areas such as welfare reform, pensions and Audit. Next the report contained an update on the interim accounts work , with no matters to report. Finally it was noted that English Local Authorities have showed resilience despite 20% reduction in grant from the Government, although some are predicting reaching tipping point with 79% anticipating some kind of tipping point in 2015/16 – 2016/17. The report confirmed that this council has met 38 of the 40 measures required to demonstrate that financial policy and procedures are satisfactory.

Members asked questions on the changes to the public services pension scheme and property, plant and equipment valuations.

RESOLVED:-

- 1. That the report is noted.***
- 2. That any emerging issues requiring an update are subject to a future report to the Committee.***

AS/24 **INFORMING THE AUDIT RISK ASSESSMENT**

A Report was submitted for the Sub Committee to consider some important areas of the auditor risk assessment where the External Auditors are required to make inquiries under auditing standards.

The purpose of the report is to contribute towards the effective two-way communication between auditors and the Council's Audit Sub-

Committee, as 'those charged with governance'.

It was further explained that the two-way communication assists both the auditor and the Audit Sub-Committee in understanding matters relating to the audit and developing a constructive working relationship.

As part of the risk assessment procedures the auditors are required to obtain an understanding of management processes and the Audit Sub- Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern.

The report included a series of questions on each of these areas and the responses received from the Council's management.

Members asked questions on how fraudulent activities are prevented regarding procurement, The Director of Finance and Corporate Services explained the procedures in place to prevent this.

RESOLVED:-

That the report is noted.

AS/25 **BENCHMARKING THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE**

A report was submitted to compare the Council's performance in securing financial resilience with other councils. It was noted that this was part of the Auditor's statutory responsibility to assess whether the Council generally provides value for money.

The Auditor took members through the report firstly explaining the value for money conclusion and definition of ratings. Next the report explained the performance over the last three years with benchmarking results against all councils, Derbyshire councils and district councils.

Members commented that the results were a credit to Officers and wished comments to be passed back to the relevant team.

RESOLVED:-

That the report is noted.

AS/26 **INTERNAL AUDIT PLAN 2014-15**

The Sub-Committee was asked to consider the Internal Audit Plan for 2014/15. It had been prepared by the Audit Manager in consultation with the Director of Finance and Corporate Services. The Plan detailed where Audit was proposing to allocate resources over the coming financial year and included an assessment of the Council's risk areas. Adrian Manifold took Members through the circulated report and responded to questions.

RESOLVED:-

That the Internal Audit Plan for 2014/15 is approved for implementation.

AS/27 **CIPFA – PRACTICAL GUIDANCE FOR AUDIT COMMITTEES**

A report was submitted to update members on the guidance regarding the Chartered Institute of Public Finance and Accountancy on Audit Committees together with self-assessment on good practice. Members asked whether training could be provided. Richard Boneham agreed to provide the training to members. It was agreed to wait until after annual council to see who would sit on the committee for the coming year.

RESOLVED:-

- 1. That The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance is noted.***
- 2. That a self-assessment based on the CIPFA template (Appendix 3 of the report) is carried out.***
- 3. That training is arranged post Annual Council for Audit sub Committee members and any other members that wish to attend.***

J. HARRISON

CHAIRMAN

The Meeting terminated at 5.05 p.m.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM:6
DATE OF MEETING:	18th JUNE 2014	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/internal audit/quarterly reports/cover
SUBJECT:	INTERNAL AUDIT - QUARTERLY PROGRESS REPORT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

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

2.0 Purpose of Report

2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit between 1st February 2014 and 31st May 2014.

3.0 Detail

3.1 The detailed report is attached.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 18th June 2014



Our Vision

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

Contacts

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South Derbyshire District Council – Internal Audit Progress Report

Summary

Role of Internal Audit

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

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

Recommendation Ranking

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

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

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

Control Assurance Definitions

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

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

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

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Audit Coverage

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 31st May 2014.

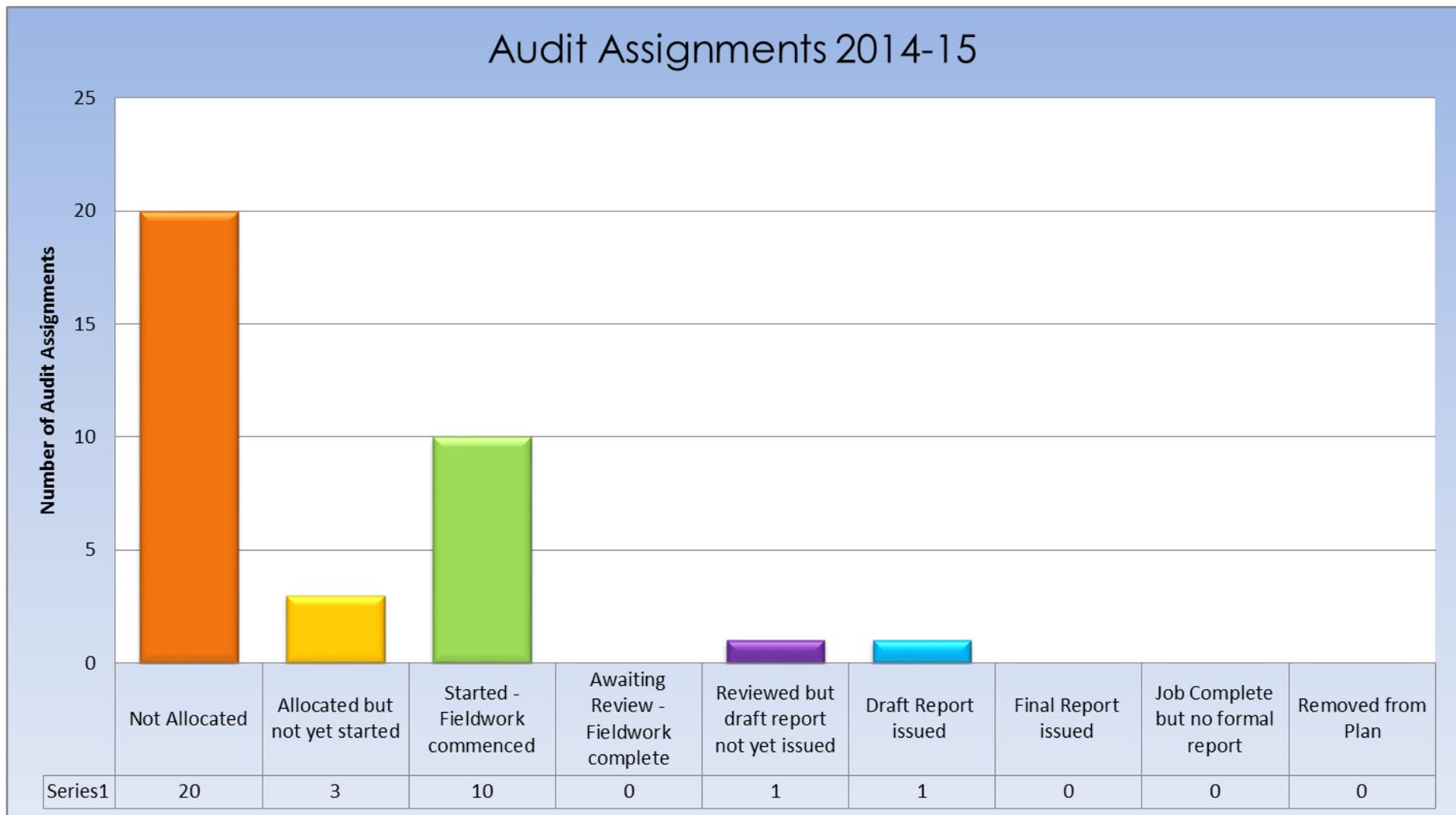
2014-15 Audit Plan Assignments	Type of Audit	Current Status	% Complete
PCI Compliance	Governance Review	In Progress	15%
Partnership Governance	Governance Review	In Progress	20%
Community Safety Partnership	Systems/Risk Audit	In Progress	60%
Housing Repairs (Planned & Responsive Maintenance)	Systems/Risk Audit	Allocated	10%
Fleet Management	Systems/Risk Audit	Allocated	0%
Improvement Grants (Energy, Disabled Facilities etc.)	Systems/Risk Audit	In Progress	25%
Pollution Control	Systems/Risk Audit	In Progress	60%
Food Safety	Systems/Risk Audit	In Progress	60%
Licensing	Systems/Risk Audit	In Progress	25%
B/Fwd - Creditors / Debtors 2013-14	Key Financial System	In Progress	75%
B/Fwd - Orchard IT Security	IT Audit	In Progress	75%
B/Fwd - Data Protection & Freedom of Information	Governance Review	In Progress	75%
B/Fwd - Business Continuity & Emergency Planning	Governance Review	Allocated	10%
B/Fwd - Tenants Arrears	Systems/Risk Audit	Draft Report	95%
B/Fwd - Service Contracts	Procurement/Contract Audit	Reviewed	90%

Another twenty planned assignments (not shown above) have not been allocated yet.

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments Chart



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Audit Coverage

Completed Audit Assignments

Between 1st February 2014 and 31st May 2014, the following audit assignments have been finalised since the last Progress Report was presented to this Committee:

- Main Accounting System 2013-14
- Treasury Management / Insurance 2013-14
- Council Tax / NNDR / Cashiering
- Housing & Council Tax Benefit 2013-14
- Virtualisation Management
- Data Quality 2013-14
- Rent Accounting 2013-14
- Email & Internet Services Healthcheck

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

Main Accounting System 2013-14

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing key controls in relation to the main accounting system which included the year end procedures and that key reconciliations were carried out on a regular basis, reconciling items were cleared and the reconciliation was subject to independent review. Also the audit sought to ensure that there was a robust system in place which allowed revenue budget monitoring to take place effectively and on a regular basis.

From the 25 key controls evaluated in this audit review, 20 were considered to provide adequate control and 5 contained partial weaknesses. The report contained 3 recommendations, all 3 of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Although the suspense account was regularly investigated there were a number of transactions from April 2013 that had not been resolved. (Low Risk)
- The reconciliation log did not clearly identify the officers responsible for performing and checking the control and balance sheet account reconciliations had been completed. (Low Risk)
- There were no formally recorded procedure notes that provided a guideline to the reconciliation process. (Low Risk)

All 3 of the control issues raised within this report were accepted and positive action had already been taken to address all 3 of the issues by the conclusion of the audit.

Treasury Management / Insurance 2013-14

Overall Control Assurance Rating: **Comprehensive**

This audit focused on investments, borrowing and the Council's management and monitoring arrangements for Treasury Management during 2013/14. The Council did not undertake any temporary borrowings during 2012/13 due to high levels of reserves and capital receipts. Therefore no detailed testing was performed on temporary borrowings during this audit. The audit also focused on the Council's insurance arrangements during the same period, the policies in place, the claims made and the premiums recharged.

From the 46 key controls evaluated in this audit review, 41 were considered to provide adequate control and 5 contained weaknesses. The report contained 5 recommendations, all 5 of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Investment records had not been updated to identify the officer processing chaps payments and in one case the officer

South Derbyshire District Council – Internal Audit Progress Report

authorising the transaction, leaving the Council without proof that separation of duties had been maintained. (Low Risk)

- There were instances where figures quoted on quarterly budget monitoring reports to Members were inaccurate. (Low Risk)
- The officer dealing with insurance matters had not received formal training in insurance and was lacking in expertise. (Low Risk)
- The “claims database” spread sheet had not been checked against the claims still classed as open by the insurers. (Low Risk)
- There was no regular following-up on claims submitted to the insurers. (Low Risk)

All 5 issues made within this report were accepted and action had already been taken to address 2 of the issues at the time of issuing the final report. A further 2 issues were agreed to be addressed by the end of August 2014, with the 1 remaining action to be taken by 1st February 2015.

Council Tax / NNDR / Cashiering 2013-14

Overall Control Assurance Rating: **Reasonable**

This audit focused on a number of elements within Council Tax, Non-Domestic Rates (NDR) and Cashiering, in order to give assurance to South Derbyshire District Council that these key systems were operating effectively and correctly.

From the 80 key controls evaluated in this audit review, 69 were considered to provide adequate control and 11 contained weaknesses. The report contained 11 recommendations, 10 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Council Tax System was not always updated promptly on receipt of Valuation list update schedules from the Valuation Office. (Low Risk)
- When a Council Tax account was found to be corrupted during the annual billing process, it was not rectified promptly. (Low Risk)

- The error reports and zero liability bills highlighted by the Council Tax billing runs had not been corrected. (Low Risk)
- Where Council Tax documents were returned by the Post Office marked 'gone away', the records relating to the post were not always dealt with appropriately. (Low Risk)
- The process of awarding Council Tax discounts and disregards was not being sufficiently scrutinised and a number of processing errors were found. (Low Risk)
- There had been no Disabled Banding Reduction reviews carried out in the recent past. (Low Risk)
- An incorrect payment method was annotated on two customers' accounts in relation to two bailiff payments. (Low Risk)
- Useful additional information provided with liability amendments to NDR customers' accounts was not being fully recorded on the system. (Low Risk)
- There was not a follow-up process for outstanding NDR VOA notifications. (Moderate Risk)
- The updating of NDR accounts for VO updates was not always completed promptly on receipt of the VOA schedule. (Low Risk)
- When the reason for a known over-banking was identified and the corresponding correction led to an under-banking, the correction of the customer's account was delayed as Northgate believed the decision should be made by the Council. (Low Risk)

All 11 issues made within this report were accepted and action had already been taken to address 1 of the issues at the time of issuing the final report. A further 3 issues were agreed to be addressed with immediate effect, 2 by the end of March 2014, 1 by 1st April 2014, 1 by 31st May 2014, 1 by 30th June 2014, 1 by 30th September 2014 and the 1 remaining action to be taken by 31st December 2014.

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Housing & Council Tax Benefit 2013-14

Overall Control Assurance Rating: **Comprehensive**

This audit focused on ensuring that the Council's Local Council Tax Support Scheme had been correctly applied and that appropriate controls were in place in respect of benefit expenditure. The audit also looked at benefit cases in payment and notifications of changes to benefit, including those received from the Department for Work and Pensions. Finally, the audit reviewed the procedures in place for dealing with significant birthdays, child care payments and the recording of income that is disregarded for the purposes of calculating benefit.

From the 30 key controls evaluated in this audit review, 28 were considered to provide adequate control and 2 contained weaknesses. The report contained 1 recommendation which were considered a low risk. The following issue was considered to be the key control weakness:

- Checks were not being undertaken to ensure that all childcare providers were registered with the appropriate regulatory body. (Low Risk)

The issue raised within this report was accepted and positive action had already been taken to address the issue raised by the end of the audit.

Virtualisation Management

Overall Control Assurance Rating: **Reasonable**

This audit focused on the Council's virtual server infrastructure. At the time of the audit, this comprised of 63 active virtual servers, 14 inactive virtual servers, 1 datastore cluster, 33 datastores, 4 hosts, and 1 vCenter server appliance.

From the 30 key controls evaluated in this audit review, 23 were considered to provide adequate control and 7 contained weaknesses. The report contained 6 recommendations, 3 of which were considered a low risk and 3 a moderate risk. The following issues were considered to be the key control weaknesses:

- The VCSA (vCenter Server appliance) was not being backed up at the time of the audit, which could have a significant impact

on the Council's backup and restore requirements (recovery point objectives and recovery time objectives). (Moderate Risk)

- The root account on the VCSA (which had full administrator authority over the virtual server infrastructure) had a default password, making the virtual server infrastructure vulnerable to significant security and availability issues. (Moderate Risk)
- A number of production virtual servers had less than 10% disc space available, and in some cases less than 1% disc space available, making the servers prone to data loss and performance and availability issues. (Moderate Risk)
- 9 virtual servers (5 live, 4 inactive) were still running Windows 2000 Server, an unsupported, and therefore unsecure operating system. Extended support for Windows 2000 Server ended in 2010. (Low Risk)
- All 4 hosts in the virtual server infrastructure were missing numerous security updates. The patch status of the hosts was only current as of March 2012. (Low Risk)
- The VMware compliance checker for vSphere identified many non-complaint security settings on all 4 hosts joined to the Council's virtual server infrastructure. This increases the hosts attack surface and makes the security and availability of the systems more. (Low Risk)

All 6 of the issues raised were accepted and positive actions were agreed to address all of the control weakness by the end of April 2014.

Data Quality 2013-14

Overall Control Assurance Rating: **Comprehensive**

An audit of Data Quality was included in the 2013/14 Audit Plan. The Government require Councils to have effective arrangements in place for the monitoring and review of data quality.

Of the Council's 33 performance indicators, 17 were identified to be low risk during the previous Self-Assessment conducted in 2010/11.

Accordingly, only the 16 remaining indicators were re-examined in this latest Self-Assessment. These 16 indicators were being produced from 11 different performance reporting systems. From our evaluation of these

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11 processes, we determined that 10 now posed a low risk and provided a good level of control. The 1 remaining performance indicator ('LM 08 - Reduction in the Council's Energy Consumption') was examined in greater depth.

From the 17 key controls evaluated in this audit review, 6 were considered to provide adequate control and 11 contained weaknesses. The report contained 5 recommendations, all 5 of which were considered a low risk. The following issues were considered to be the key control weaknesses with the performance indicator 'LM 08 - Reduction in the Council's Energy Consumption':

- Reported performance figures were found to be incorrect and were subsequently re-calculated by the Council. However, the revised performance figures had not been reported to the relevant Council Committee. (Low Risk)
- The performance figures had not been accurately calculated. (Low Risk)
- There was a documented methodology in place for this performance indicator. However, this did not clearly describe the method and format of data collection, the exact requirements for calculating the performance figure or detail the data source of the 'total gross useable floor space' used in the calculation. (Low Risk)
- Energy data had been incorrectly transferred to the Calculation Spreadsheet for 5 out of 18 entries sampled. (Low Risk)
- The integrity of performance data had not been maintained throughout the process for calculating the performance figures. (Low Risk)

All 5 control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action in respect of 2 recommendations had already been taken and the remaining 3 recommendations were due to be addressed by 1st April 2014.

Rent Accounting 2013-14

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the controls over the housing stock records, rent and suspense accounts.

From the 22 key controls evaluated in this audit review, 20 were considered to provide adequate control and 2 contained weaknesses. The report contained 2 recommendations, both of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- There was no warning of any handling charge when paying housing rent by credit card via the internet. Paypoint and bank payment options were not available to tenants. (Low Risk)
- A number of tenant accounts were found to have high credit balances and had not been considered for a refund. (Low Risk)

Both of the control issues raised within this report were accepted and positive action was agreed to be taken to address 1 issue by the 1st April 2014, with the remaining issue to be addressed by 1st January 2015.

Email & Internet Services Healthcheck

Overall Control Assurance Rating: **Reasonable**

This audit focused on the security, configuration and management of the Council's email infrastructure. At the time of the audit this comprised of 2 Exchange Servers in a database availability group, and a virtual email filtering appliance (Sophos email appliance).

From the 42 key controls evaluated in this audit review, 38 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations, 1 of which was considered a low risk and 3 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Exchange Servers were missing 33 security updates which exposed the systems to unauthorised access and availability issues. (Moderate Risk)

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- At the time of conducting the audit testing, the SDDC-DB01 mailbox database had not been subject to a full online backup for 11 days. (Moderate Risk)
- The global incoming and outgoing message size limit was set to 40MB, which exposes the systems to reliability and mail delivery issues. (Low Risk)
- We found that the Council had only purchased 1 Exchange Server enterprise licence, despite Exchange Server being installed on 2 servers as part of the database availability group. (Moderate Risk)

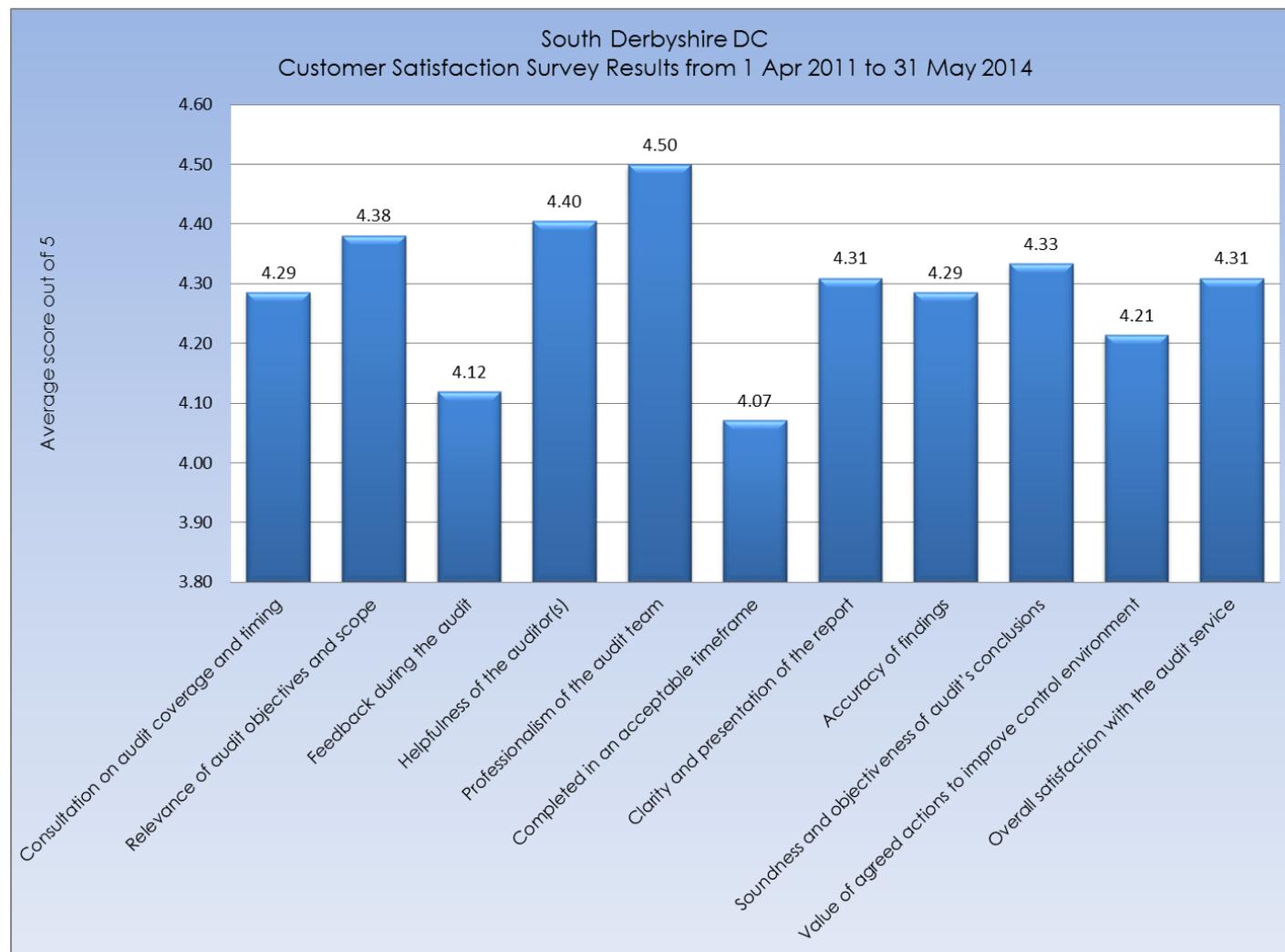
All 4 of the issues raised were accepted and 2 of these have already been implemented. Positive actions have been agreed to address the final 2 control weakness by the end of February 2014.

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Audit Performance

Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 42 responses received between 1st April 2011 and 31st May 2014. The overall average score from the surveys was 47.2 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 2 occasions.



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Audit Performance

Customer Satisfaction

Since 1st April 2011, we have sent 52 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 52 sent we have received 42 responses.

Seven Customer Satisfaction Surveys have not been returned which have already been reported to this Committee and relate to assignments undertaken in previous plan years. Responses to these surveys will no longer be pursued as responses are unlikely to be reliable after this length of time.

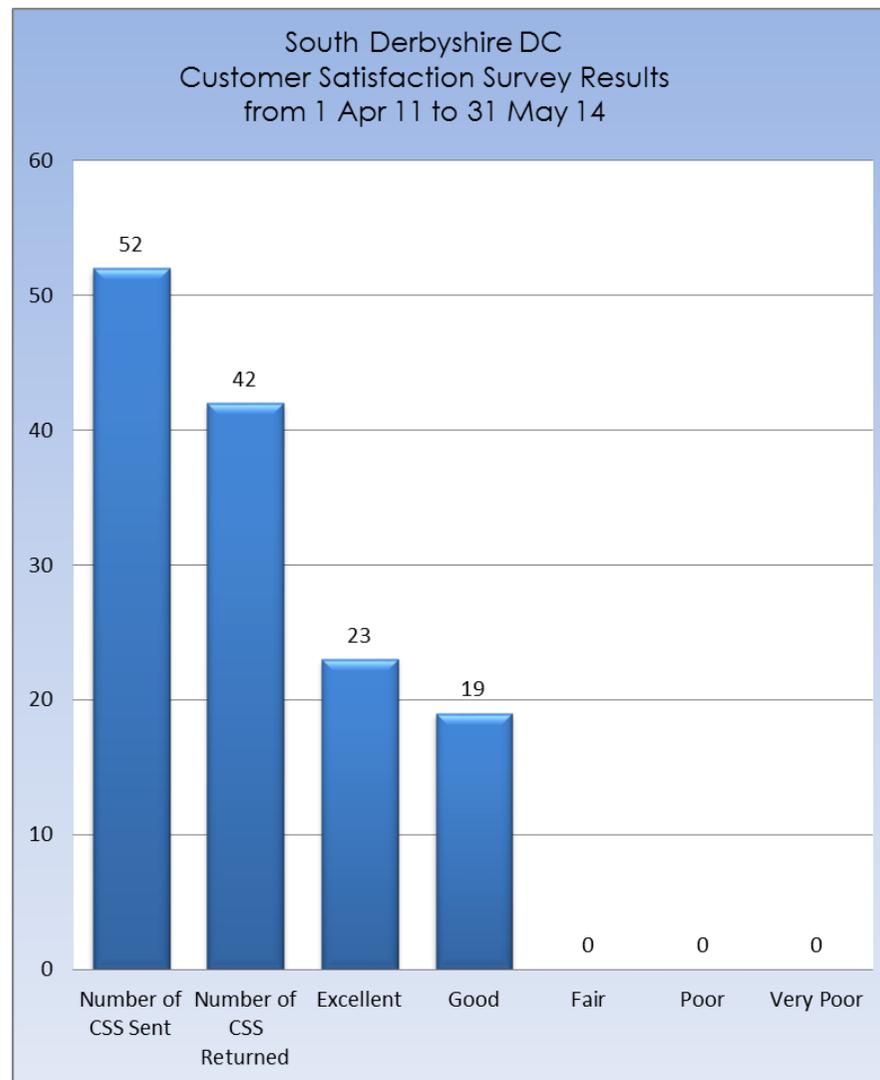
The following three Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Data Quality 2013-14	04-Feb-14	Head of Policy and Communications
Main Accounting System 2013-14	12-Feb-14	Director of Finance & Corporate Services
Housing & Council Tax Benefit 2013-14	26-Feb-14	Client Services Manager

The overall responses are graded as either:

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

Overall 23 of 42 responses categorised the audit service they received as excellent, another 19 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



South Derbyshire District Council – Internal Audit Progress Report

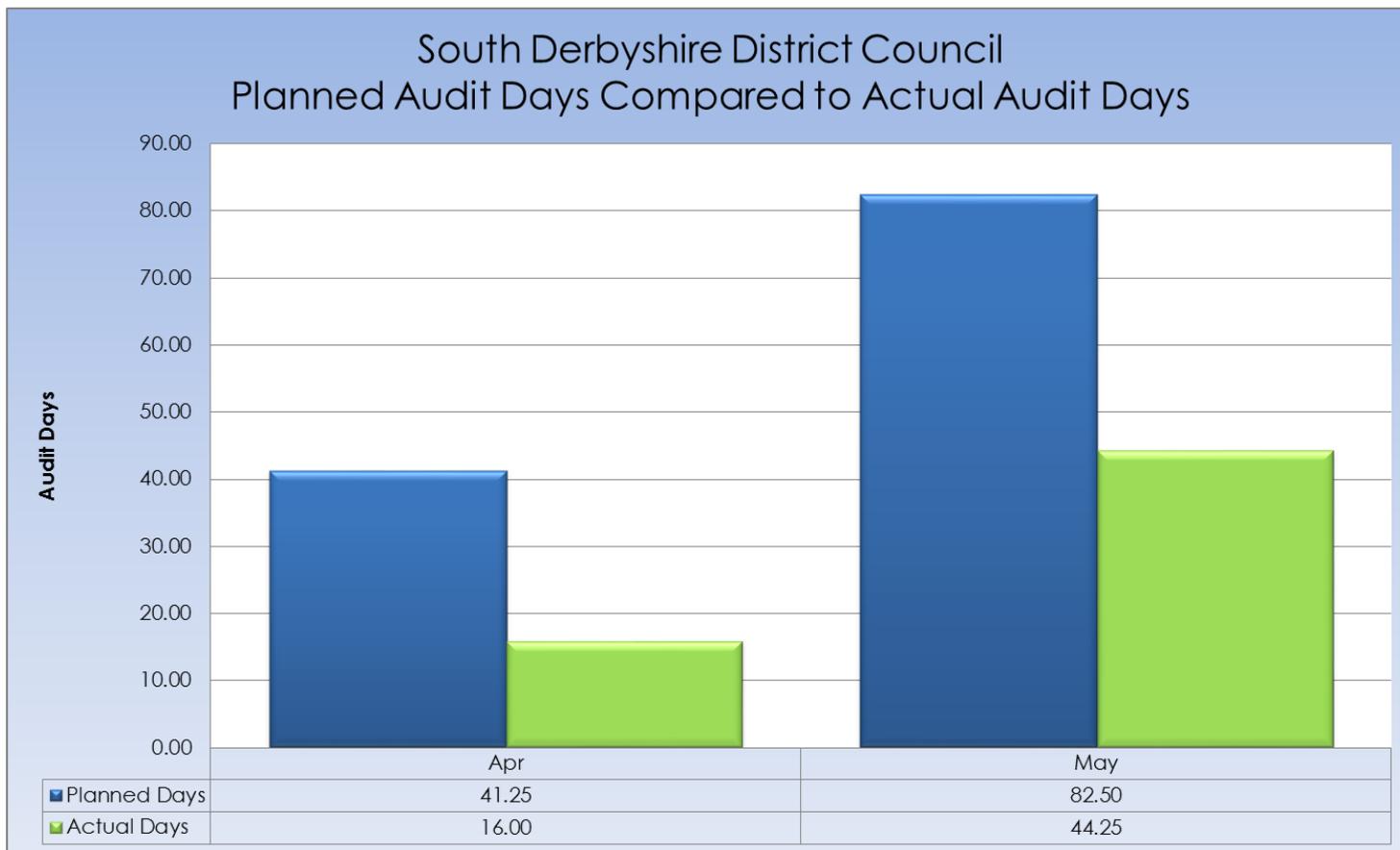
Audit Performance

Service Delivery (% of Audit Plan Completed)

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

Shown across is the estimated percentage complete for South Derbyshire's 2014-15 Audit Plan (including incomplete jobs brought forward) after 2 months of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Follow-up Process

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

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

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

- **Blank** = Audit have been unable to ascertain any progress information from the responsible officer or it has yet to reach its agreed implementation date.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date).

Implementation Status Details

The table below is intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations that have passed their agreed implementation dates.

	Implemented	Being implemented	Risk Accepted	Superseded	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	167	13	3	5	0	7	195
Moderate Risk	41	3	0	3	0	0	47
Significant Risk	8	0	1	0	0	0	9
Critical Risk	0	0	0	0	0	0	0
	216	16	4	8	0	7	251

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

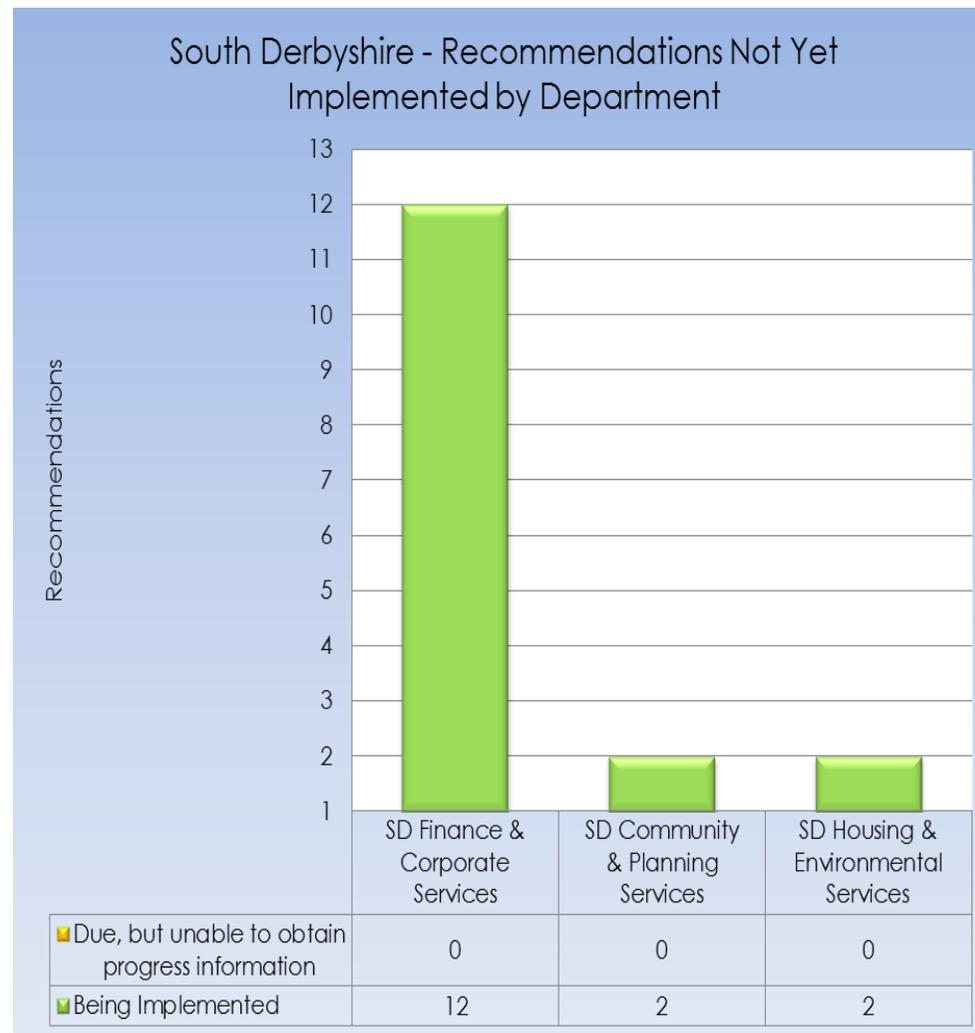
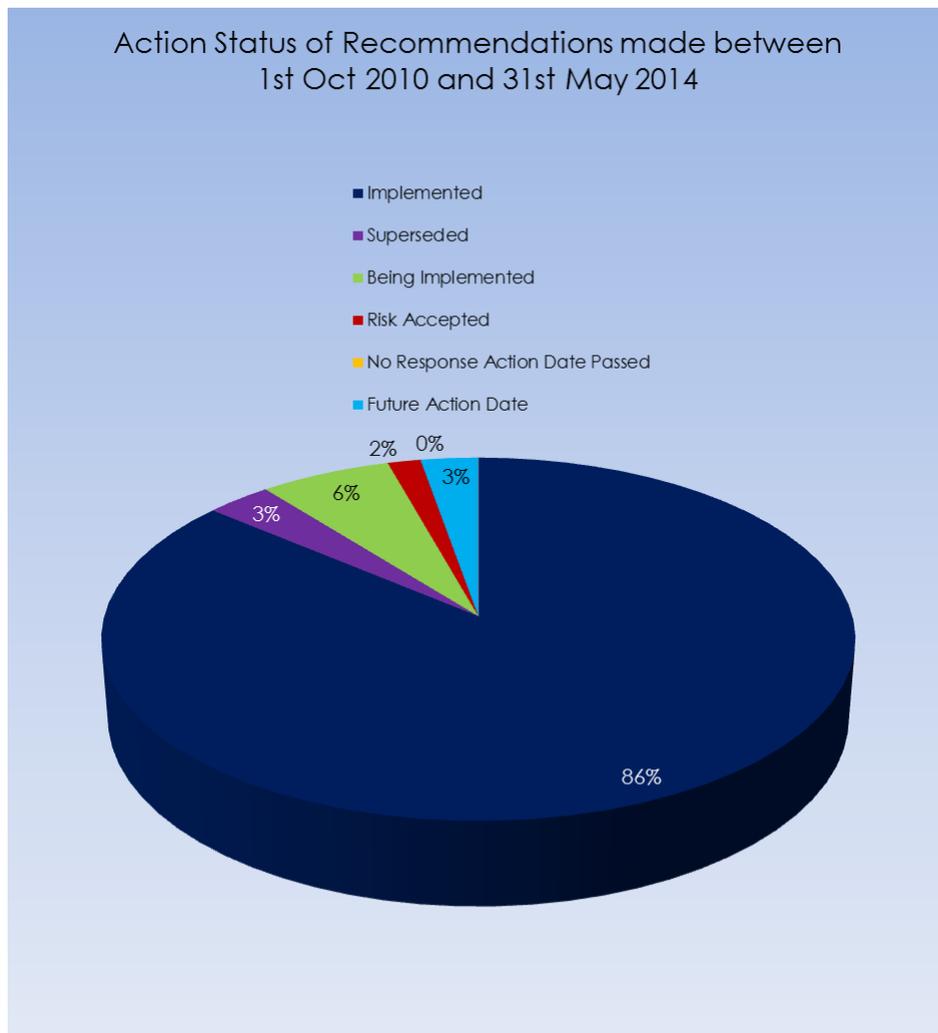
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being implemented	12	2	2	16
Due, but unable to obtain progress information	0	0	0	0
	12	2	2	16

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of each recommendation where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). The 4 recommendations shown above, where management has chosen to accept the risk, have already been reported to this Committee.

South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Recommendations Not Yet Implemented

Corporate Services

Car Allowances

Control Issue - A neighbouring Authority has revised its car user allowance scheme and introduced a new scheme which has removed the essential user lump sum and pays one mileage rate to both types of user. This will enable the Authority to make significant savings in future years.

Risk Rating – Low Risk

Status Update - Following the Budget Round for 2013/14 and the Council Restructure, it was anticipated that the Single Status Steering Group would be reconvened in 2013. This item will be considered, as planned, as part of the pay and grading review. A revised review date of March 2014 was given, but no action was taken during the year. The Council has recently approved to review its approach during 2014/15.

Original Action Date 30 Jun 11 **Revised Action Date** 31 Mar 15

Records Management

Control Issue - Records were being held off-site as part of arrangements made by the Council. However, the age, nature and quantity of records being held could not be confirmed, as there were no logs available in all cases.

Risk Rating – Low Risk

Status Update – The issue of off-site storage needs to be examined separately and the implementation date will have to be delayed.

Original Action Date 31 May 13 **Revised Action Date** 31 Jul 14

Council Tax / NNDR / Cashiering 2012-13

Control Issue - The safe could be accessed by any one of several officers, with no single officer being accountable for the safe contents.

Risk Rating – Low Risk

Status Update - Final communications within the Council so that all staff are aware of the change to the closing time of the enquiry and payments counter are taking place and the changes to the processes will be implemented on Monday 16th June. This had been delayed due to the pressure of customer enquiries.

Original Action Date 15 Jul 13 **Revised Action Date** 16 Jun 14

Legal & Democratic Services

Control Issue - Purchase orders were not being raised for goods and services required in respect of running the election.

Risk Rating – Low Risk

Status Update - Going forward we will now be raising purchase orders for all ordering. This was not undertaken for the County Council elections but will be undertaken going forward. The Elections process has recently been subject to an independent review commissioned by the Chief Executive. Changes to reporting lines have been made and a report will be considered by the Finance and Management Committee.

Original Action Date 30 Nov 12 **Revised Action Date** 31 Mar 15

South Derbyshire District Council – Internal Audit Progress Report

Corporate Governance

Control Issue – The Member and Officer Relations protocol document did not include the responsibility of officers to provide training and development to Members and to respond in a timely manner to queries raised by Members. The document had not been reviewed since 2003.

Risk Rating – **Low Risk**

Status Update – This will be included in a wider review of the whole Constitution to bring it up to date.

Original Action Date 1 Feb 14 **Revised Action Date** 31 May 14

Data Quality 2013-14

Control Issue – There was a documented methodology in place for this performance indicator. However, this did not clearly describe the method and format of data collection, the exact requirements for calculating the performance figure or detail the data source of the ‘total gross useable floor space’ used in the calculation.

Risk Rating – **Low Risk**

Status Update – This relates to the recording and reporting of a National Indicator regarding energy consumption. Following the Audit, a review is being undertaken regarding the data recorded and submitted into this indicator by external organisations who manage facilities on the Council's behalf. This has proved to be more of an issue than anticipated. This will be corrected for the half yearly performance monitoring reports post September 2014

Original Action Date 1 Apr 14 **Revised Action Date** 30 Sep 14

Control Issue – Energy data had been incorrectly transferred to the Calculation Spreadsheet for 5 out of 18 entries sampled.

Risk Rating – **Low Risk**

Status Update – This relates to the recording and reporting of a National Indicator regarding energy consumption. Following the Audit, a review is being undertaken regarding the data recorded and submitted into this

indicator by external organisations who manage facilities on the Council's behalf. This has proved to be more of an issue than anticipated. This will be corrected for the half yearly performance monitoring reports post September 2014

Original Action Date 1 Apr 14 **Revised Action Date** 30 Sep 14

Control Issue – The integrity of performance data had not been maintained throughout the process for calculating the performance figures.

Risk Rating – **Low Risk**

Status Update – This relates to the recording and reporting of a National Indicator regarding energy consumption. Following the Audit, a review is being undertaken regarding the data recorded and submitted into this indicator by external organisations who manage facilities on the Council's behalf. This has proved to be more of an issue than anticipated. This will be corrected for the half yearly performance monitoring reports post September 2014

Original Action Date 1 Apr 14 **Revised Action Date** 30 Sep 14

Virtualisation Management

Control Issue – The VCSA (vCenter Server appliance) was not being backed up at the time of the audit, which could have a significant impact on the Council's backup and restore requirements (recovery point objectives and recovery time objectives).

Risk Rating – **Moderate Risk**

Status Update – IT plan to migrate the vCenter Server from an Appliance to a Virtual Server to mirror the other vCenter Server, which will then be subject to routine backups.

Original Action Date 30 Apr 14 **Revised Action Date** 31 Aug 14

South Derbyshire District Council – Internal Audit Progress Report

Control Issue – The root account on the VCSA (which had full administrator authority over the virtual server infrastructure) had a default password, making the virtual server infrastructure vulnerable to serious security and availability issues.

Risk Rating – **Moderate Risk**

Status Update – IT plan to migrate the vCenter Server from an Appliance to a Virtual Server to mirror the other vCenter Server, subsequently, the root account will no longer exist.

Original Action Date 30 Apr 14 **Revised Action Date** 31 Aug 14

Control Issue – 9 virtual servers (5 live 4 inactive) were still running Windows 2000 Server, an unsupported and therefore vulnerable operating system. Extended support for Windows 2000 Server ended in 2010.

Risk Rating – **Low Risk**

Status Update – Only 1 Windows 2000 server remains that will be decommissioned during June/July

Original Action Date 30 Apr 14 **Revised Action Date** 31 Jul 14

Control Issue – All 4 hosts in the virtual server infrastructure were missing numerous security updates. The patch status of the hosts was only current as of March 2012.

Risk Rating – **Low Risk**

Status Update – This patching was delayed slightly whilst ESXi 5.5 was going through being accredited for PSN as the plan was to upgrade at the same time. Due to this still not being complete the updates and patching will be applied to the most up to date level but not 5.5.

Original Action Date 30 Apr 14 **Revised Action Date** 31 Aug 14

Community & Planning Services

Leisure Centres

Control Issue – The Leisure Management Contract was in draft form, despite Active Nation being in the third year of service delivery.

Risk Rating – **Moderate Risk**

Status Update – A revised and final contract had been sent by the Council to the Active Nation solicitors in early 2014 and that there was on-going dialogue between each parties' legal reps. Active Nation have requested face to face meetings to finally resolve this issue and the meeting date is being set.

Original Action Date 25 Oct 13 **Revised Action Date** 31 May 14

Control Issue - Some data within the Impact Report for April 2012 was found to be inaccurate. Active Nation had not documented the methodology for calculating the performance figures or the source of data. There was a lack of internal checks at Active Nation on the reported figures and methods of calculation. Where data was incorrect, it had not been amended in the following periods.

Risk Rating – **Low Risk**

Status Update - This had been discussed at the KPI review meeting and the formal request regarding documenting methodologies will be contained within the upcoming KPI variation letter. Sample checking support from accountancy already requested and agreed.

Original Action Date 31 Oct 13 **Revised Action Date** 31 May 14

South Derbyshire District Council – Internal Audit Progress Report

Housing & Environmental Services

Housing Allocations

Control Issue - The Homefinders guidance informed applicants who disagreed with the banding allocated to them, that there was a Right to a Review leaflet, but no such document existed.

Risk Rating – Low Risk

Status Update - The whole Homefinders policy is being relaunched and will include guidance on reviews. The expected publication date for the Homefinders guidance is 31 August 2014.

Original Action Date 1 Feb 14 **Revised Action Date** 15 Sep 14

Control Issue - Unsuccessful applicants are not notified of the reason why their bids for tenancies have failed. Without knowing why they have been unsuccessful, applicants may continue to bid for inappropriate properties.

Risk Rating – Low Risk

Status Update - Partially complete, as Homefinders now shows the number of bidders for recently advertised properties. The second phase, the publication of the number of each successful bidder will be published in a quarterly report. This is part of the new homefinders policy with an expected publication date of 31 August 2014.

Original Action Date 1 Feb 14 **Revised Action Date** 15 Sep 14

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	18 June 2014	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/internal audit/effectiveness/18 June 2014 effectiveness of IA 2014
SUBJECT:	EFFECTIVENESS OF INTERNAL AUDIT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

- 1.1 To note the findings and the conclusion that the internal audit function is considered to be effective.

2.0 Purpose of Report

- 2.1 This report is designed to give Members an overview of the effectiveness of Internal Audit.

3.0 Detail

- 3.1 Paragraph 6(3) of the Accounts and Audit (England) Regulations 2011 requires that "A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit".
- 3.2 There is no mandatory requirement or guidance on who should perform the review. The assessment has been undertaken by me in conjunction with the Head of Governance and Assurance at Derby City Council. It also takes into account the assessment of the effectiveness of the Internal audit partnership carried out by the other organisations for which it provides internal audit services.
- 3.3 All local authorities have a statutory requirement to make provision for internal audit and for the purpose of the regulations, in accordance with proper standards of professional practice as set out in the Public Sector Internal Audit Standards from 1 April 2013.
- 3.4 Since 1 January 2012, the internal audit function has been provided by the Central Midlands Audit Partnership, an internal audit partnership formed by Derby City Council and South Derbyshire District Council.
- 3.5 My assessment is based on the framework guide developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum

which aims to provide practical support to help make internal audit more effective. This has been achieved by assessing the internal audit function against the 6 building blocks for effective internal audit identified in the guidance. My assessment against these building blocks is summarised below:

3.5.1 Leadership

Leadership plays a pivotal role in the effectiveness of the internal audit service in that it makes the most of people, develops the best systems & processes and ensures compliance with professional standards.

In 2010, CIPFA published “The Role of the Head of Internal Audit (HIA) in public sector organisations” to clarify the role of the HIA and to raise the profile of internal audit. CIPFA believe organisations should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements. The Statement articulates the core responsibilities of the HIA, as well as the personal and professional skills that they need. The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. These principles are:

Principle 1:

Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments

Principle 2:

Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control

Principle 3:

A senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee

Principle 4:

Must lead and direct an internal audit service that is resourced to be fit for purpose

Principle 5:

Must be professionally qualified and suitably experienced

I have carried out an assessment against these 5 principles in conjunction with the Head of Governance and Assurance at Derby City Council and have concluded that they are sufficiently implemented to demonstrate compliance with best practice. The assessment is attached at Appendix 1.

3.5.2 Governance and relationships

Internal audit is one of the cornerstones of effective governance. Therefore, an effective internal audit function is paramount if the Council is going to demonstrate it has embedded the principles of good governance. Internal Audit is responsible for reviewing and reporting on the adequacy of the authority’s internal control environment and also making recommendations for improvement. Based on the work of Internal Audit, the Head of the Audit Partnership provides a level of assurance to

the Council on the effectiveness of its system of internal control in his annual audit opinion.

3.5.3 Customer focus

Customer focus is essential not just for the manner in which internal audit is approached, but also to ensure that internal audit understands the organisation and focuses on the current and future risks to the organisation and supports the achievement of the Council's objectives.

The partnership has a framework for consulting with all of its clients at the audit planning stage, following completion of the fieldwork, through draft report and then post audit to get feedback.

Following every audit review, a customer satisfaction survey is sent to the relevant manager. The responses received from managers in 2013/14 is summarised below:

Overall Rating	Number
Excellent	12
Good	12
Fair	0
Poor	0
Very Poor	0

3.5.4 People

The staff in the Internal Audit partnership has the appropriate technical skills and knowledge to perform effectively and access to training and other material to maintain their skills. The majority of the team have either a professional accountancy qualification (3 CIPFA and 2 ACCA, plus 2 part-qualified) or an internal auditing qualification (3 PIIA).

The IT Audit staff have relevant IT degrees and one has recently gained the CISA (Certified Information Systems Auditor) qualification, whilst the other has completed the ITIL qualification. The Audit Partnership also benefits from having one member of staff who is IRRV qualified. In addition, 4 staff have completed the CIPFA Certificate in Investigative Practice.

All of the staff have personal development and training plans as part of their Individual Performance process. Personal development is achieved through a combination of sources including in-house training, external courses/seminars/groups, personal research and studying for a relevant professional qualification.

3.5.5 Systems and processes

The Partnership has processes that support the delivery of high quality work that are regularly reviewed by its management team to maintain efficiency, relevance and effectiveness. Audit assignments are properly planned and work undertaken is evidenced appropriately. Audit reports include an opinion on risk and the control

environment, are agreed with the appropriate officer and all recommendations are followed up to ascertain the progress being made on implementation.

The following performance measures contribute to the overall assessment of the effectiveness of internal audit:

	2013/14		2012/13	
	Target	Actual	Target	Actual
Productivity	70.7%	72.6%	73.2%	70.1%
% of audit plan completed	91.0%	93.5%	91.0%	90.7%

Detail on the performance of the Internal Audit service is provided in the CMAP Annual Report which accompanies the Head of Audit's "Annual Audit Opinion" report.

3.5.6 Professional Standards

Standards provide a consistent framework of professional practice. They are the fundamental building block for effectiveness and the starting point for any internal audit team.

Conformance with the Public Sector Internal Audit Standards is a key element for determining whether an internal audit service is effective. CMAP's summary assessment against the PSIAS is attached at Appendix 2. This is based on conformance self-assessments carried out using both CIPFA and the Chartered Institute of Internal Auditors (IIA) checklists. The outcome is consistent with the overall assessment that was reviewed by the Audit Sub-Committee at its meeting on 25 September 2013.

3.6 Conclusion

From the evidence reviewed, my overall conclusion is that the internal audit service that the Council receives can be assessed as effective.

4.0 **Financial Implications**

4.1 None

5.0 **Legal Implications**

5.1 The Authority is obliged under the Accounts and Audit Regulations (England) 2011 to maintain an effective internal audit.

6.0 **Corporate Implications**

6.1 None directly

7.0 Community Implications

7.1 None directly

8.0 Background Papers

8.1 None

Appendix 1

Assessment against CIPFA's "The Role of the Head of Internal Audit in public organisations"

Principle	Compliant	Current position
Principle 1: Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments	Yes	The Head of the Internal Audit Partnership has a role to play in promoting corporate governance and spreading good practice. The internal audit strategy sets out how the Head of Internal Audit fulfils this role. Through internal audit, the HIA reviews and makes a judgement on the whole range of controls including those relating to achieving value for money and the prevention and detection of fraud and corruption.
Principle 2: Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control	Yes	The HIA provides the Council with a range of assurances which includes the Annual Head of Audit Opinion.
Principle 3: A senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee	Yes	The Council is part of the Central Midlands Audit Partnership. Therefore the role of the HIA is free from any interference in the work of internal audit. The HIA has full access to the Director of Finance and if required the Chair of Audit Sub Committee.
Principle 4: must lead and direct an internal audit service that is resourced to be fit for purpose	Yes	The Central Midlands Audit Partnership resources are currently proportionate to the size, complexity and risk profile of the Council and enable the HIA to give a reliable opinion on the Council's control environment. Because reliance is placed on the work of internal audit and the HIA ensures that all the work is consistently of a high quality and in line with professional standards. The HIA ensures that all staff demonstrate the highest ethical standards.
Principle 5: must be professionally qualified and suitably experienced	Yes	The HIA is a qualified accountant and a member of the Chartered Institute of Public Finance & Accountancy with 27 years internal audit experience, of which 21 years have been as a Head of Internal Audit.

Compliance with the Public Sector Internal Audit Standards

PSIAS requirement - Summary	Generally/ Partially/Does Not Conform	Comments
Definition of Internal auditing	Generally	The opinions and recommendations that CMAP provide do help the organisation and are valued by stakeholders.
Code of ethics	Generally	CMAP sets high standards for doing their job and maintain these in practice.
Attribute standards		
<i>1000 Purpose, Authority and Responsibility</i>	Generally	CMAP's internal audit activity has a formal definition of its purpose, authority and responsibility
<i>1100 Independence and Objectivity</i>	Generally	CMAP's Internal Audit Charter and planning documents do not contain major restrictions upon its internal audit activity
<i>1200 Proficiency and Due Professional Care</i>	Generally	CMAP formally defines how it operates in its Internal Audit Charter and documented procedures.
<i>1300 Quality Assurance and Improvement Programme</i>	Generally	CMAP has established a culture of continuous improvement to prevent problems and to underpin day-to-day delivery of a reliable assurance and consulting service.
Performance standards		
<i>2000 Managing the Internal Audit Activity</i>	Generally	CMAP's internal audit work adds value to the Council (and its stakeholders) through objective and relevant assurance, by contributing to the effectiveness and efficiency of governance, risk management and control processes.

PSIAS requirement - Summary	Generally/ Partially/Does Not Conform	Comments
<i>2100 Nature of Work</i>	Generally	CMAP's internal audit work evaluates and contributes to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.
<i>2200 Engagement Planning</i>	Generally	CMAP develops and documents a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
<i>2300 Performing the Engagement</i>	Generally	The internal auditors identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
<i>2400 Communicating Results</i>	Generally	Internal auditors communicate results of each audit engagement.
<i>2500 Monitoring Progress</i>	Generally	The Head of the Audit Partnership has established and maintains a system to monitor the disposition of results communicated to management.
<i>2600 Communicating the Acceptance of Risks</i>	Generally	The Head of the Audit Partnership communicates in both audit reports and reports to Audit Sub-Committee any instances where the identification of risk has been accepted by management and monitors progress on actions taken by management and reports accordingly on progress of implementation.

Definitions as per IIA

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.

Partially Conforms means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

Does Not Conform means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM:8
DATE OF MEETING:	18 June 2014	CATEGORY: RECOMMENDED
REPORT FROM:	HEAD OF INTERNAL AUDIT PARTNERSHIP	
MEMBERS' CONTACT POINT:	HEAD OF INTERNAL AUDIT PARTNERSHIP RICHARD BONEHAM richard.boneham@derby.gov.uk	DOC:
SUBJECT:	Head of Internal Audit's Annual Audit Opinion 2013/14	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 09

1.0 Recommendations

- 1.1 To note the annual audit opinion for 2013/14
- 1.2 To note the annual internal audit report for 2013/14.

2.0 Purpose of Report

- 2.1 This report provides members with the Head of the Internal Audit Partnership's opinion on the adequacy and effectiveness of the Council's internal control environment.
- 2.2 The report also contains the annual internal audit report for 2013/14.

3.0 Detail

- 3.1 The Head of the Audit Partnership will provide a written report to those charged with governance which gives an opinion on the overall adequacy and effectiveness of the organisation's internal control environment. This is timed to support the Annual Governance Statement.
- 3.2 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of financial and other management controls. My overall audit opinion is based on the work undertaken by internal audit in 2013/14. The reporting of the incidence of significant control failings or weaknesses has also been covered in the progress reports to the Committee on Internal Audit's progress against the annual audit plan.

- 3.3 Based on the work undertaken during the year, I have reached the overall opinion that **there is an acceptable level of internal control within the Council's systems and procedures**. There were no critical or significant risk recommendations made within any audit reports issued in 2013/14.
- 3.4 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- 3.5 There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2013/14. All of the risks raised within the internal audit reports have been accepted. Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all cases. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit will follow up the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practicable, after the target implementation dates. Progress on implementation of audit recommendations will be reported through to the Audit Sub-Committee in future reports on the 2014/15 work of Internal Audit.

Basis of the Opinion

- 3.6 In preparing the overall opinion, I have reviewed all audit activity carried out during 2013/14. Each audit assignment has an individual assurance rating and I have used these (together with the progress with agreed actions) to help form my overall opinion.

Overall Performance of Internal Audit

- 3.7 The annual report summarising the performance of the internal audit function is attached at Appendix 1.

4.0 Financial Implications

- 4.1 None

5.0 Legal Implications

- 5.1 The Authority is obliged under the Accounts and Audit Regulations (England) 2011 to maintain an effective internal audit.

6.0 Corporate Implications

- 6.1 None

7.0 Community Implications

- 7.1 None

8.0 Background Papers

8.1 None

South Derbyshire District Council – Internal Audit Annual Report 2013-14

Audit Sub-Committee: 18th June 2014



Our Vision

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

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central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

1 Introduction

How an Audit Opinion is Formed

A fundamental role of Internal Audit is to provide members and senior management with independent assurance on the Council's overall control environment, comprising the systems of governance, risk management, and internal control and to highlight control weaknesses together with recommendations for improvement. The annual Audit Plan sets out proposals on how this will be achieved in the year ahead.

The Audit Plan must incorporate sufficient work to enable the Head of Audit to give an opinion on the adequacy of the Council's overall control environment. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.

The audit work planned for 2013/14 has informed the Head of Audit's opinion on the internal control environment that exists within the Council. The Head of Audit reports his overall opinion to the Audit Sub-Committee on an annual basis.

The Head of Internal Audit will provide a written report to those charged with governance which gives an opinion on the overall adequacy and effectiveness of the organisation's internal control environment. This is timed to support the Annual Governance Statement, which is also being presented to this Committee for review by Members before being signed off by the Leader of the Council and Chief Executive.

Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of financial and other management controls.

The Head of Audit's overall audit opinion is based on the work undertaken by internal audit in 2013/14. The reporting of the incidence of significant control failings or weaknesses has also been covered in the progress reports to the Committee on Internal Audit's progress against the annual audit plan.

Basis For Opinion

In preparing the overall opinion, the Head of Audit has reviewed all audit activity carried out during 2013/14 and noted any issues arising from those audits that have carried forward into 2013/14. Each individual audit undertaken contains a control assurance rating (opinion) on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where weaknesses in control are identified, an action plan is agreed with management. Progress with these agreed actions is monitored by Internal Audit during the year through follow up audit work.

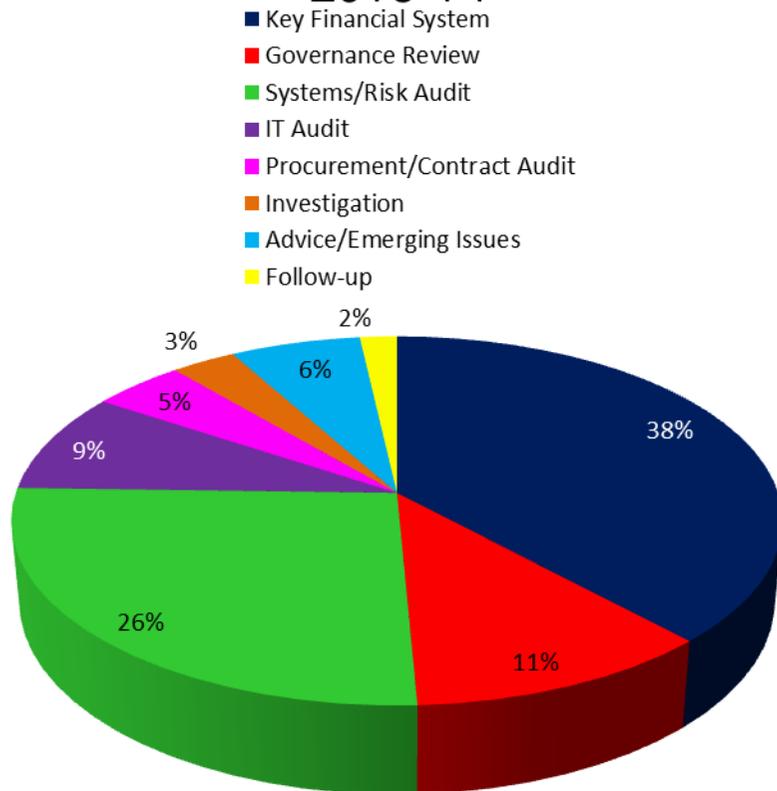
The Head of Audit will use the individual assurance ratings from the audits conducted in 2013/14 and the progress with agreed actions to form the overall opinion.

In presenting his opinion, the Head of Audit will identify where reliance has been placed on work by other assurance bodies. His opinion will be based on the work of Internal Audit and his understanding of work carried out by external assurance agencies.

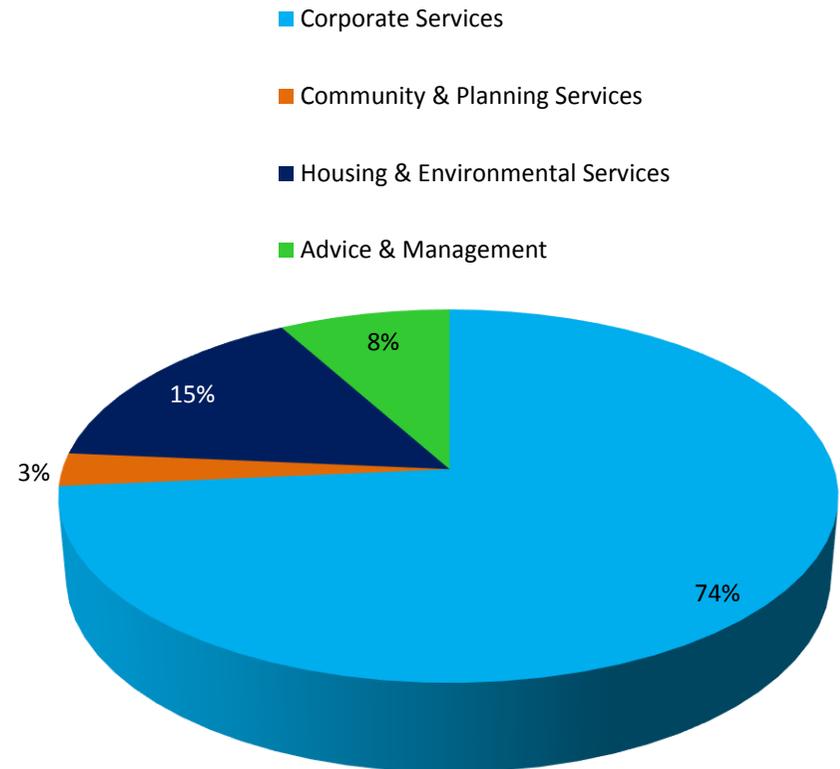
In respect of the key financial systems of the Council, based on the Internal Audit work undertaken in the year, the Head of Audit will be able to give an overall assurance on the adequacy and effectiveness of the internal controls operating in these systems.

2 Audit Coverage

Coverage per Type of Audit 2013-14



Coverage per Department 2013-14

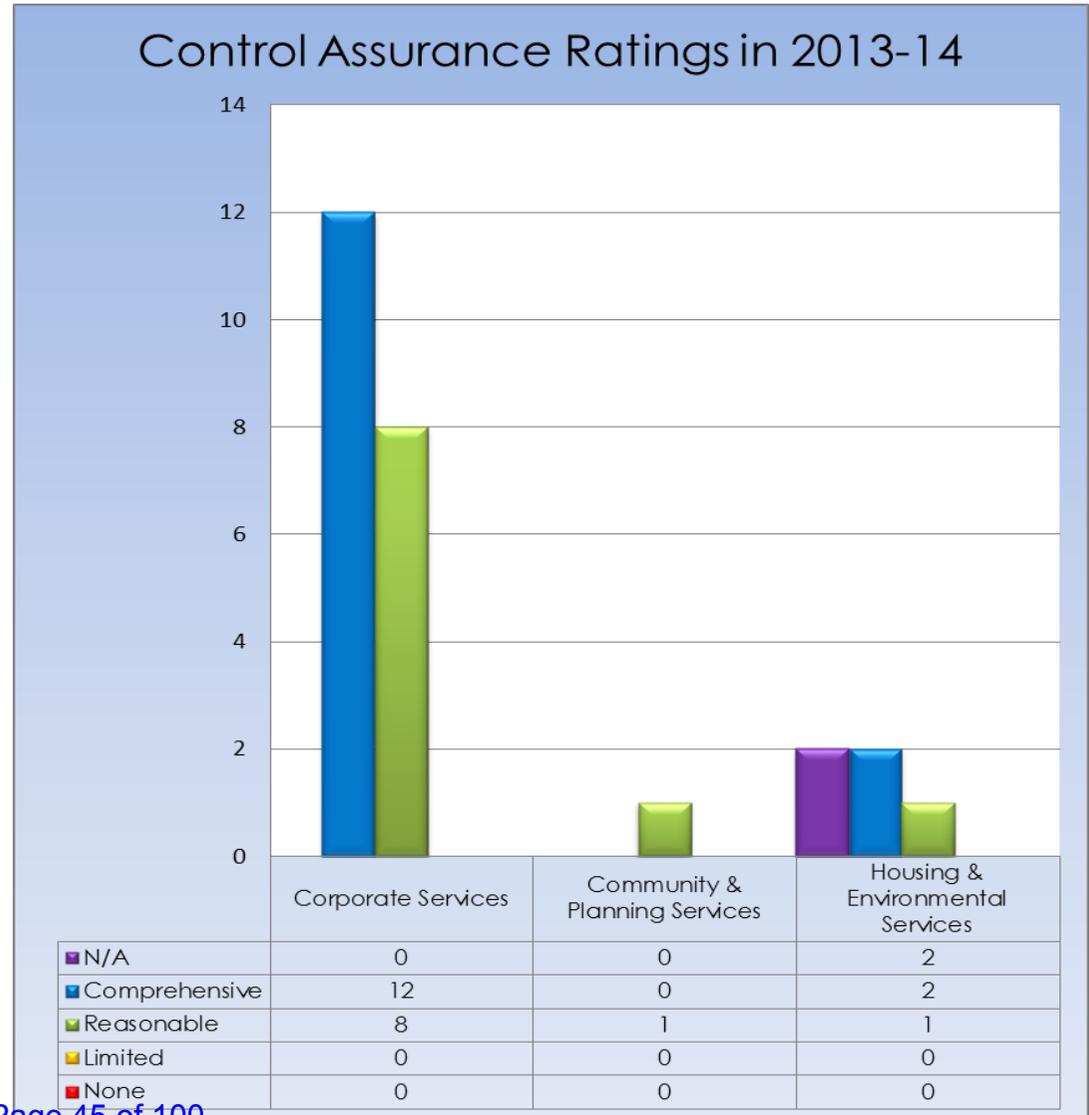


3 Control Assurance Ratings

All audit reviews contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. These are graded as either:

- **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.
- **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.

This report rating is determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. A summary of control assurance ratings given by directorate for 2013/14 is shown in the table across.



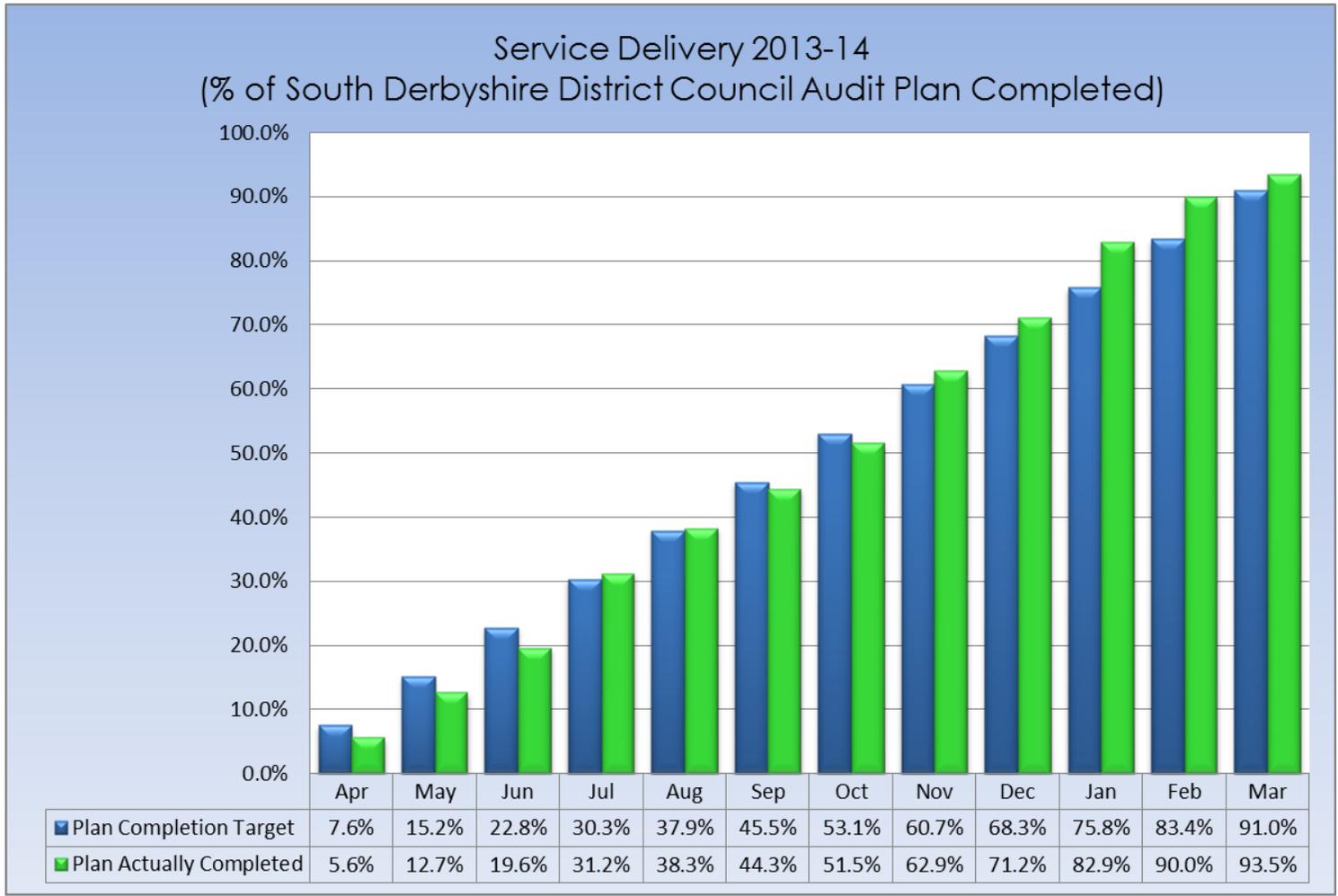
4 Performance Measures

Service Delivery (% of Audit Plan Completed)

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

Shown across is the estimated percentage complete for South Derbyshire's 2013-14 Audit Plan (including incomplete jobs brought forward from the 2012-13 Audit Plan) at the end of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.



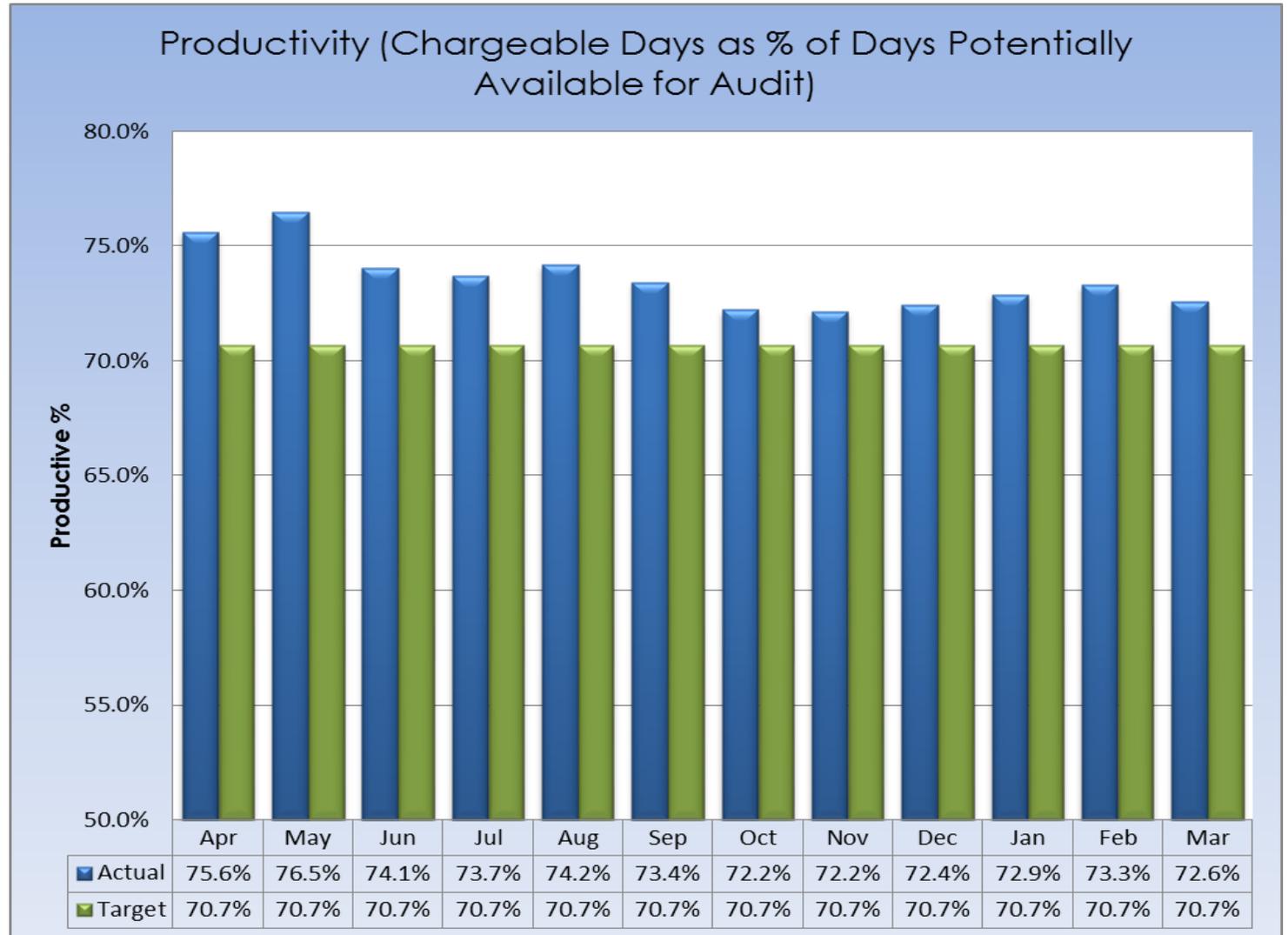
5 Performance Measures

Productivity (Chargeable Days as % of Days Potentially Available for Audit)

Audit staff record the time they spend on audit assignments, administration and management in our bespoke database. Every minute worked is logged against an appropriate code. This time is analysed and compared to planned audit work

Time is analysed between Productive and Non-productive time. We aim to achieve a target productive rate of 70.7% for the year. The average productive rate for the year was 72.6%.

The chart opposite shows how the productivity of the team has fluctuated over the year.



6 Customer Satisfaction Returns

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. Appendix A summarises the average score for each category from the 24 responses received. The average score from the surveys was 47.6 out of 55. The lowest score received from a survey was 40, while the highest was 55.

The overall responses are graded as either:

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

Overall 12 of 24 responses categorised the audit service they received as excellent and another 12 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.

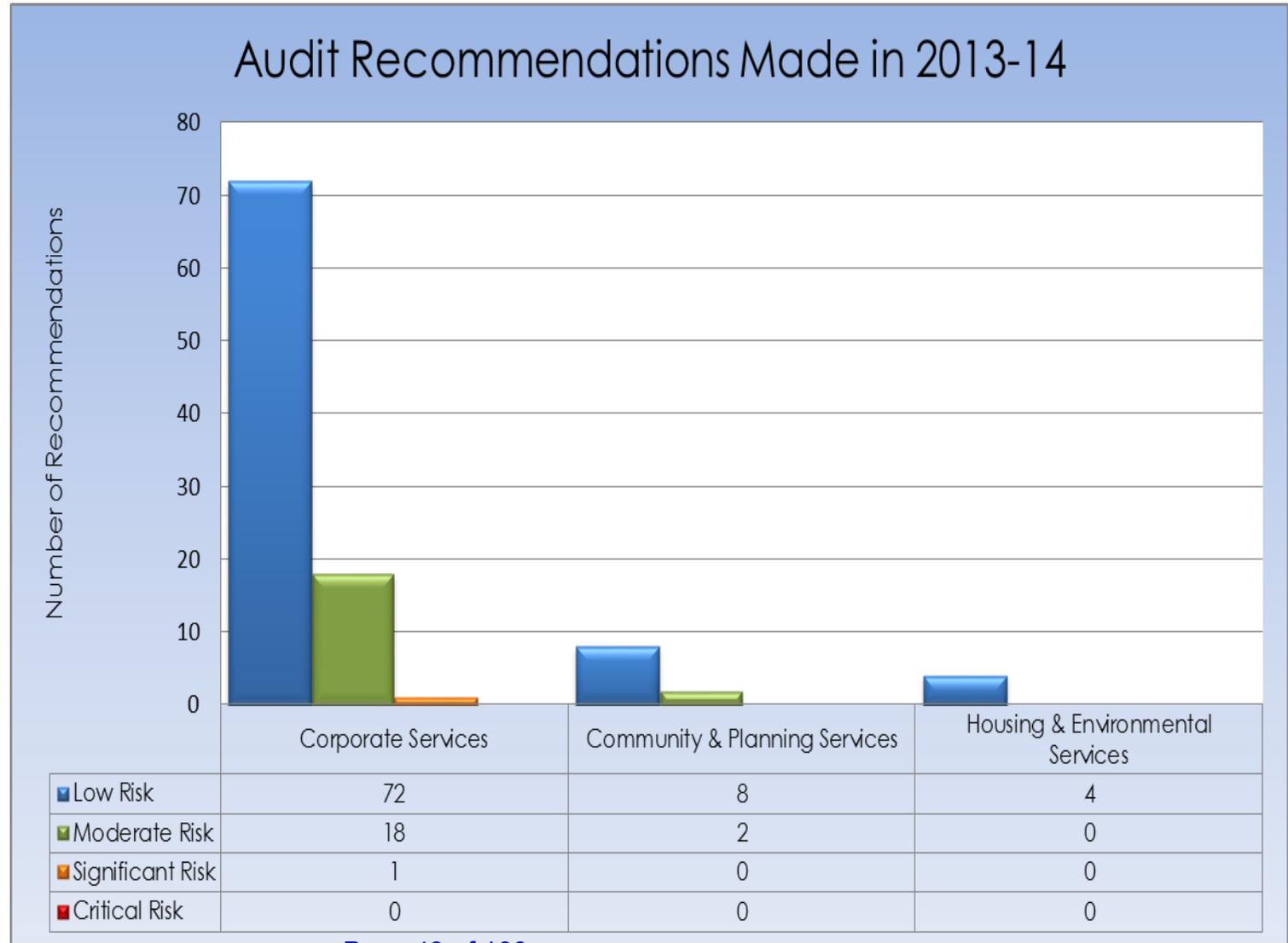


7 Audit Recommendations

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

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

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine. A summary of recommendations made by directorate for 2013/14 is shown in the table across.



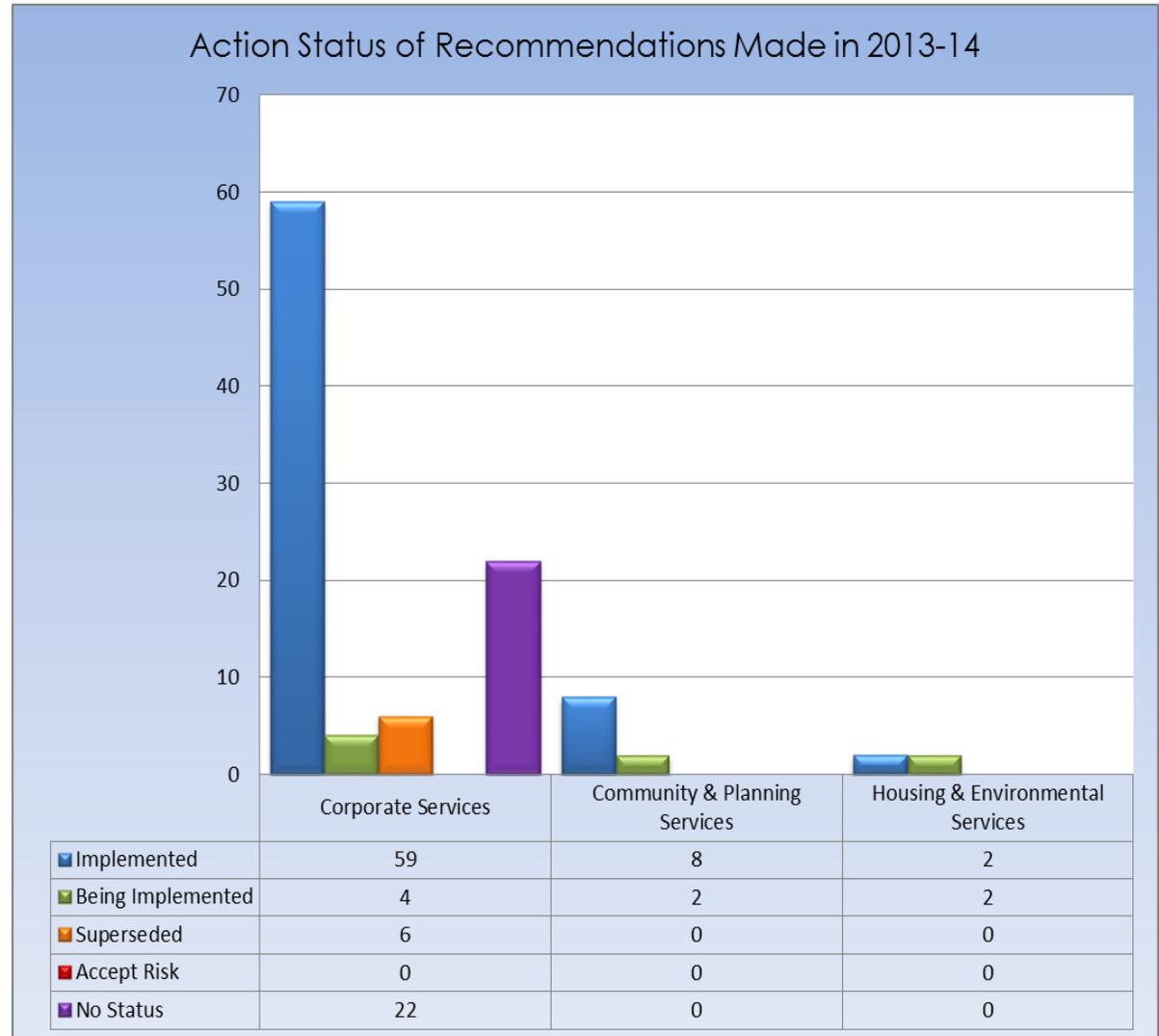
8 Recommendations Action Status

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

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

- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date).
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Accept Risk** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **No Status** = Either Audit have been unable to ascertain any progress information from the responsible officer or the recommendations haven't reached their agreed action date.

A summary of the action status of recommendations by directorate for 2013/14 is shown in the table across.



REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	18th JUNE 2014	CATEGORY: DELEGATED
REPORT FROM:	LEGAL & DEMOCRATIC SERVICES MANAGER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR ardip.kaur@south-derbys.gov.uk	DOC: u/ks/governance/local code/june14/update report june14
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE – ANNUAL REVIEW 2013/14	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

- 1.1 That the annual assessment of the Council's Local Code of Corporate Governance for 2013/14 is approved.
- 1.2 That progress on the work plan for 2013/14 is approved.

2.0 Purpose of Report

- 2.1 To provide an annual assessment against the Council's Local Code of Corporate Governance, together with progress on the work plan contained in the statutory Governance Statement.

3.0 Detail

- 3.1 The current Local Code of Corporate Governance was adopted by the Council in 2008. It is based on a best practice document and principles which were founded by the professional organisations SOLACE and CIPFA. The local code provides evidence of how the Council has fulfilled or intends to fulfil its commitment to corporate governance.
- 3.2 Under its terms of reference, the Committee is required to review compliance against six core principles on which the Code is based. These principles and the local action plan are a fundamental part of the Council's Annual Governance Statement; this is subject to External Audit review as part of the annual accounts process.

What is Corporate Governance?

- 3.3 Corporate Governance is the system by which a Council directs and controls its functions and relates to its community. Good Corporate Governance is essential in demonstrating there is credibility and confidence in the public

services provided. Sound arrangements are founded upon openness, integrity and accountability, together with the over-arching concept of leadership.

The Purpose of the Local Code of Governance

3.4 The Local Code of Governance is a single document that aims:

- To serve as a management tool for reviewing and monitoring existing Corporate Governance arrangements.
- To ensure that evidence about governance arrangements is available and to fulfil statutory commitments required in the Annual Governance Statement.
- To help develop plans for improving arrangements for Corporate Governance

How Governance Arrangements are Measured

3.5 The local code is based on six core principles:

1. Focusing on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area.
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

3.6 The assessment for 2013/14 is detailed in **Appendix 2**. This largely remains unchanged from the previous year; it is considered that the Council continues to have adequate arrangements in place that meet the requirements of good corporate governance.

3.7 The assessment helps to identify internal issues and new external requirements that need to be addressed to ensure that the Council maintains effective governance arrangements.

Work Plan 2013/14

- 3.8 This is then formulated into a work plan that aims to meet any new requirements or identified areas of risk. The work plan approved for 2013/14 with progress is set out in **Appendix 1**.
- 3.9 The work plan was mainly completed in the year, with a couple of areas being carried forward into 2014/15. These relate to induction training for members and the development of neighbourhood plans for parish councils.

Work Plan 2014/15

- 3.10 The proposed work plan for 2014/15 is set out in the Annual Governance Statement which is subject to a separate report on this Committee's Agenda. This plan has been informed by the updated assessment of the Local Code and includes areas carried forward from 2013/14.

4.0 Financial Implications

- 4.1 None.

5.0 Corporate Implications

- 5.1 The Code covers all of the Council's activities and compliance with it affects all services.
- 5.2 The self assessment process is an important element in ensuring that the Council keeps under review its Local Code of Corporate Governance in order to continue to maintain the six core principles.

6.0 Community Implications

- 6.1 A key aim of the Council is community leadership, which is concerned with the style and manner in which the Council operates and how it relates to local people and partners. One important aspect included in this aim is the policies and arrangements for corporate governance.

7.0 Background Papers

- CIPFA/SOLACE publication "*Delivery Good Governance in Local Government*".

APPENDIX 1: GOVERNANCE WORK PLAN 2013/14

Work Area	Timescale	Responsible Officer	Progress as at March 2014
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	Completed and included in this report
A new Leadership and Development Programme for Managers	Expected to commence in October 2013	Director of Housing and Environmental Services	<p>Independent service provider appointed.</p> <p>Discussions held on specific programmes and affordability.</p> <p>Following the conclusion of the Budget Round for 2014/15 which confirmed resources, a training and development programme is now planned to commence in September 2014.</p>
On-going review of Members' training and development and in particular, their role and responsibilities as community leaders	March 2014	Legal and Democratic Services Manager	No further action undertaken in the year; new induction process for Members to be formulated ahead of the next District Council Election in May 2015.
Application of the new Internal Auditing Standards for the Public Sector	March 2014 with a progress report in September 2013	Director of Finance and Corporate Services	<p>Completed.</p> <p>Detail of the new standards and areas to be addressed were reported to the Committee in September 2013.</p> <p>Subsequently, the Committee approved a revised Audit Charter and a new Quality Assessment and Improvement Programme in December 2013.</p>

Introduction of E-Committees	October 2013	Legal and Democratic Services Manager	Implemented
Development of Neighbourhood Plans for local communities	March 2014	Director of Community and Planning Services	Seminars have been held with Parishes and the Council's Community Partnership Officer has attended Parish meetings to provide further advice. No formal approaches have been received from Parishes as yet; this will be kept under review with the development of the Local Plan in 2014/15.
Update the Council's Scheme of Delegation to reflect the Council's new structure	July 2013	Legal and Democratic Services Manager	Completed Updated scheme approved by the Council in September 2013.
Review Whistleblowing policy	December 2013	Director of Finance and Corporate Services	Completed The Code was updated in September 2013 following legislative changes which came into effect on 25 th June 2013. Changes were made to clarify what constitutes a qualifying disclosure under the policy, how potential breaches of employment contracts should be dealt with, together with protection afforded to whistle blowers.
A Review of the Corporate Plan, 2009 - 2014	March 2014	Director of Finance and Corporate Services	Completed Updated priorities and targets for 2014/15 were considered and approved by the Council on 3 rd April 2014.

Self Assessment of Performance under Local Code of Corporate Governance

PRINCIPLE 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

How the principles of corporate governance should be reflected
Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcomes for citizens and service users (1 – 4)
Ensuring that users receive a high quality service, whether directly or in partnership, or by commissioning (5 & 6)
Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money (7)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
1) Develop and promote the Council's purpose and vision	Chief Executive	Council's Vision Statement – used as a basis for: <ul style="list-style-type: none"> • Corporate Plan 2009 to 2014 • Corporate Action Plan 2013/14 • Service planning • Communications Strategy • Communications Campaigns • Consultation Strategy • Corporate Communications Team • Annual Report • South Derbyshire's Sustainable Community Strategy 2009-2029 • Area profile information • Corporate Identity Guidelines 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
2) Review on a regular basis the Council's vision for the local area and its implications for the Council's governance arrangements	Chief Executive	<ul style="list-style-type: none"> • Annual review of Corporate Action Plan • Periodic review of Sustainable Community Strategy • Six monthly self-assessment of governance arrangements • Annual report on South Derbyshire Partnership (SDP) • Presentation to Full Council from SDP 	4	Development of the Core Strategy/Local Plan – this is currently in progress.
3) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Partnership Agreements/Terms of Reference in place for SDP and Safer South Derbyshire Partnership (SSDP) • South Derbyshire's Sustainable Community Strategy 2009-2029 • Community/Parish Plans in place • Partnership Year End Reports • Service Planning • Recommendations implemented following Internal Audit on partnerships in 2011/12 	5	
4) Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Corporate Plan • Statutory Statement of Accounts • External Audit Management Letter • Annual Budget Report • Medium Term Financial Plan • Council Tax leaflet • Annual Report 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
5) Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Director of Finance and Corporate Services	This information is reflected in the Council's: <ul style="list-style-type: none"> • Locally defined Key Performance Indicators (KPIs) • Development of a Customer Charter • Citizens Panel • Annual Ombudsman's Report • Complaints Scheme – on website • Service Plans • Quarterly performance reports to policy Committees • Performance Management System • Overview and Scrutiny Committee • Achievement of Environmental Standard ISO14001 	5	
6) Put in place effective arrangements to identify and deal with failure in service delivery	Corporate Management Team	<ul style="list-style-type: none"> • Governance arrangements in place for the management of Corporate Services contract • Business Continuity Plans containing Accommodation Strategy • Ombudsman's Complaints Procedure • Reporting of Complaints to Committee • Overview and Scrutiny Committee • Performance Management System • External Audit • Risk Management Strategy with reports to Committee • Medium Term Financial Plan • Quarterly performance reports to Policy Committees • Service Planning 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
<p>7) Decide how value for money is to be measured and make sure that the Council or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions</p>	<p>Director of Finance and Corporate Services</p>	<p>The results are reflected in the Council's performance plans and in reviewing the work of the Council e.g.</p> <ul style="list-style-type: none"> • Value for Money framework • Cost Comparator Assessment • Business Improvement Board • Service Planning • Procurement Strategy • Environmental Policy • Annual Audit Management letter • South Derbyshire's Sustainable Community Strategy • Maintenance of a prudential financial framework in line with CIPFA's code • Governance arrangements in place for the management of Corporate Services contract • Performance reports • Achievement of Environmental Standard ISO14001 • Rolling programme of Transformational Reviews through the Corporate Services Partnership 	<p>5</p>	

PRINCIPLE 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles

How the principles of corporate governance should be reflected
Ensuring effective leadership throughout the Council and being clear about Council functions and of the roles and responsibilities of the scrutiny function (8 & 9)
Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Council Members and Officers are carried out to a high standard (9 – 13)
Ensuring relationships between the Council and the public are clear so that each knows what to expect of the other (14 – 19)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
8) Set out a clear statement of the respective roles and responsibilities of Council Members and of senior officers	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Constitution • Member training and development programme for statutory functions such as Planning and Licensing • Role definitions of Senior Officers • Senior Officers job description • Officers Employment Procedure Rules • Protocol on Member/Employee Relations • Role Profiles of Members • Monitoring Officer Protocol • Section 151 Officer and Monitoring Officer report directly to the Chief Executive • The Council's CFO (Section 151 Officer) is a member of the Corporate Management Team 	4	Members' training and development programme to be reviewed to include a new induction process

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
9) Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Constitution (part 3) • Scheme of Delegation (Updated in July 2013) • Monitoring Officer 	5	
10) Ensure the Chief Executive is fully responsible and accountable to the Council for all aspects of operational management	Chief Executive	<ul style="list-style-type: none"> • Constitution • Conditions of Employment • Scheme of Delegation • Statutory provisions • Job Description/Specification • Performance Management system • Annual Performance Development Review 	5	
11) Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Chief Executive	<ul style="list-style-type: none"> • Scheduled regular meetings with Leader/ Deputy of both the Controlling and Opposition Groups with the Chief Executive • Leading Members meet regularly with Corporate Management Team • Protocol on Member/Employee relations 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
12) Ensure the S151 Officer is fully responsible to the Council for giving appropriate advice on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	Chief Executive	<ul style="list-style-type: none"> • Section 151 Officer appointment • Statutory provision • Statutory reports • Budget documentation • Job Description/Specification • Committee report template • Annual Performance Development Review • Financial Procedure Rules and Regulations • Compliance with the statement on the role of the Chief Finance Officer in Local Government 	5	
13) Ensure the Monitoring Officer is fully responsible to the Council for making sure that agreed procedures are followed and that all applicable statutes and regulations are complied with	Chief Executive	<ul style="list-style-type: none"> • Monitoring Officer appointed • Job Description/Specification • Annual Performance Development Review • Monitoring Officer Protocol 	5	
14) Develop protocols to ensure effective communication between Members and officers in their respective roles	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Planning Good Practice protocol • Protocol on Use of IT by Members • Licensing Protocol and Procedure • Protocol on Member/Employee relations • Use of Member Champions • Members' Code of Conduct • Committee structure • Constitution 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
15) Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)	<p>Legal and Democratic Services Manager</p> <p>Director of Finance and Corporate Services</p>	<ul style="list-style-type: none"> • Independent Remuneration Panel – review of Members' Allowances and Chief Officer Salaries • Members' Allowances Scheme • National (NJC) Pay and Conditions • Contracts of Employment for Officers • Pay Policy published 	5	
16) Ensure that effective mechanisms exist to monitor service delivery	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Data Quality Strategy and Action Plan • Data Quality Annual Audit • Performance Management system – reporting to Policy Committees • Scrutiny arrangements in place • Council wide Performance Management System which include Corporate and local indicators 	5	
17) Ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms and, in consultation with the local community and other key stakeholders, that they are clearly articulated and disseminated	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Area Forums/Safer Neighbourhood meetings • Parish Liaison Meetings • Citizens Panel • Local Priorities consultation • Corporate Communications Team • Area Profiles • Corporate Consultation Strategy • Corporate Communications Strategy • 5 year medium term corporate and financial planning process • Annual reports • SDP • Local events – such as Liberation Day, South Derbyshire Day and Healthier South Derbyshire Day 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
18) When working in partnership, ensure that Members are clear about their roles and responsibilities, both individually and collectively in relation to the partnership and to the Council	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • All Financial Partnership agreements contain "terms of reference" • Constitution (Article 10) • Code of Conduct for Representatives on Outside Bodies • Member's Role profiles 	5	
19) When working in partnership: <ul style="list-style-type: none"> ◆ ensure that there is clarity about the legal status of the partnership ◆ ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Legal status of Financial Partnerships and authority to bind partners are defined in their "terms of reference" e.g. SDP, SSDP • A number of key partnerships in place e.g. ARCH, Northgate and Law Public 	5	

PRINCIPLE 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

How the principles of corporate governance should be reflected
Ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance (20 – 22)
Ensuring that organisational values are put into practice and are effective (23 – 27)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
20) Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Chief Executive	<ul style="list-style-type: none"> • Core/Team Briefings • IIP Accreditation • Joint Consultative Committee • Joint Negotiating Group • Members' and Officers' Code of Conduct • Regular staff meetings • Committee Meetings open to public • "Better" Newsletter and Blogs • Employee Survey • PDR Scheme. • Competency Framework for all posts in the Council. • Planning for the Future sessions • Management Development Programme 	5	
21) Ensure that standards of conduct and personal behaviour expected of Members and officers, of work between Members and Officers and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols	<p>Legal and Democratic Services Manager</p> <p>Director of Finance and Corporate Services</p>	<ul style="list-style-type: none"> • Members'/Officers' Code of Conduct • Complaints procedures • Ombudsman Complaints Procedure • Anti-fraud and corruption policy • Confidential reporting code • Protocols on Member/Employee Relations • Protocol on Use of IT by Members • Planning Code of Good Practice • Financial procedure rules • Induction process 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
21) cont/.....		<ul style="list-style-type: none"> • Procurement Strategy • Employment policies • Code of Conduct for Representatives on Outside Bodies • Standards Committee with Independent persons • Performance Development Reviews for Officers • Members' Handbook • Performance Management system • Members' Register of Interests and Officer Gifts and Hospitality Register • Competency Framework for Senior Managers • Whistleblowing Policy 		
22) Put in place arrangements to ensure that Members and Officers of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Members' and Officers' Code of Conduct • Standards Committee • Planning Code of Good Practice • Corporate Equality and Fairness Scheme • Equality and Fairness training • Member's Interests, Gifts & Hospitality Registers in place which are monitored • Employees sign-up to Conditions of Service as part of employment • Anti-fraud and Corruption Policy • Complaints procedure • Tendering and Procurement processes • Audit Sub-Committee review instances of fraud and corruption <p><i>cont/.....over</i></p>	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
22) cont/....		<ul style="list-style-type: none"> • Officer Gifts & Hospitality Register monitored 		
23) Develop and maintain shared values including leadership values for both the Council and officers, reflecting public expectations and communicate these with Members, officers, the community and partners	Chief Executive	<ul style="list-style-type: none"> • Corporate Leadership and Management Programme • Planning for the Future sessions • PDR Scheme • Competency Framework for all posts in the Council. • Corporate Plan • Codes of Conduct • Council's Values • Communicate via Team Brief/Blogs/Better • Staff Briefings • Members' Bulletin • Key Corporate Messages from CMT • Community Strategy • Corporate Communications Team • Communication Campaigns 	5	
24) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Codes of Conduct for Members and Officers • Standards Committee training • Equality training for staff/Members • Corporate Equality and Fairness Scheme • Council's Values • Leadership and Management Development Programme 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
25) Develop and maintain an effective Standards Committee	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • New Standards Committee introduced in July 2012. • Annual Report to Full Council • Standard's hearings and outcomes • Training • Supported by legal professionals 	5	
26) Use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council	Chief Executive	<ul style="list-style-type: none"> • Council's Values • Various implications set out in all Committee agenda paperwork to aid decision making process • Open decision making structure • Appropriate use of "exempt reports" • Web based Committee documentation system 	5	
27) In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour, both individually and collectively	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Protocols for partnership working and minutes of meetings e.g. SDP • South Derbyshire Crime and Disorder Partnership • South Derbyshire's Sustainable Community Strategy 2009-2029 • Governance arrangements for the Corporate Services Partnership 	5	

PRINCIPLE 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

How the principles of corporate governance should be reflected
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny (28 – 32)
Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs (33 – 34)
Ensuring that an effective risk management system is in place (35 & 36)
Using their legal powers to the full benefit of the citizens and communities in their area (37 – 39)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
28) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Overview and Scrutiny Annual Report to Council • Training of Scrutiny Members • Call-in procedure • Annual scrutiny work plan • Scrutiny function make recommendations for budget reviews and resource allocations and have been instrumental in pursuing external issues such as improved Broadband facilities for the District 	5	
29) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Committee report templates set out all relevant considerations • Web based Committee documentation system • Attendance by qualified and experienced Democratic Services professionals at all meetings to record discussions, decisions and to ensure proper conduct 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
30) Put in place arrangements to safeguard Members and Officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	Legal and Democratic Services Manager Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Members' and Officers' Code of Conduct • Protocol on Employee/Member Relations • Monitoring Officer in post • Whistleblowing Policy • Planning Code of Good Practice • Code of Conduct for Representatives on Outside Bodies • Training and induction process for Members • Gifts/Hospitality Register for Members and Officers 	5	
31) Develop and maintain an effective Audit Sub-Committee	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Committee in place with constituted Terms of Reference • Training for Committee Members • Annual self-assessment checklist • Audit Manager has direct access 	4	Keep under review requirement to have independent chair of Audit Sub-Committee.
32) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Comments, Compliments and Complaints Scheme • Open reporting of complaints to Finance and Management Committee • Ombudsman's Annual Letter reported • Ombudsman's Complaints Procedure • Whistleblowing Policy • Petitions Scheme 	5	
33) Ensure that those making decisions, whether for the Council or the partnership, are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Members' Induction Programme • Committee report template includes provision to show financial, legal, risk, environmental, etc. considerations • Committee timetable allows for consultation and review prior to report issue 	5	

cont/...over

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
33) cont/.....		<ul style="list-style-type: none"> • Open Member briefings for technical and complex reports • Pre agenda meetings with both Lead and Opposition Groups 		
34) Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Committee template requires financial implications to be laid down in reports • Draft reports discussed at pre-meetings • Corporate Management Team oversee reports for major issues • Advice provided on levels of reserves and balances • Legal, HR and Finance implications flagged in Committee Reports 	5	
35) Ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their jobs	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Risk Management Strategy and Policy Statement • Included in Financial Procedure Rules • Risk Analysis in Corporate Plan and Services Plans • Staff/Members attend risk awareness training • Emergency Planning system in place • Business Continuity Plans • Audit review in 2012/13 confirmed good risk management framework in place with focus good across the Council 	5	
36) Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the Council have access	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Regularly reviewed whistleblowing reporting code available on website (updated in October 2013). • Anti-fraud and Corruption Policy • Monitoring Officer and S151 Officers in post 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
37) Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their communities	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Constitution • Monitoring Officer/ S151 Officer • Member Protocol • Planning Code of Good Practice • Member Induction process • Standards Code of Conduct • 	4	Review of Member's Induction process.
38) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Circulation of reports prior to going to Committee • Monitoring Officer and S151 Officers in post • Decisions and Recommendations from Committee 	4	Review of Member's Induction
39) Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice – into their procedures and decision-making processes	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Monitoring Officer's provision • Job Description/Specification • Statutory provision • Article 12 of the Constitution • Continuous professional training for Members and Officers where appropriate, for example in Planning and Licensing. • Decisions and Recommendations from Committee 	4	Review of Member's Induction

PRINCIPLE 5: Developing the capacity and capability of Members and officers to be effective

How the principles of corporate governance should be reflected
<p>Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles (40 & 41)</p> <p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group (42 – 44)</p> <p>Encouraging new talent for Membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal (45 & 46)</p>

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
40) Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Training and Development Plan • E-Induction Programme for Officers • Induction Programme for Members • Performance Development Reviews for Officers • Member Champions for several work areas • E-learning resources • Training events for all Members • Access to regional training sessions and seminars 	4	Review of Member's Induction process.
41) Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council	Chief Executive	<ul style="list-style-type: none"> • Job Description/Person Specifications • Article 11 in Constitution • Performance Development Reviews • S151 and Monitoring Officers have support from professional organisations 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
42) Assess the skills required by Members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Member and Officer training and development programme • Member and Officer training budget • PDR Scheme • IIP accreditation • Competency Framework for all posts in the Council. • Specific training for Standards, Planning, Licensing and Audit Sub-Committee • Leadership and Management Development Programme for all managers • Planning for the Future sessions • Workforce Development Strategy reviewed on an annual basis 	5	
43) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Training and development frameworks • PDR Scheme • Competency Framework for all posts in the Council. • Leadership and Management Development Programme for all Managers • IIP accreditation • Partnership with Law Public to provide resources and independent advice on legal issues as required • Use of field experts for major projects such as plans to deliver new housing and major procurement exercises 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
44) Ensure that effective arrangements are in place for reviewing the performance of the Council as a whole and of individual Members and agreeing an action plan which might, for example, aim to address any training or development needs	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Training and development courses • Call-in arrangements • Corporate Plan 2009-2014 - reviewed annually • Annual Report • Appointment of Training Champions • PDR Scheme and Training Plans for Officers • Workforce Development Strategy 2009-2014 • Scrutiny Function 	5	
45) Ensure that effective arrangements are in place, designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Corporate Equality and Fairness Scheme • Citizens Panel • Communities and Equalities Forum • Parish Liaison Meetings • Communication Strategy • Consultation Strategy • Area Forums • Flood Liaison Forums • Public participation at Planning meetings • Local Democracy Week • EIRA screening on key policy documents • 'Achieving' status under National Equality Framework • Area Forums/Safer Neighbourhood Meetings 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
46) Ensure that career structures are in place for Members and Officers to encourage participation and development	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Workforce development in Service Plan • Leadership and Management Development Programmes • Post-entry Training Scheme • Career Graded Posts • Modern Apprenticeships • IIP accreditation • Corporate Workforce Development Strategy • Recruitment and Selection Policy • Role Profiles for Members • Modern Apprenticeship Schemes and career graded posts for Officers • PDR Scheme • Competency Framework for all posts in the Council. 	5	

PRINCIPLE 6: Engaging with local people and other stakeholders to ensure robust public accountability

How the principles of corporate governance should be reflected
Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships (47 – 49)
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning (50 – 55)
Making best use of human resources by taking an active and planned approach to meet responsibility to staff (56)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
47) Make clear to ourselves, all Officers and the community to whom they are accountable and for what	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • South Derbyshire's Sustainable Community Strategy • Corporate Plan 2009/14 • Job Descriptions • Person Specifications • Annual Report 	5	
48) Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required	Corporate Management Team	<ul style="list-style-type: none"> • South Derbyshire Crime and Disorder Partnership • Parish Liaison Meetings/Flood Liaison Meetings • Area Forums/Safer Neighbourhood Meetings • Derbyshire Sustainable Community Strategy • SDP Board • Derbyshire Economic Partnership 	5	
49) Produce an annual report on the activity of the scrutiny function	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Annual report to Council <p style="text-align: center;">Page 78 of 100</p>	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
50) Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Communications Strategy, including campaign evaluation • Consultation Strategy • Citizens Panel • Updated Website • Communities and Equalities Forum • Corporate Communications Team • Monthly Media Report • Petitions 	5	
51) Hold meetings in public, unless there are good reasons for confidentiality	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Open Committee Meetings 	5	
52) Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Complaints Scheme • Tenants' forum • Communities and Equalities Forum • Parish Liaison Meetings • Housing News • Crime and Disorder Partnership • Communications Strategy • Consultation Strategy • Equality and Fairness Scheme • Language Line/Translation Service • Citizens Panel • Area Forums/Safer Neighbourhoods <p style="text-align: right;"><i>cont/....over</i></p>	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
52) cont/.....		<ul style="list-style-type: none"> • Petitions Scheme • Hearing Loops • Housing Allocation Policy • "Get South Derbyshire Active" Project • Unauthorised Encampment of Traveller's Policy • Youth Engagement through Sport Project • Neighbourhood Watch Schemes • Safer Neighbourhood Wardens • Liberation Day 		
53) Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Corporate Plan 2009-2014 • Citizens Panels and Forums • Consultation Strategy • Communications Strategy • Corporate Communications Team • Communication Campaigns • Area Forums • Parish Liaison Meetings • Petitions • Annual Report 	5	
54) On an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements, as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Annual financial statements • Corporate Plan 2009-2014 • Annual Service Plans • Annual Report • Annual Audit Management Letter • Year End Performance Report • Council Tax Leaflet 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
55) Ensure that the Council as a whole is open and accessible to the community, service users and its officers and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Constitution • Consultation Strategy • Agenda and Minutes of Committee Meetings published on internet • Freedom of Information policy • Data Protection policy • A – Z of Services • Communications Strategy • Comments, Compliments and Complaints Scheme • Access Strategy • Petitions • Pay Policy Statement • Publication of over £200 spend on website 	4	New Transparency Code applies from April 2014. Additional requirements to regularly publish certain information as a matter of course.
56) Develop and maintain a clear policy on how Officers and their representatives are consulted and involved in decision making	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Constitution • Joint Consultative Committee • Joint Negotiating Group • "Better" Newsletter/Blogs • Team Meetings • Planning for the Future sessions • Trade Union's Facilities Agreement • Guidance on Organisational Change • Joint Health & Safety Committee • Employee Forum • Partnership Liaison Group 	5	

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	18th JUNE 2014	CATEGORY: RECOMMENDED
REPORT FROM:	LEGAL and DEMOCRATIC SERVICES MANAGER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) ardip.kaur@south-derbys.gov.uk	DOC: u/ks/governance/AGS/2014/committee report1314
SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2013/14	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS04

1.0 Recommendations

- 1.1 To recommend to Finance and Management Committee the Annual Governance Statement (AGS) for the year ended 31st March 2014 and its publication within the Statement of Accounts for 2013/14.
- 1.2 To authorise the Leader of the Council and Chief Executive Officer to sign the Annual Governance Statement.

2.0 Purpose of Report

- 2.1 To submit the Council's Annual Governance Statement (AGS) for 2013/14 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

- 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 2013/14 is attached. It is led by the Council's Monitoring Officer in consultation with the Council's Chief Officers. The AGS has been produced in accordance with the CIPFA guidelines and includes commentary on:

- the governance environment and how this is reviewed to determine its effectiveness; and
- issues of significance that require addressing as part of the review of effectiveness

3.5 A Work Plan, considered and approved by the Committee in June 2013, was progressed during 2013/14 to address some issues identified to maintain and strengthen the governance environment. These were:

- Continuing to review the Local Code of Corporate Governance half yearly
- A new Leadership and Development Programme for Officers
- An on-going review of Members Training and the induction process
- Application of the new Internal Auditing Standards for the Public Sector
- Introduction of E-committees to make greater use of IT in local democracy
- Introducing a policy for developing Neighbourhood Plans in local communities
- Updating the Scheme of Delegation to reflect the new Council structure
- Reviewing the Whistleblowing Policy following new legislation that was expected in October 2013

3.6 The proposed plan for 2014/15 is also detailed in **Appendix 1** of 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:

- Expanding the publication of "open data" in accordance with the Government's new Transparency Code for Local Government.
- Implementing a Data Management Policy to provide a consistent process corporately, to ensure that data handled at the Council is kept secure and then stored and destroyed in accordance with regulations.

3.7 Primarily, these areas have been highlighted from a review of the Local Code of Corporate Governance, audit work during 2013/14, the Council's improvement programme, together with changes in legislation. The work plan will be monitored through the Local Code.

4.1 None directly.

5.0 Corporate Implications

5.1 Corporate governance affects the whole authority, and all members of senior management have been consulted and made aware of its contents.

5.2 The AGS itself will be signed by the Council's Leader and most senior officer, the Chief Executive. This emphasises that corporate governance goes to the heart of the leadership and management of South Derbyshire District Council.

6.0 Community Implications

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

7.0 Background Papers

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

ANNUAL GOVERNANCE STATEMENT 2013/14

A SCOPE OF RESPONSIBILITY

South Derbyshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act of 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Consequently, the Council has formulated a 'Local Code of Corporate Governance', which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. This Code is subject to a half-yearly review and is monitored by the Council's Audit Sub Committee. The latest version of the Code is available at:

http://www.south-derbys.gov.uk/council_and_democracy/standards_and_behaviour/default.asp

This Annual Governance Statement explains how South Derbyshire District Council has complied with the Local Code of Corporate Governance and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

B THE PURPOSE OF THE GOVERNMENT FRAMEWORK

The Governance Framework comprises:

- The systems and processes, culture and values, by which the Council is directed and controlled.
- The activities through which it accounts to, engages with and leads the community.

It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate economical, efficient and effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and strategic objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, in order to manage them efficiently, effectively and economically.

The Governance Framework detailed in this Statement has been in place at South Derbyshire District Council for the year ended 31st March 2014, up to the date that the Annual Report and Statement of Accounts were approved. [Page 85 of 100](#)

C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE

The key elements of the systems and processes that comprise South Derbyshire District Council's Governance Framework are set out in the following sections.

Decision Making

The Council operates under a Constitution. This sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It sets out the individual roles and responsibilities of Members and the three statutory officers (i.e. the Head of Paid service, the Chief Finance Officer and the Monitoring Officer).

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

Policy Making

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

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

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

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

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

Governance and Accountability

The Council designated the Legal and Democratic Services Officer as its Monitoring Officer during 2013/14.

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of the Council's Paid Service (the Chief Executive) and Chief Finance Officer, the Monitoring Officer will report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.

Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

In addition, the Council operates 2 regulatory committees focusing on Development Control (planning applications and enforcement) and a Licensing and Appeals Committee.

Furthermore, a Standards Committee, which contains independent (of the Council) members, oversees the conduct of elected councillors.

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

The Local Code of Corporate Governance

The Council has adopted a National Code developed by CIPFA/SOLACE. The Code is subject to regular six monthly reviews by a Senior Officer Group reporting to the Audit Sub-Committee. This helps to inform this Governance Statement.

Standards of Financial Conduct

Financial management is conducted in accordance with financial management and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Director of Finance and Corporate Services in accordance with Section 151 of the Local Government Act 1972.

This Officer is responsible for making arrangements for the proper administration of financial affairs in accordance with best professional practice.

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

In addition, under the Code of Audit Practice, the Council has a responsibility to ensure that its affairs are managed in accordance with proper standards and to prevent and detect fraud and corruption. The Council has adopted a Fraud and Corruption Strategy.

The financial management system includes:

- A Medium Term Financial Plan linked to Service Plans
- An annual budget cycle incorporating Council approval for revenue and capital budgets, together with a Treasury Management Strategy
- Financial Procedure Rules that are reviewed as required
- Process and procedure guidance manuals
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Proper Accounting Practice and International Financial Reporting Standards
- Regular budget monitoring by budget holders through monthly financial monitoring reports
- Identification of financial risks that are regularly reviewed and updated

Standards of Overall Conduct

Members and Officers of the Council operate under codes of conduct. These codes provide a set of standards of conduct expected of employees at work and for councillors in performing their public duties. In addition, both Members and Officers are required to declare interests and register gifts and hospitality which are valued at over £100.

The codes take into account the requirements of the law and the provisions of official conduct in the appropriate National Conditions of Service (for employees).

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

The Standards Committee is responsible for considering written complaints against elected or co-opted Members of both the District Council and the Parishes of South Derbyshire.

Development of Members and Officers

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

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

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

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

Establishing Council Objectives

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

The Sustainable Community Strategy for South Derbyshire (2009-2029) is co-ordinated by The South Derbyshire Partnership. This sets out the District wide priorities across a range of public service providers that include the District Council, County Council, Police, Health Authority and the Voluntary Sector. This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by addressing issues that are important to the local community, business and service providers.

Compliments and Complaints

The Council has a Corporate Compliments and Complaints Policy. This is used to help identify service improvements from compliments, complaints and other comments received. Information is collated centrally and reported half yearly to the Finance and Management Committee, where performance can be challenged and areas for improvement identified.

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

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

Organisational Assessment and Performance Review

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

In addition to the Annual External Audit placed upon the Council, the main organisational assessment is around Value for Money. This assessment is undertaken by the Council's External Auditors who judge and report on the Council's arrangements for:

- Securing financial resilience
- Challenging and improving value for money

From time-to-time, External Audit also undertakes specific detailed studies on a certain activity or aspect of the Council and makes recommendations for improvement where necessary.

Data Quality

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

Data Management

The Council has a Data Retention Policy which set out its requirements to ensure compliance with Data Protection and Freedom of Information Requirements.

Business Improvement

To support service delivery, the Council has, through its Strategic Corporate Services Partnership with Northgate Public Services, a dedicated Business Improvement Team (BIT). This is intended to co-ordinate greater efficiency and effectiveness in the use of Council resources and works to an improvement programme which is overseen by a Business Improvement Board.

Procurement

The BIT also provides a dedicated central procurement unit to ensure that purchasing is legal, ethical and accountable and is carried out in accordance with regulatory and legislative requirements.

Continuous Service Review

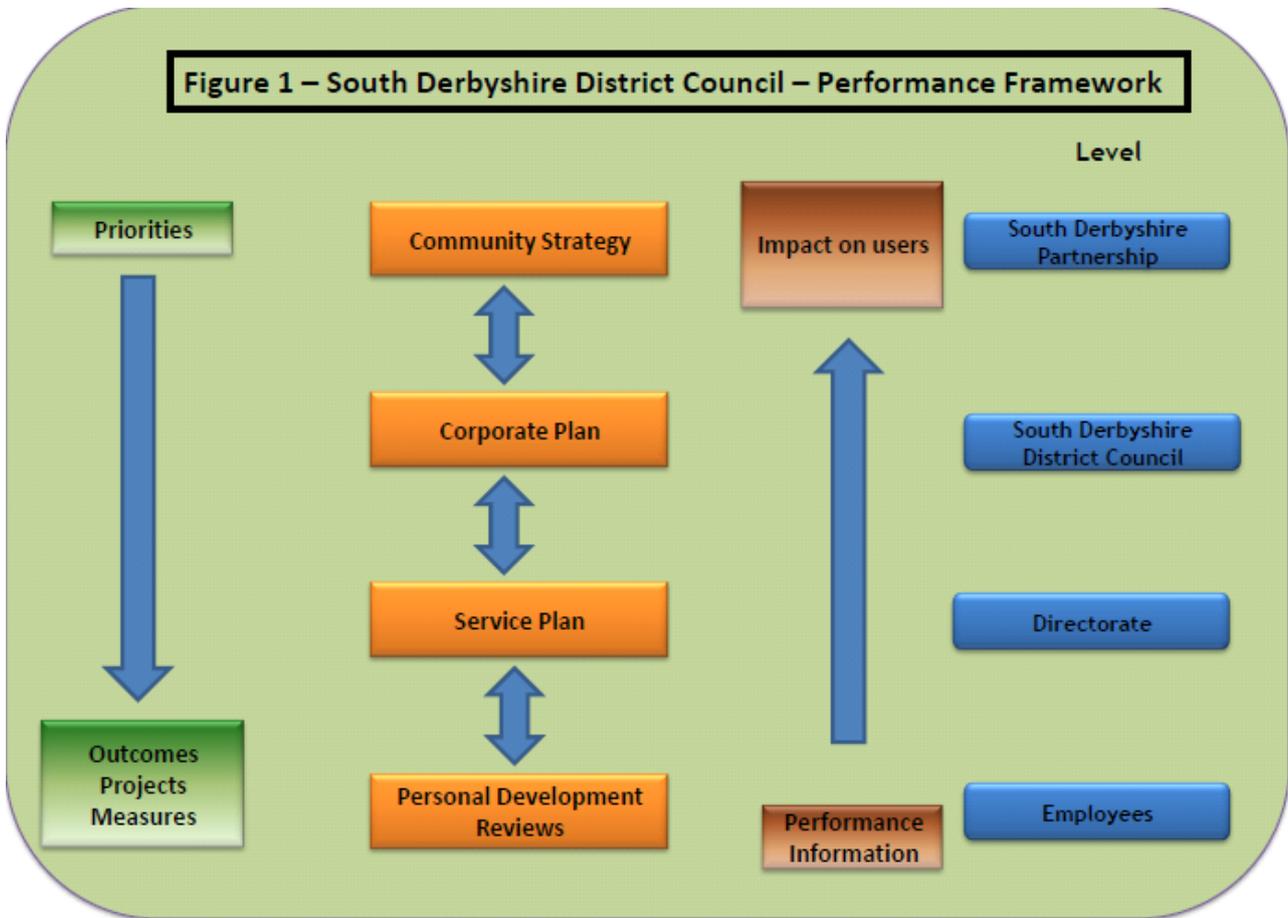
As part of the Strategic Partnership with Northgate, the Council reviews all service areas in the Council on a rolling programme basis. This is designed to identify transformation and efficiency opportunities to ensure that services remain efficient and effective as possible.

The transformation programme aims to identify efficiency savings and in particular cashable/budget savings without adversely affecting service delivery. This has seen significant changes made in “back office” services, with other services areas being reviewed over a 3-year cycle.

Managing Performance

The Council’s performance framework is largely developed from national requirements and regulatory frameworks, together with local issues that are emerging from the Sustainable Community Strategy. An outline of the framework and its components is shown in Figure 1, below.

Figure 1 – South Derbyshire District Council – Performance Framework



The **Community Strategy** sets the long-term vision and community goals for all agencies in South Derbyshire. This was reviewed in 2009 and a new Strategy implemented for the period 2009-2029.

The Council’s **Corporate Plan** describes how the Council provides services to support the Community Strategy and focuses resources on key priorities, together with actions for improvement. This is an integral part of the Council’s Performance Management Framework and the actions set out how key priorities are delivered together with measures of success. The development of the Corporate Plan takes place alongside the development of the Medium Term Financial Plan to ensure that the corporate priorities are fully resourced.

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

Performance Development Reviews provide employees with a clear understanding of how their work is enabling the Council to deliver the priorities detailed in the Corporate Plan, together with identifying their own individual training needs.

Partnership Working

The Council works in partnership with many other public agencies, including the voluntary sector and private organisations to deliver its services. The extent of these partnerships varies across the Authority.

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

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

Risk Management

The Council has adopted a Risk Management Policy Statement, which sets out the principles, responsibilities and commitment to dealing with risk. Backed-up by a detailed strategy, it is effectively the framework for the management of risk throughout the Council.

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

In addition, the Council's Corporate and Financial Plans identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment analysis.

The Council's risk management strategy provides a framework to embed risk within services. It also includes guidance for managers in assessing and treating risk. The Strategy is overseen by a Corporate Risk Management Group.

Internal Audit

Under the Account and Audit Regulations 2003 (as amended) the Council maintains an Internal Audit function, through the Central Midlands Audit Partnership, which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK.

This function provides an independent evaluation on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit undertakes annual work plans, agreed with and monitored by Members and Senior Officers. It provides opinions on internal controls in place to manage risks across the Council's diverse activities. Its plans and outputs are monitored and challenged by the Council's Audit Sub-Committee.

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

Health and Safety

The Council has a Health and Safety Policy and an Annual Action Plan that sets out the Council's commitment to health and safety and identifies those positions with responsibility under the policy. There is also a quarterly Employee Health and Safety Committee, where representatives from the trade unions meet with service managers and Members. The Committee monitors policies, work practices and reviews accident statistics.

The Council's Audit Sub-Committee

Under its terms of reference, the Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment.

It also provides independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment. The Sub-Committee also oversees the Authority's corporate governance arrangements in relation to financial matters

External Scrutiny

Grant Thornton UK is the Council's appointed external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements. This includes reviewing arrangements in place for securing value for money.

The Audit Sub-Committee and Officers of the Council meet regularly with the external auditors to discuss planned and on-going external audit and inspection activity through the Annual Audit Plan.

The Auditors undertake specific reviews each year and issue reports with action plans to aid improvement in specific areas. The Annual Audit Letter summarises the conclusions and significant issues arising out of their audit and other inspections undertaken. The outcome of all inspections and audits are used to plan and improve Council services.

ICT (Information Communication Technology)

The Council would not be able to operate without an effective ICT infrastructure in place. The Council's ICT Strategy is designed to ensure that the appropriate infrastructure is in place to enable the Council to deliver its services effectively and implement the Council's Corporate Plan.

Therefore, the ICT Strategy is aligned to the strategic objectives of the Council, with technology being used as an enabler of business change to support the Council's priorities. The ICT infrastructure in place enables the Council's service areas to concentrate on delivering their customer and business requirements.

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

Transparency in the Publication of Information

The Council is required to publish a wide range of information on its services. The Council accounts for the use of resources and publishes this in an Annual Statement of Accounts.

http://www.south-derbys.gov.uk/council_and_democracy/council_budgets_spending/statement_of_accounts/default.asp

The Council also publishes an Annual Pay Policy Statement which details the pay and remuneration of senior officers, together with the relationship between the pay of the highest paid officer and other officers.

The latest Policy Statement which was published on 1st April 2014 can be viewed at:

http://www.south-derbys.gov.uk/our_website/open_data/pay_policy/default.asp

In addition, the Council also publishes on its web site, details of all payments (excluding those to employees) in excess of £250, together with remuneration and expenses paid to Members. This information is available at:

http://www.south-derbys.gov.uk/our_website/open_data/default.asp

From 1st April 2014, the requirements for publishing certain information are being extended through a new Government Transparency Code. This will provide details on Council contracts, land holdings, financial information relating to car parks, posts occupied by senior officers, together with the use of credit cards and resources provided to Trade Unions.

D REVIEWING THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Senior Management Team, who has responsibility for the development and maintenance of the governance environment.

This is backed up by Internal Audit reports on the audits conducted through the year, and also by recommendations made by the External Auditors and other review agencies and inspectorates.

As part of an on-going review, the overall framework was strengthened in 2013/14 following a work programme arising out the Governance Statement for the previous year 2012/13. These are detailed in **Section E**.

The overall processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2013/14 are set out in the following sections.

Overall Corporate Governance

The Council continued to apply its Local Code of Corporate Governance based on recommended best practice, as developed by CIPFA/SOLACE. This Code sets out the systems by which the Council directs and controls its functions. It was reviewed twice during the year with a work programme, monitored by the Audit Sub Committee, being progressed to maintain and improve overall Governance.

ICT Security

During 2013/14, the Council was required to meet stricter regulations regarding the sharing of data between other public sector agencies and to safeguard personal and confidential information.

To comply with the updated Public Services Network, the Council was required to upgrade its IT security system and to provide assurances regarding compliance with its policies. This also included adding extra security for employees accessing data remotely and when using external devices such as USBs.

The Cabinet Office certified the Council as being compliant in April 2014.

The System of Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of internal control. They review all fundamental financial systems each year and other systems over a five yearly cyclical period. This is based on a risk assessment of each service area.

Internal Audit reports to the Council's Audit Sub-Committee on a quarterly basis. The reporting process requires a report of each audit to be submitted to the relevant service manager.

The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by managers. The process includes reviews of recommendations to ensure that they are acted upon.

Under its terms of reference, the Audit Sub-Committee considers in detail any recommendations that are found to have a potentially "high-risk" impact on the Council's control environment. These are subject to on-going monitoring until all recommended actions have been implemented.

Reports to the Audit Sub-Committee provide an overall assurance rating of each system or service area subject to audit. This includes a statement as to whether there are any possible

implications for the Annual Governance Statement. All audits completed during 2013/14 found no material weaknesses which could affect the Governance framework.

External audit express an opinion on the adequacy of internal audit work each year and, where appropriate, rely on their work for assurance.

Furthermore, the Council is required to conduct an annual review of the effectiveness of its system of internal audit. The review is required to ensure that the opinion in the Annual Report of the Audit Manager may be relied upon as a key source of evidence for this Statement.

The Council's Chief Finance Officer, in conjunction with the Head of the Central Midlands Audit Partnership, conducted a review of its effectiveness and the impact upon South Derbyshire. The review was based on a test against several key principles for effective internal audit identified in professional guidance. The review concluded that during 2013/14, the system of internal audit was effective and this was noted by the Audit Sub-Committee on 18th June 2014.

Public Sector Internal Auditing Standards

New Standards were introduced on 1st April 2013. Following a review of the new standards, an updated Internal Audit Charter, together with a Quality Improvement and Assessment Programme, was adopted by the Council. This was approved by the Audit Sub Committee in December 2013.

Annual Internal Audit Report

Under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, the Head of Internal Audit (HIA) provided a written report to those charged with governance. This was considered and noted by the Council's Audit Committee on 18th June 2014. The Head of Internal Audit gave an opinion on the overall adequacy and effectiveness of the Council's internal control environment for 2013/14. **The opinion is detailed below:**

*"Based on the work undertaken during the year, I have reached the overall opinion that **there is an acceptable level of internal control within the Council's systems and procedures.** There were no critical or significant risk recommendations made within any audit reports issued in 2013/14.*

There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2013/14. All of the risks raised within the internal audit reports have been accepted. Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all cases.

Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit will follow up the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practicable, after the target implementation dates. Progress on implementation of audit recommendations will be reported through to the Audit Sub-Committee in future reports on the 2014/15 work of Internal Audit."

Communication

Corporate communication covers the full range of media management, publications, external and internal communications. This is provided by a central team within the Council.

By targeting communication activities, the Council can enhance its reputation and profile at a local and national level. Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and know they are getting value for money.

The Council's Communications Strategy and Action Plan is reviewed and updated on an annual basis. It is reported to, and considered by, the Council's Finance and Management Committee in June each year.

A series of media campaigns are also undertaken by the Council each year. During 2013/14, these included:

- Raising the profile of the Business Advice Service
- New recycling facilities
- Local Democracy Week in partnership with a local school and college
- Promoting the National Forest to help tourism in the District
- Promoting Leisure and Community activities for the young and older residents

In doing this, the Council continued to make greater use of social media in 2013/14 and now has an active Twitter feed and publicises certain services and leisure activities on Facebook.

Consultation

The Corporate Plan is informed by consultation and is based on the views of stakeholders including local people, voluntary and community groups, together with local businesses. Based on work undertaken in over the last 2 years to develop the Council's Local Plan for future growth, evidence is now also available through area profiles.

http://www.south-derbys.gov.uk/planning_and_building_control/planning_policy/local_plan/local_plan_part1/talk_to_us/default.asp

These will be used to inform future consultation.

The Council's Consultation Strategy aims to coordinate consultation activities between the services within the Council and with key partners, to ensure that residents' views are used effectively to inform council decision-making. This Strategy is reviewed and updated on an annual basis.

During 2013/14, the following consultation was undertaken with local residents.

- Council House Allocations and Tenancy Policy
- Development of the Local Plan
- Budget Proposals for 2014/15
- Dog Control Orders
- Supported Housing Services

The Constitution

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. Major changes to the Constitution have to be approved by Full Council and reflect any changes to the Council's structure and responsibilities.

Under the Constitution, an update to the Scheme of Delegation was approved by the Council in September 2013.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1585/Committee/319/Default.aspx>

Work of Overview and Scrutiny Committee

Under the Constitution, the Overview and Scrutiny Committee has the power to “call in” a decision, which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate.

No decisions were called in during 2013/14.

The Overview and Scrutiny Committee also scrutinises key service issues and priorities in the Corporate Plan, recommending and reporting back actions to the main policy committees.

Their annual report to Full Council set out details of their work and outcomes during the year. The Annual Report for 2013/14 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1679/Committee/364/Default.aspx>

In particular, the Committee scrutinised:

- Domestic Abuse - recommending more cohesive action amongst stakeholders for approaching this issue in the District.
- Environmental Volunteering - recommending greater engagement with organisations across the District to promote health and wellbeing.
- The use of the Council’s surveillance powers; the Committee considered updated legislation during the year. No instances of surveillance were reported during 2013/14.
- Council Tax Recovery - reviewing procedures to ensure a balance is taken between debtors who have difficulty in paying and those where payment is avoided. The cost of recovery was also considered.
- Reviewing the operation of the Clean Team to ensure that the function was contributing to safe and clean neighbourhoods; the Team’s work was commended by members of the Committee.
- Scrutinising the Council’s budget proposals for 2014/15 and MTFP to 2019.

Propriety in the Conduct of Business

For the 2013/14 reporting period, South Derbyshire District Council was not the subject of a finding of maladministration by the Local Government Ombudsman.

No elected member of South Derbyshire District Council was found to be in breach of the Code of Conduct during 2013/14.

There were 6 reportable accidents (10 in the previous year) under Health & Safety Regulations during 2013/14, compared to 3 in 2012/13 and 10 in 2011/12. Following investigation of each accident, risk assessments were reviewed and updated as appropriate. No enforcement or other action was taken by the Health & Safety Executive.

Monitoring Performance

The Performance Management framework specifies the performance monitoring regime. A “traffic light” monitoring system is used to highlight areas at risk of not being achieved. During the year, policy committees received quarterly performance monitoring reports and agreed remedial measures where these were necessary. In addition, the Finance and Management Committee received quarterly financial monitoring reports.

Improving Service Performance

Health and Safety - the Council has attained the Gold Award in the prestigious Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Programme. This is in recognition of an excellent safety record. The Award is only given to those organisations that have demonstrated their commitment to continuous improvement in accident and ill health prevention.

Development of Staff - the Council continues to qualify for Investors in People (IIP) accreditation following an independent review. This is a national quality standard for the training and development of employees.

Environmental Management - the Council attained an international standard in 2012 for its approach to reducing the carbon footprint in its own services and for supporting work across the District.

Leisure Facilities - the Council attained a Green Flag Award for its urban parks in 2013.

Health and Well Being - the Council was awarded a Community Sports Award for activities provided to staff and local residents.

Markets - the Council was nationally recognised as providing the best small market

Value for Money (VFM) Assessment

The External Auditor is required to make a judgement on the Council's performance in securing value for money. During 2013/14, their opinion was as follows:

“On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.”

In addition, the Annual Audit Letter of the External Auditor reports any significant weaknesses in the overall control framework.

None were reported in 2013/14. The Audit Letter for 2012/13 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1586/Committee/319/Default.aspx>

E KEY GOVERNANCE ISSUES FOR SOUTH DERBYSHIRE

The Council operates within a changing environment with constant development in electronic communications increasing public expectations. The Council has also in recent years dealt with fairly large reductions in its overall core funding from Central Government.

Consequently, Governance needs to be subject to constant review to take account of changing circumstances. Indeed, issues identified in the corresponding statement for 2012/13 have been addressed in 2013/14, together with other developments to strengthen Governance at the Council. Besides issues identified earlier in this Statement, during 2013/14, the Council also:

- **Expanded e-Democracy** by providing hand held devices for Members; this has substantially reduced printed material associated with Committee meetings and provided facilities to readily access information.
- **Updated its Whistleblowing Policy** to reflect legislative changes; these changes are designed to clarify the definition of whistleblowing, how potential breaches of employment contracts should be dealt with, together with affording greater protection to whistleblowers.

Progress was also made on appointing an independent service provider to deliver a **leadership development programme** for middle managers and in advising Parish Councils on the development of **Neighbourhood Plans** for local communities. Further work will be undertaken in these areas during 2014/15.

Work Plan 2014/15

Other areas have been identified that are considered important in maintaining and strengthening Governance at the Council. New issues to be addressed in 2014/15 are:

- Expanding the publication of “open data” in accordance with the Government’s new Transparency Code for Local Government.
- Implementing a Data Management Policy to provide a consistent process corporately, to ensure that data handled at the Council is kept secure and then stored and destroyed in accordance with regulations.

These areas have been highlighted from internal audit work during 2013/14, together with changes in legislation. The detailed Governance Work Plan is shown in **Appendix 1**. The Work Plan will be monitored through the Local Code and reported to the Audit Sub Committee.

Open Data

Under the new Code for Data Transparency which is effective from April 2014, all local authorities will be required to publish certain information at specific times if they do not already do so. In addition to the Council’s Statement of Accounts, the published information must at least cover:

- All expenditure for goods and services that exceeds £500.
- All transactions on Government Procurement cards
- All major contracts currently let with details of forthcoming contracts to be tendered (*effectively a Council’s Contract Register*)
- A list of the Council’s land holdings
- Grants paid to voluntary and community organisations
- An organisation chart covering the top 3 tiers of management

- A list of posts paid over £50,000 per year
- A Pay Policy Statement detailing pay multiples
- Resources and facilities provided to Trade Unions
- Income from car parking
- The number of controlled car parking spaces
- The Council’s Constitution should be easily accessible

There are specific requirements regarding the frequency and detail relating to each of the above categories. The format of publication is left to each council, but it should be easily accessible and widely publicised.

The Council already provides much of this data, but a review will be undertaken to identify any additional requirements and to ensure that it is published in accordance with the Code.

Council Sign Off

We propose over the coming year to take steps to address the issues identified in the Work Plan to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review. This Annual Governance Statement is signed by the Leader of the Council and the Chief Executive on behalf of South Derbyshire District Council.

Signed:
(Leader of the Council)

Dated:

Signed:
(Chief Executive)

Dated:

APPENDIX 1: GOVERNANCE WORK PLAN 2014/15

Work Area	Timescale	Responsible Officer	Action/Comment
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	Reviews to be held in December 2014 and June 2015
Introduce a new Leadership and Development Programme for Managers	Commencing in October 2014	Director of Housing and Environmental Services	This will help to provide managers with the attributes required in order to take the Council forward within a slimmer management structure
Update Induction training for Members	March 2015	Legal and Democratic Services Manager	To review the induction process for Members ahead of the next District Council Election in May 2015
Development of Neighbourhood Plans for local communities	March 2015	Director of Community and Planning Services	Continue to provide support to Parishes as necessary through the Local Plan consultation and adoption process
Expand the publication of “open data” in accordance with the new Transparency Code for Local Government	September 2014	Director of Finance and Corporate Services	Review any gaps and ensure all relevant data is published to meet the requirements of the Code
Implement a Data Management Policy	September 2014	Director of Finance and Corporate Services	Set out principles and guidelines for services in accordance with best practice and integrate with the current data retention policy.