F. McArdle
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Date: 9 June 2015

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 17 June 2015** at **16:00**. You are requested to attend.

Yours faithfully,

Frank McArdle

Chief Executive

To:-   **Conservative Group**
Councillor Grant (Chairman), Councillor Ford (Vice-Chairman) and Councillor Stanton.

Labour Group
Councillors Dunn and Shepherd.

INVESTOR IN PEOPLE   POSITIVE ABOUT DISABLED PEOPLE   investor in excellence Housing Services   RoSPA GOLD Award Housing Services   ISO 14001:2004 SGS   UKAS ENVIRONMENTAL MANAGEMENT 005

AGENDA

Open to Public and Press

1   Apologies.

2   To receive the Open Minutes of the Meetings held on 18.02.2015 and 01.04.2015.

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.

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 Council procedure Rule No. 11.

AUDIT SUB-COMMITTEE

18th February 2015

PRESENT:-

Conservative Group
Councillor Harrison (Chairman) Councillor Ford (Vice-Chairman) and
Councillor Murray

Labour Group
Councillors Dunn and Shepherd

AS/26   **MINUTES**

The draft, unconfirmed Open minutes of the Meeting held on 17th December 2014 were noted, for information purposes.

AS/27   **DECLARATIONS OF INTEREST**

No declarations of interest were received.

AS/28   **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PRODEDURE RULE NO 10.**

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

AS/29   **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PRODEDURE RULE NO 11.**

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

MATTERS DELEGATED TO SUB-COMMITTEE

AS/30   **CERTIFICATION REPORT 2013/14**

The Council's External Auditor, Grant Thornton, referred to the above report and highlighted various points relating to the Housing Benefit Subsidy Grant Claim which, although late for audit, had been submitted on time. As was common in this area, the Subsidy Grant Claim had been subject to qualification. The Chairman queried the steps being taken to improve performance, matters addressed on page 12 of the Report per the Auditor.

Councillor Shepherd referred to the previous good status of the Authority's Benefits Section prior to the Northgate contract and queried whether the authority should consider taking the service back in-house. The Chairman referred to numerous issues that had changed since that event, namely the increase in claimant numbers, staffing resources and changing legislation. The Director of Finance and Corporate Services confirmed, in relation to claimant numbers, that they had peaked at above 11k, but were now in the

region of 10k. Councillor Shepherd requested that proof of checks / improved working practices be subject to future audit.

RESOLVED:-

That the proposed action relating to the Housing Benefit Subsidy Grant Claim be approved.

AS/31   **VALUE STATEMENT**

The External Auditor referred to the above report and invited any questions. None were received. The Chairman stated that thanks should be recorded for the work undertaken.

RESOLVED:-

That the report be noted.

AS/32   **INFORMING THE AUDIT RISK ASSESSMENT**

The External Auditor summarised the report and invited questions. None were received. The Chairman commented that required actions were seen to be being taken.

RESOLVED:-

That the report be noted.

AS/33   **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager relayed the main points of the Audit Plan delivery, stating they were operating near to schedule and that all issues were identified as low to moderate risk.

Councillor Dunn referred to the health & safety (H&S) standards at the depot, querying the moderate risk status despite the previously reported incidents. The Audit Manager stated his opinion as to the robustness of the risk assessment audit process, based on the evidence available at the time of its commission, but Councillor Dunn sought assurances on improved standards.

The Director of Finance and Corporate Services opined that the recommendations could be agreed to, suggesting that a monitoring report be undertaken quarterly. The Audit Manager commented on the current stages of implementation of the outstanding issues, to be reported on at future committees. Three of the nine issues were listed for completion by March 2016, namely 1) Managers H&S training, 2) Operatives limited access to H&S information and 3) Procedural guidance for groundworks staff.

Members discussed concerns regarding H&S matters affecting the Council's outdoor staff and suggested that all operatives be provided with H&S information. The introduction of a H&S Committee, H&S Officer and a H&S training matrix was also discussed.

The Audit Manager ran through the remainder of the report. Reference was made to the lack of update in the Improvement Grant area (pg 73), due to no response from the officer concerned, who may have been absent at the relevant time.

RESOLVED:-

The Chair tasked the Director of Finance and Corporate Services with;
a) Reviewing the H&S matters as a result of the concerns expressed.
b) Pursuing the Improvement Grant information matter.

The meeting terminated at 4:45 p.m.

COUNCILLOR J. HARRISON

CHAIRMAN

AUDIT SUB-COMMITTEE

1st April 2015

PRESENT:-

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

Labour Group
Councillors Dunn and Shepherd.

AS/34 **MINUTES**

The Open Minutes of the Meeting held on 17th December 2014 were approved as a true record and signed by the Chairman.

AS/35 **DECLARATIONS OF INTEREST**

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

AS/36 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/37 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED TO SUB-COMMITTEE

AS/38 **HEALTH AND SAFETY AUDIT: UPDATE ON PROGRESSING RECOMMENDATIONS**

The Director of Housing and Environmental Services made reference to the Health and Safety Audit update report. Queries raised by Councillors relating to health and safety guidance, training, evidence of its implementation, the risk markings and union representation at the depot were responded to and noted.

RESOLVED:-

(1)   That the report be noted.

(2)   That Officers review the report and submit service delivery options to a future committee.

AS/39   **EFFECTIVENESS OF THE AUDIT SUB-COMMITTEE – SELF ASSESSMENT**

The Director of Finance and Corporate Services presented the report to the Committee, highlighting the areas identified for improvement.

RESOLVED:-

(1)   That the self-assessment report be noted.

(2)   That the weaknesses identified and the associated actions for improvement be approved.

AS/40   **EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31ST MARCH 2015**

Representatives of the Council's External Auditor, Grant Thornton, referred to the above report and highlighted the risks identified, work undertaken and that still to be taken, key dates, fees and the proposed action plan.

Queries raised by the Chairman relating to remuneration and monthly reconciliations were noted and responded to by the Director of Finance and Corporate Services.

RESOLVED:-

That the proposed Audit Plan for the year ending 31st March 2015 was considered and the proposed approach to undertaking audit work for the year approved.

AS/41   **INTERNAL AUDIT PLAN 2015/16**

The Internal Auditor presented his report to the Committee, confirming that the plans had been discussed with the Director of Finance and Corporate Services to help ensure all areas were sufficiently covered.

Queries raised by Councillors relating to the risk rating, the frequency of audits, safeguarding and waste management / recycling were responded to and noted.

RESOLVED:-

That the proposed Internal Audit Plan for 2015/16 be approved for implementation.

The Meeting terminated at 4.45pm

COUNCILLOR J HARRISON

CHAIRMAN

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	17th JUNE 2015	CATEGORY: RECOMMENDED
		OPEN
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/internal audit/quarterly reports/quarterly report cover
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

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

2.0 Purpose of Report

2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit between 1st February and 31st May 2015.

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

central midlands audit partnership

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 17th June 2015

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.

Contents

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CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

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.

South Derbyshire District Council – Internal Audit Progress Report

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 2015.
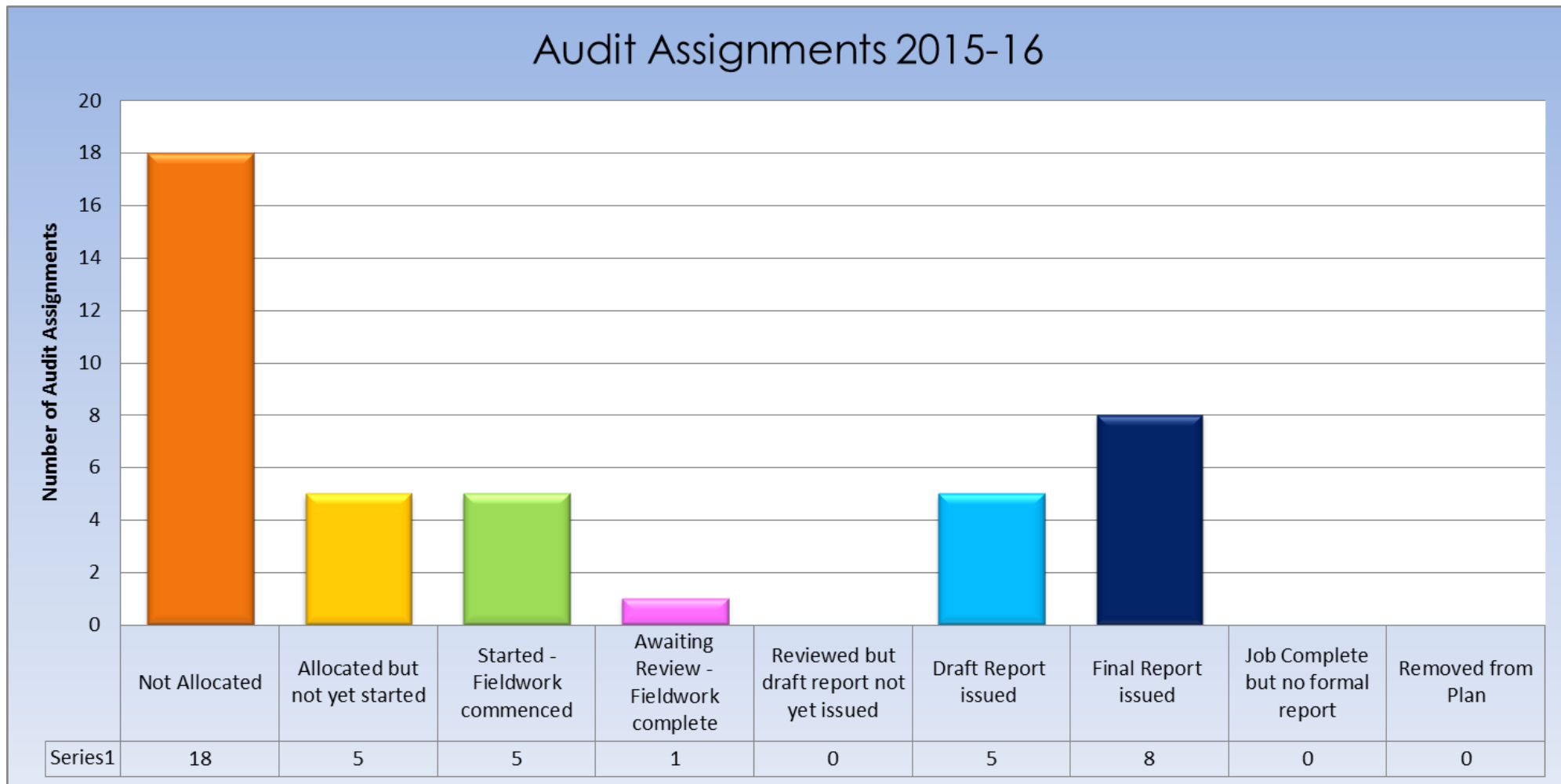
Audit Plan Assignments	Type of Audit	Current Status	% Complete
Payroll / Officers Expenses & Allowances 2015-16	Key Financial System	Allocated	0%
Change & Configuration Management	IT Audit	In Progress	50%
Corporate Governance	Governance Review	Allocated	5%
Declarations of Interest	Governance Review	In Progress	20%
Data Quality & Performance Management 2015-16	Governance Review	Allocated	5%
Commercial Rents	Systems/Risk Audit	In Progress	20%
Rechargeable Repairs	Systems/Risk Audit	In Progress	70%
Sheltered Housing	Systems/Risk Audit	Allocated	0%
Grounds Maintenance	Systems/Risk Audit	Allocated	5%
Main Accounting System 2014-15	Key Financial System	Final Report	100%
Insurance 2014-15	Key Financial System	Draft Report	95%
Council Tax / NNDR / Cashiering 2014-15	Key Financial System	Final Report	100%
Housing & Council Tax Benefit 2014-15	Key Financial System	Final Report	100%
Payroll / Officers Expenses & Allowances 2014-15	Key Financial System	In Progress	55%
Civica Security Assessment	IT Audit	Final Report	100%
Capacity Management	IT Audit	Draft Report	95%
Risk Management 2014-15	Governance Review	Final Report	100%
Data Quality & Performance Management 2014-15	Governance Review	Final Report	100%
Fixed Assets 2014-15	Key Financial System	Final Report	100%
Electoral Services	Systems/Risk Audit	Draft Report	95%
Economic Development	Systems/Risk Audit	Final Report	100%
Planning & Building Control Fees	Systems/Risk Audit	Draft Report	95%
Waste Management (Collection, Trade, Recycling)	Systems/Risk Audit	Draft Report	95%
Data Protection & Freedom of Information	Governance Review	Awaiting Review	80%

Another 18 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

Audit Assignments 2015-16

Series1	Not Allocated	Allocated but not yet started	Started - Fieldwork commenced	Awaiting Review - Fieldwork complete	Reviewed but draft report not yet issued	Draft Report issued	Final Report issued	Job Complete but no formal report	Removed from Plan
	18	5	5	1	0	5	8	0	0

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st February 2015 and 31st May 2015, the following audit assignments have been finalised since the last Progress Report was presented to this Committee:

- Creditors / Debtors 2013-14.
- Pollution Control.
- Procurement - Transparency Code.
- Creditors / Debtors 2014-15.
- Business Continuity.
- Housing & Council Tax Benefit 2014-15.
- Economic Development.
- Main Accounting System 2014-15.
- Council Tax / NNDR / Cashiering 2014-15.
- Civica Security Assessment.
- Risk Management 2014-15.
- Data Quality & Performance Management 2014-15.
- Fixed Assets 2014-15.

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

Creditors / Debtors 2013-14

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the controls in operation in respect of the payment of creditors and the recovery action for sundry debts.

From the 36 key controls evaluated in this audit review, 34 were considered to provide adequate control and 2 contained weaknesses. The report contained 1 recommendation, which was considered a low risk. The following issue was considered to be the key control weakness:

- As the Sundry Debtor Credit Control policy and procedure wasn't dated or subject to version control, we could not determine whether it had been subject to annual review. Also, we were unable to determine whether the minimum amount on which court action is taken and the minimum invoice amount had been subject to annual review. (Low Risk)

The control issue raised within this report was accepted and positive action was agreed to be taken by 1st April 2015.

Pollution Control

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the procedures relating to the issue of pollution control permits and the site inspection programme.

From the 13 key controls evaluated in this audit review, 7 were considered to provide adequate control and 6 contained weaknesses. The report contained 6 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The register of permits was showing conflicting information about the number of permits in operation. (Low Risk)
- Permit applications were being processed without confirmation that the relevant charges had been paid, contrary to procedural guidance notes. (Low Risk)
- The list produced by the EPO had not been updated to reflect the latest position, and the invoices raised in respect of the permit renewals was not being compared and details agreed to those noted on the list. This had resulted in a number of invoicing errors. (Low Risk)
- Permit renewals were being issued without checking whether payment had been received. (Low Risk)

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- Two permit holders had not received credits that they were due and credit note requests were not always made against the original invoice. (Low Risk)
- The inspection schedule did not include sufficient information to easily determine if inspections were being made at the correct intervals. (Low Risk)

All 6 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 3 by 31st March 2015 and the remaining 3 by 30th April 2015.

Procurement - Transparency Code

Overall Control Assurance Rating: **Reasonable**

This audit focused on the systems in place for publishing the required transparency data under the Local Government Transparency Code 2014, to provide assurance that the systems were operating effectively and providing an acceptable level of control.

From the 10 key controls evaluated in this audit review, 2 were considered to provide adequate control and 8 contained weaknesses. The report contained 5 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- There was no consistency with respect to the information being published for spending over £250 and/or on Government Procurement cards. (Low Risk)
- The Council was not publishing the required data for the contracts where invitations to tender had been invited in the previous quarter, as required by the Local Government Transparency Code 2014. (Low Risk)
- Contracts and other legally enforceable agreements valued at between £5,000 and £25,000 were not being routinely published in line the requirements of the Local Government Transparency Code 2014. (Low Risk)

- The contractual information required by the Code was not being published for contracts and other legally enforceable agreements in line with the data publishing requirements. (Low Risk)
- Transparency data for spending over £250 and on Government Procurement cards had not been published within the required timescales for reporting. (Low Risk)
- Transparency data for invitations to tender and contracts and other legally enforceable agreements, with values exceeding £5,000 had either, not been published in the first instance by the required deadline or within the required timescales for subsequent reporting. (Low Risk)

The 6 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 issues was due to be taken by 1st April 2015, with 2 further issues due to be addressed by 1st May 2015. The remaining 2 issues were due to be addressed by 1st July 2015.

Creditors / Debtors 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on the controls in operation over the payments to suppliers and the treatment of debtor write-offs.

From the 21 key controls evaluated in this audit review, 17 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations, 2 of which were considered a low risk and 2 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- A spreadsheet was used to record the stock of pre-printed cheques. Access to this spreadsheet was not appropriately restricted and amendments could be made without detection. (Moderate Risk)
- The security arrangements for the pre-printed cheques did not comply with the insurance policy requirements. (Moderate Risk)
- Certain suppliers were being paid by cheque rather than BACs. A third of all cheques issued in the sample reviewed were being

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cashed within the Council to replenish Council petty cash floats. (Low Risk)

- Separate invoices under £15 had been sent to the same customer on the same day. (Low Risk)

All 4 of the control issues raised within this report were accepted and positive action had already been taken to address one moderate risk issue by the end of the audit. The other moderate risk issue was agreed to be addressed by 30th April 2015, with the 2 remaining low risk issues to be addressed by 30th June 2015 and 31st October 2015.

Business Continuity

Overall Control Assurance Rating: **Limited**

This audit focused on providing assurance as to the effectiveness of Business Continuity at South Derbyshire District Council via an independent assessment of arrangements in place.

From the 21 key controls evaluated in this audit review, 2 were considered to provide adequate control and 19 contained weaknesses. The report contained 17 recommendations, 12 of which were considered a low risk and 5 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- We found that the Business Continuity Plan was out-of-date and some information from the Plan was missing and required updating. (Moderate Risk)

- The Business Continuity Plan had not been reviewed in line with the timeframe stated within the plan. Any historic or ad-hoc reviews that had taken place, had not been documented or recorded. (Moderate Risk)

- The Terms of Reference for the Business Continuity Management Team had not been documented. (Low Risk)

- Regular meetings were not being held between members of the Business Continuity Management Team to ensure they were consulted on strategic and operational issues affecting business continuity. (Low Risk)

- Whilst there was an Emergency Planning and Business Continuity work programme in place, target dates and responsible officer details were missing in some cases. Progress against the work programme was not monitored by the Council. (Low Risk)

- The Service Level Agreement (SLA) was not being reviewed on an annual basis as per best practice. (Low Risk)

- We found that whilst the Emergency Command Centre had been nominated in the Business Continuity Plan, it made reference to the wrong room. Also, information we expected to find about the Emergency Command Centre in the Business Continuity Plan was not documented. (Low Risk)

- A check of the equipment required in the Emergency Control Room found that only 5 out of 13 pieces of equipment listed were readily available. (Low Risk)

- Contrary to the SLA, the Business Continuity Management Team had not received regular refresher training and a training log was not being maintained to enable gaps in training needs to be identified. (Low Risk)

- There was no formally documented or agreed Business Impact Assessment methodology and the current Business Impact Assessment did not consider the Recovery Time Objective or Recovery Point Objective for each activity. (Low Risk)

- The Business Impact Assessment had received no recent formal update. There was no documentation to support any updates in recent years. (Moderate Risk)

- There was inadequate documentation of the treatment of high risks identified in the Community Risk Register. (Low Risk)

- There was no documentation to support that business critical activities identified in the BIA process had been consider in a risk assessment. (Low Risk)

- We found there was no Business Continuity testing policy in place. (Moderate Risk)

- The results from Business Continuity testing had not been documented or followed up. (Low Risk)

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- Business Continuity Plan testing did not verify that intervals established in the Business Impact Assessment could be achieved. (Low Risk)
- The Business Continuity Plan was not tested routinely and test history was undocumented. It could not be established that any testing had been undertaken. (Moderate Risk)

All 17 control issues raised within this report were accepted and positive action was agreed to be taken to address all 17 issues. 5 issues were agreed to be addressed by 30th April 2015 (including 2 of the Moderate Risks), 1 by 31st May 2015, 4 by 30th June 2015 (including 2 of the Moderate Risks), 6 by 30th September 2015 (including 1 of the Moderate Risks) and the last remaining issue by 28th February 2016.

Housing Benefits & Council Tax Support 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on a number of elements within Housing Benefits and Council Tax Support in order to give assurance to the Council that these key systems were operating effectively and correctly.

From the 51 key controls evaluated in this audit review, 48 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- When notifications of changes in circumstances / or changes to Benefits claims were received, priority was not always given to resolving those that were likely to generate overpayments. (Low Risk)
- Reviews had not been carried out on high risk Benefit claims and, in some instances, information provided by claimants had not been thoroughly scrutinised. (Low Risk)
- The activities of the Fraud Investigation Unit were not given a high profile in reports to Members. Their activities were included in general financial matter reports. (Low Risk)

All 3 issues raised within this report were accepted. One issue was agreed to be addressed by the end of May 2015 and the remaining two actions were agreed to be taken by the end of June 2015.

Economic Development

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the direction of economic development within the district, ensuring that it was driven by appropriate strategies and via actions and directives that were in line with these strategies. Resources used in delivering the economic development actions and directives have also been considered.

From the 11 key controls evaluated in this audit review, 8 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The Economic Development Strategy was out-of-date and required refreshing. (Low Risk)
- The targets set for the Business Advisers were not fit for purpose to act as a tool for monitoring their performance. (Low Risk)
- Although the Council had means of publicising information on attractions and events in the local area via the Tourist Information Centre, the online presence (via the destination management system) was due to cease in March 2015 and a replacement was still in development. (Low Risk)

All 3 issues raised within this report were accepted. Management took action to address 1 of the issues at the time of finalising the report, and had agreed to take action to address 1 of the issues by 30th April 2015, and the remaining issue by 31st December 2015.

Main Accounting System 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing the robustness of key controls in relation to the main accounting system which included Treasury Management,

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key reconciliations, setting and approval of the Council's budget and the system in place to process journals and virements.

The Financial Services Manager was absent during part of 2014 and the previous Financial Accountant left the Council during this same period. The Trainee Accountant in post during the last (2013/14) audit had also left the Council during the same year. Many accounting duties including those relating to Treasury Management had been assigned to a junior Finance Officer who had also only recently commenced employment with the Council. The limited staffing resource during this time and the transitional period between the new Financial Accountant starting in post in December 2014 meant that a number of issues found during this audit, were a direct result of this situation, according to the Financial Services Manager.

From the 43 key controls evaluated in this audit review, 34 were considered to provide adequate control and 9 contained weaknesses. The report contained 11 recommendations, 7 of which were considered a low risk and 4 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- The CIPFA Treasury Management Code had been adopted, but the four clauses defined in the Code had not been documented. (Low Risk)

- There were inconsistencies with the level of detail and number of documents retained on the Finance network in support of the Treasury Management transactions. (Low Risk)

- Approvals to support three Treasury Management investment transactions and an emergency borrowing could not be located during the audit. Emails evidencing the approval of investment deals were not always being retained on the relevant folder on the finance network. (Moderate Risk)

- Two errors were identified highlighting differences between the investment register and the documents retained by the Finance section in confirmation of the deal. One of these affected the daily cashflow and was amended during the audit. (Low Risk)

- The Finance section used last year's figures to produce the cash flow forecast and relied on this to place investment transactions

during the year. As a consequence it was necessary to borrow funds from the financial markets at costly rates. (Moderate Risk)

- The Finance section was not obtaining quotes from more than one broker when preparing investment deals or borrowing arrangements and therefore had no point for comparison. (Low Risk)

- Treasury Management registers maintained by the Finance section did not always differentiate between loans and investments, with borrowings listed on the investment record and investments recorded in the borrowing record. (Low Risk)

- The Financial Accountant had access to the Barclays online bank accounts but the Bank Mandate had not been updated to reflect this. (Low Risk)

- Reconciliations of feeder systems had not been undertaken each month as expected and were not always being checked by a second officer. (Moderate Risk)

- Control account reconciliations had not been completed in some cases and were not always being checked by a second officer. (Moderate Risk)

- The checking of the bank reconciliation was not being evidenced every month. (Low Risk)

All 11 issues raised within this report were accepted. Positive action had already been taken to address 10 of the issues raised at the time of the audit. Action to address the one remaining issue was planned for 31st October 2015.

Council Tax / NNDR / Cashiering 2014-15

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.

South Derbyshire District Council – Internal Audit Progress Report

From the 65 key controls evaluated in this audit review, 54 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 was considered a moderate risk. The following issues were considered to be the key control weaknesses:

- Some refunds had not been processed due to technical issues with the system. These had not been resolved promptly nor had alternative routes to return the funds to the customer been considered. (Low Risk)
- Credit balances on accounts were left until claimed by the customer, but the only action to notify the customer of the credit was when an adjustment notice was issued. If this was not responded to, the credit would stay on the account with no further action being taken. (Low Risk)
- Direct Debit guarantee indemnity claims, which should be processed immediately, had not all been processed promptly, and in another case, a duplicate refund had been raised. (Low Risk)
- Unpaid Direct Debits were processed on the system using the same transaction code as indemnity guarantees, plus other returned items, leading to problems in reconciling to the general ledger. (Low Risk)
- Recovery run error reports listing accounts where action could be taken to further recovery indicated that some had not been updated for some time. (Low Risk)
- Follow-ups where attachments of earnings had produced no payments were not being carried out promptly. (Low Risk)
- Contact details (email addresses and phone numbers) provided by taxpayers in their application for retail relief had not been input onto the system. (Low Risk)
- A record had not been kept to prove that all necessary bills have been produced. (Moderate Risk)
- The suspense account records had not been subject to management review since the responsibility for this task had moved to a different team. (Low Risk)

- Key rules and regulations had not been shared with, or made available to staff. (Low Risk)
- Tests had not been carried out to ensure that backups actually provided a usable copy of the data which could be loaded back onto the network. (Low Risk)

All 11 issues raised within this report were accepted and action had already been taken to address 3 of the issues at the time of issuing the final report. A further 2 issues were agreed to be addressed by the end of May 2015, 3 to be addressed by the end of June 2015, 1 by the end of September 2015, 1 by the end of December 2015 with the 1 remaining action was to be taken by 31st March 2016.

Civica Security Assessment

Overall Control Assurance Rating: **Reasonable**

This audit focused on the security configuration and management of the Council's Civica APP application and supporting infrastructure. At the time of the audit, this comprised of the production database and application server, \\SDDC-VM-CIVICA, and the file server used to store Civica documents \\BOKA. The Civica APP application provides the management of operations functions in Environmental Health, Licensing, Safer Communities and Strategic Housing.

We restricted our scope to exclude a check on appropriateness of users with local administrator access to the file server storing Civica documents (BOKA). At the time of the audit we found 78 live accounts had been granted domain admin access in the SODOR domain, which seemed excessive. However, we were made aware this issue had been flagged in a recent PSN audit, and that actions were already in place to reduce the number of domain admins. Subsequently, no further testing and verification was deemed beneficial at this stage.

Nor could we provide adequate assurance that all changes made to the production Civica server and application had been managed through a formal change control process. We were informed by the Environmental Health Manager that the Council's Principal Environmental Health Officer in the Commercial Team had been responsible historically for requesting changes to be made to the

South Derbyshire District Council – Internal Audit Progress Report

system. This officer had left the Council in November 2014 and subsequently we could not obtain the change request information and evidence required to provide assurance all necessary changes and updates to the application and server had been conducted through a managed change control process.

From the 28 key controls evaluated in this audit review, 15 were considered to provide adequate control and 13 contained weaknesses. The report contained 9 recommendations, 6 of which were considered a low risk and 3 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- There were 2 enabled Civica APP accounts with no password set, and another account with a password set to a 5 character dictionary word. This makes the application highly prone to unauthorised access. In addition, the application was not enforcing password complexity policies for new passwords. (Moderate Risk)

- There was no formal process in operation for restricting user access to data based on a need-to-know basis. Civica users in different departments could access other department's personal and sensitive information without there always being a justified requirement. (Low Risk)

- There were 8 accounts that had not logged into the application in over 200 days, yet they had not been disabled. Furthermore, there were 8 accounts with generic shared usernames, which could not be tied to an employee, leading to accountability risks. (Low Risk)

- Data processed by the Civica application was subject to the Council's data retention policy, yet data was not always being removed in line with corporate retention policies. Ultimately this could lead to data protection legislation breaches. (Low Risk)

- There were a number of domain admin accounts in the Council's SDDC and SODOR domains with weak corresponding passwords. These could be exploited to gain unauthorised administrator access to the production Civica server or file server housing Civica documents. (Moderate Risk)

- Neither logon success nor logon failure auditing were enabled on the production Civica application and database server. Without auditing, a security compromise or attempted compromise against the server may go undetected and without a means to determine accountability. (Low Risk)

- 329 users had been granted access to remote desktop onto the production Civica Server, via the SDDC\SG_VDI_users domain group. This access could be abused to affect the integrity, availability and confidentiality of the Civica application. (Low Risk)

- The file server storing the Civica documents (\\SODOR\BOKA) was missing 104 security updates, and 3 service packs and/or update rollups. The missing security updates dated back as far as December 2010. Furthermore, the Automatic Updates feature had not been configured on the Server. (Low Risk)

- A number of directories housing Civica documents on the Council's file server were accessible by unauthorised users. This gives rise to data protection breaches and privacy violations. (Moderate Risk)

All 9 of the issues raised were accepted and positive actions had already been taken to address 5 of the control weakness by the end of the audit, 1 of the control weaknesses was agreed to be addressed by the end of August 2015, and the final 3 issues by the end of December 2015.

Risk Management 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the arrangements in place at the Council for identifying and managing the risk of fraud and how this was integrated within the current risk management processes for monitoring and reporting.

From the 13 key controls evaluated in this audit review, 9 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

South Derbyshire District Council – Internal Audit Progress Report

- Efforts had been made to establish an anti-fraud culture at the Council, but it was not sufficiently robust to ensure that all officers and members were aware of their responsibilities. (Low Risk)
- The Counter Fraud & Corruption Policy was last approved in April 2012 and the Policy should be reviewed every two years. (Low Risk)
- Although the Fraud Investigation Unit had suitable experience and qualifications to undertake their duties, the remit of the Unit would be changing once the SFIS took responsibility for Housing Benefit frauds in late 2015. The changes to the Unit once this happened still required formal approval and actions to ensure that the Council continued to protect itself from the risk of fraud. (Low Risk)
- Although the FIU Annual Report acted as a Fraud Plan and an Internal Audit Plan was developed on an annual basis, there was not a clear link between the two, and officers working in the Fraud Investigation Unit indicated that there was opportunity for closer working with Internal Audit. (Low Risk)

All 4 issues raised within this report were accepted and management agreed to take action to address 1 of the issues by October 2015 and the 3 remaining issues by December 2015.

Data Quality & Performance Management 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on the performance indicators the Council were required to report during the 2014/15 financial year for monitoring the Council's Corporate Plan. We have undertaken a Self-Assessment of these indicators and incorporated reviews of what are considered to be the highest risk indicators.

The Self-Assessment process, in conjunction with the Policy and Communications Team, identified the following 2 indicators as the higher risk performance measures. These Performance Indicators were therefore examined in greater depth:

- LM 05 - Number of cultural activity participants.
- GM 07 - Speed of planning determinations.

From the 29 key controls evaluated in this audit review, 17 were considered to provide adequate control and 12 contained weaknesses. The report contained 7 recommendations, 2 of which were considered a low risk and 5 were considered a moderate risk. The following issues were considered to be the key control weaknesses with the performance indicator 'LM 05 - Number of cultural activity participants':

- The performance figures for quarter 1 in 2014/15 had not been reported to the Housing and Leisure Committee as required. (Moderate Risk)
- Management checks over the performance figures were not effective and had not been suitably evidenced. (Moderate Risk)
- Inadequate checks had been undertaken over the gathering of the performance data, which lead to inaccurate performance figures being reported. (Moderate Risk)

The following issues were considered to be the key control weaknesses with the performance indicator 'GM 07 - Speed of planning determinations':

- More rigorous management checks are required over the calculation of the performance figures, while the iLap Planning database is awaiting a required system upgrade. (Moderate Risk)
- The definition was not up-to-date and old guidance had been used for calculating the performance figures. (Low Risk)
- There was no documented methodology for producing the Speed of Planning Applications performance figures. (Low Risk)
- The iLAP Planning Database, required for producing the statutory PS1 and PS2 returns and calculating the performance figure, had not been upgraded as required. (Moderate Risk)

The 7 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 at the time of the audit, 1 recommendation was due to be implemented by 29th May 2015, a further recommendation was due to be addressed by 30th June 2015 and the remaining 3 recommendations were due to be implemented by 1st July 2015.

South Derbyshire District Council – Internal Audit Progress Report

Fixed Assets 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on undertaking a number of probity checks to confirm the integrity of data within the Council's asset records.

From the 7 key controls evaluated in this audit review, 4 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Assets listed on the vehicle, plant and equipment inventory record that did not have a registration number could not always be easily matched to the Council's Fixed Asset Register. (Low Risk)
- A routine data matching exercise was not being undertaken to ensure that assets valued at over £10k recorded on the vehicle, plant and equipment inventory were accounted for in the Council's Corporate Fixed Asset Register. (Low Risk)
- There were a number of assets on the fixed asset register and the vehicle, plant and equipment inventory that could not be physically verified due to insufficient detail in the records. (Low Risk)
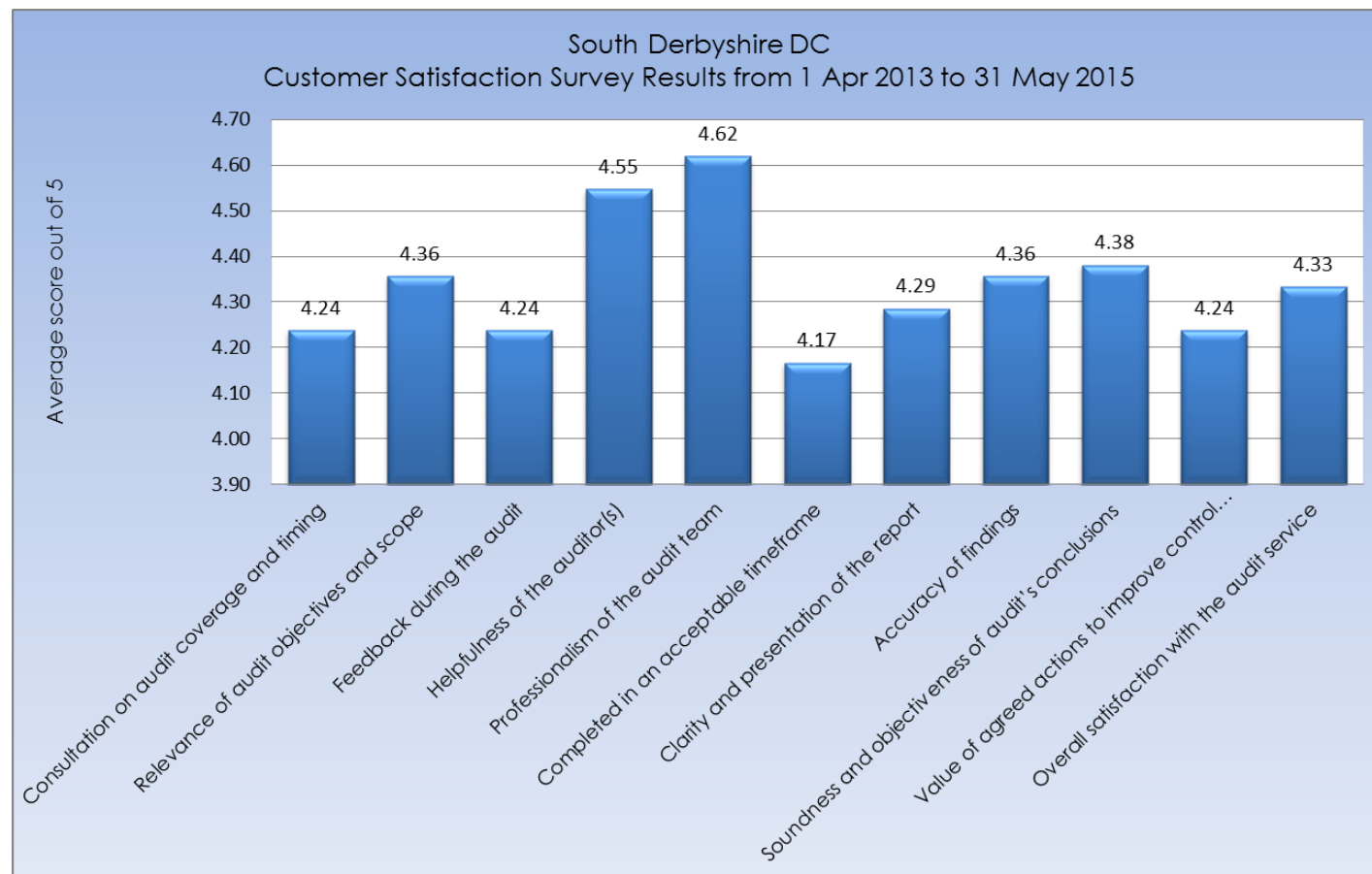
All 3 of the control issues raised in this report were accepted. Positive action was agreed to address all 3 of the control issues by 30th October 2015.

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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 2013 and 31st May 2015. The overall average score from the surveys was 47.8 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 3 occasions.

South Derbyshire DC
Customer Satisfaction Survey Results from 1 Apr 2013 to 31 May 2015

Average score out of 5

Question	Score
Consultation on audit coverage and timing	4.24
Relevance of audit objectives and scope	4.36
Feedback during the audit	4.24
Helpfulness of the auditor(s)	4.55
Professionalism of the audit team	4.62
Completed in an acceptable timeframe	4.17
Clarity and presentation of the report	4.29
Accuracy of findings	4.36
Soundness and objectiveness of audit's conclusions	4.38
Value of agreed actions to improve control…	4.24
Overall satisfaction with the audit service	4.33

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Audit Performance

Customer Satisfaction

Since 1st April 2013, we have sent 58 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 58 sent we have received 42 responses.

Ten 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.
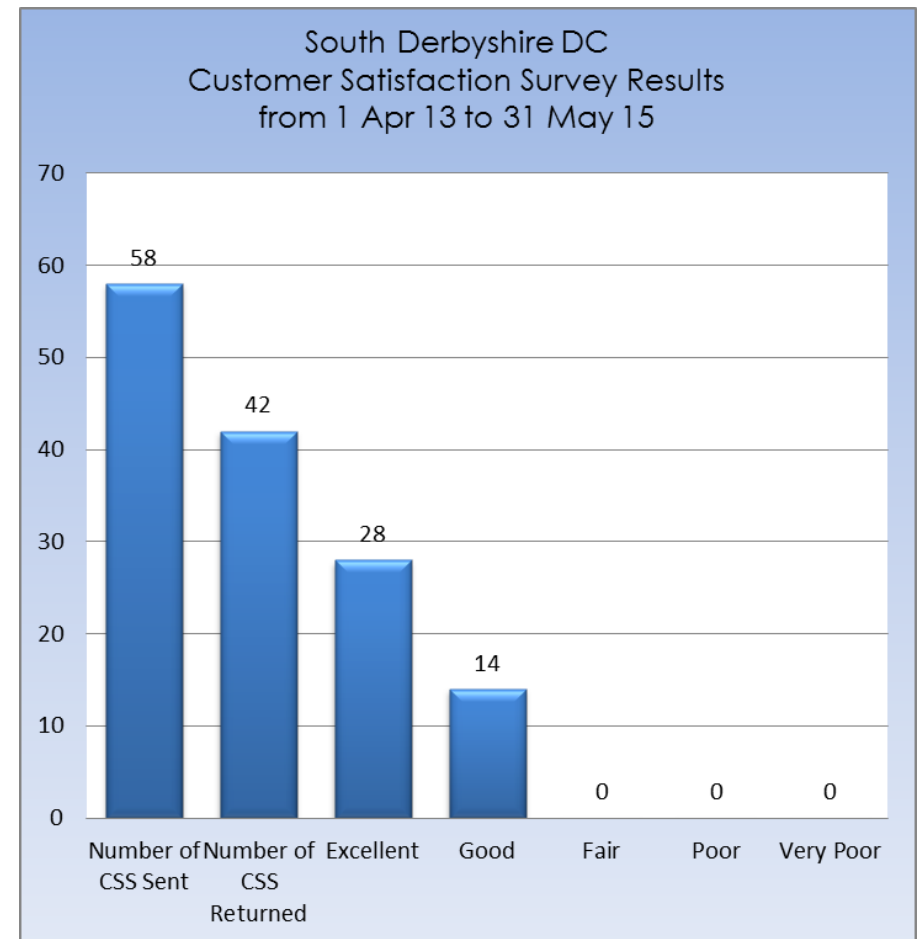
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Creditors / Debtors 2013-14	04-Feb-15	Financial Services Manager
Pollution Control	25-Feb-15	Environmental Health Manager
Procurement - Transparency Code	13-Mar-15	Head of Procurement
Business Continuity	30-Mar-15	Director of Finance & Corporate Services
Creditors / Debtors 2014-15	31-Mar-15	Financial Accountant
Economic Development	08-Apr-15	Economic Development 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 28 of 42 responses categorised the audit service they received as excellent, another 14 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.

South Derbyshire DC
Customer Satisfaction Survey Results
from 1 Apr 13 to 31 May 15

Category	Value
Number of CSS Sent	58
Number of CSS Returned	42
Excellent	28
Good	14
Fair	0
Poor	0
Very Poor	0

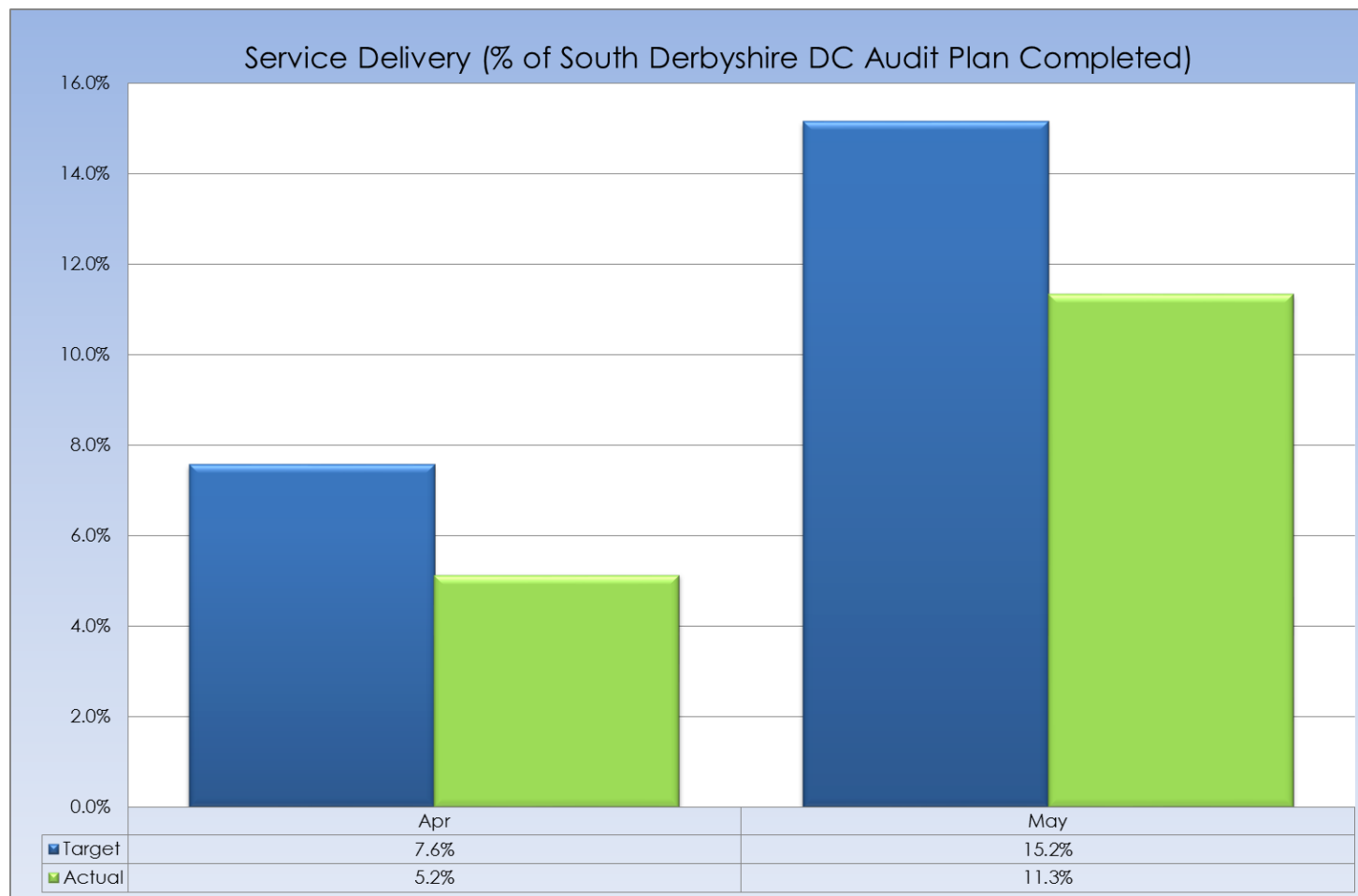# South Derbyshire District Council – Internal Audit Progress Report

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 2015-16 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.

Service Delivery (% of South Derbyshire DC Audit Plan Completed)

	Apr	May
Target	7.6%	15.2%
Actual	5.2%	11.3%

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	276	22	4	5	2	39	**348**
Moderate Risk	67	5	1	4	0	9	**86**
Significant Risk	7	0	0	0	0	0	**7**
Critical Risk	0	0	0	0	0	0	**0**
	350	**27**	**5**	**9**	**2**	**48**	**441**

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

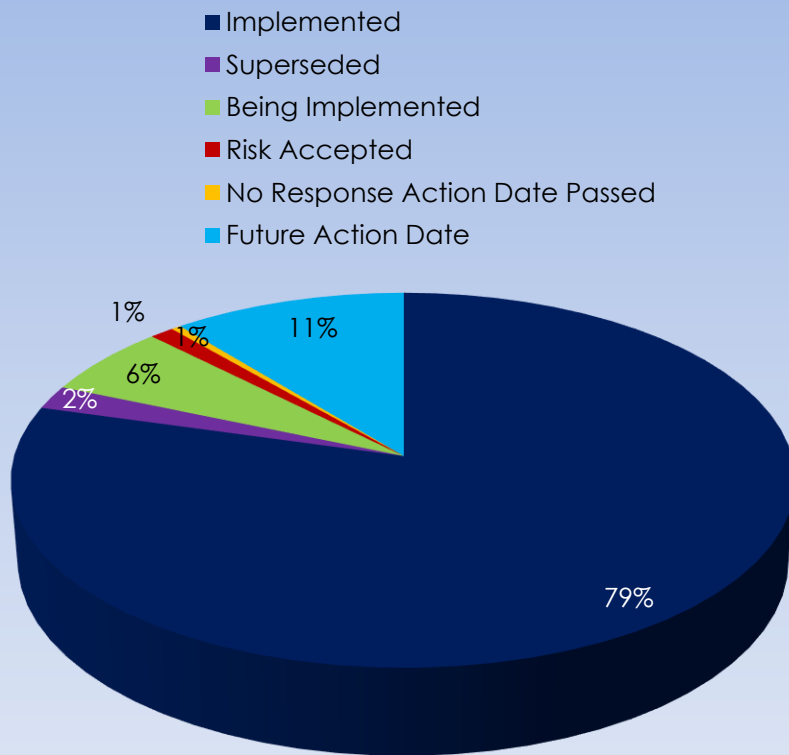| Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being Implemented	16	7	4	**27**
Due, but unable to obtain progress information	2	0	0	**2**
	18	**7**	**4**	**29**

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). All 5 of the recommendations shown above, where management has chosen to accept the risk, have already been reported to this Committee.

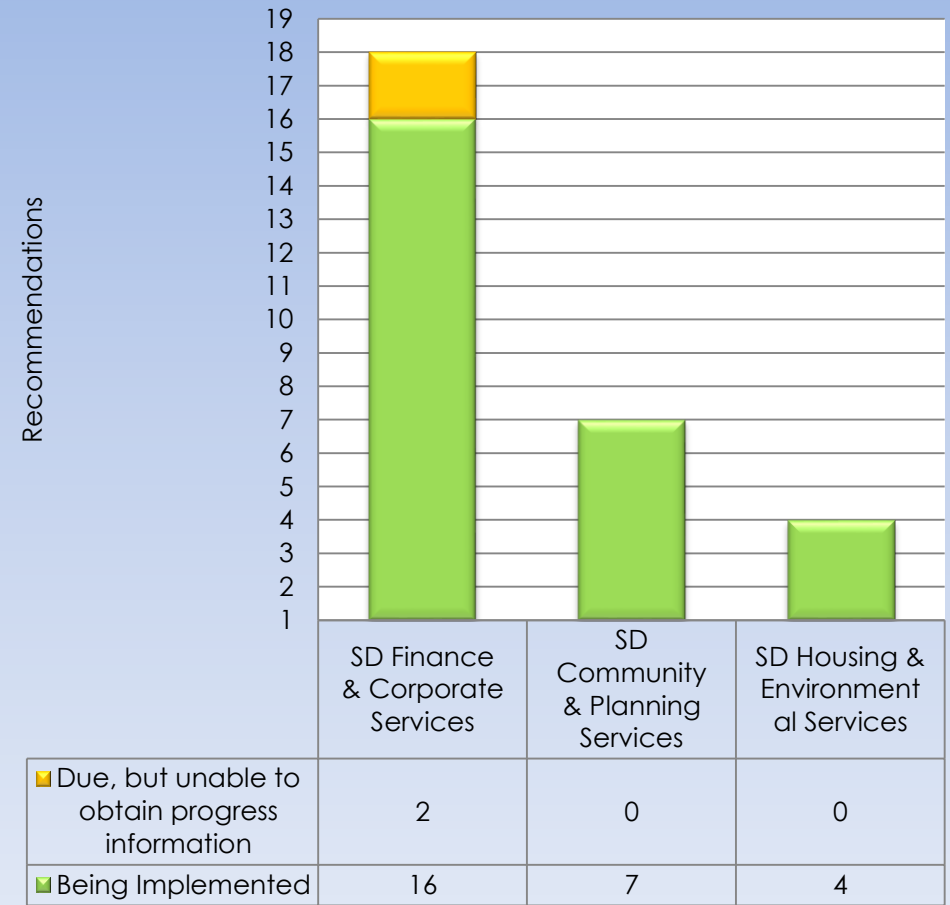# South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts

Action Status of Recommendations made between 1st Oct 2010 and 31st May 2015

- Implemented
- Superseded
- Being Implemented
- Risk Accepted
- No Response Action Date Passed
- Future Action Date

1% 1% 6% 11% 2% 79%

South Derbyshire - Recommendations Not Yet Implemented by Department

	SD Finance & Corporate Services	SD Community & Planning Services	SD Housing & Environmental Services
Due, but unable to obtain progress information	2	0	0
Being Implemented	16	7	4

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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 - This will be considered as part of the pay and grading review in 2015/16.

| Original Action Date | 30 Jun 11 | Revised Action Date | 31 Mar 16 |

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. It was envisaged that this document would be brought up-to-date in advance of the May 2015 elections.

| Original Action Date | 1 Feb 14 | Revised Action Date | 31 May 15 |

Procurement - Transparency Code

Control Issue - The contractual information required by the Code was not being published for contracts and other legally enforceable agreements in line with the data publishing requirements.

Risk Rating – Low Risk

Status Update - Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

| Original Action Date | 01-Apr-15 | Revised Action Date | 01-Jul-15 |

Control Issue - The Council were not publishing the required data for the contracts where invitations to tender had been invited in the previous quarter, as required by the Local Government Transparency Code 2014.

Risk Rating – Low Risk

Status Update - Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

| Original Action Date | 01-Apr-15 | Revised Action Date | 01-Jul-15 |

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Creditors / Debtors 2013-14

Control Issue – As the Sundry Debtor Credit Control policy and procedure wasn't dated or subject to version control, we could not determine whether it had been subject to annual review. Also, we were unable to determine whether the minimum amount on which court action is taken and the minimum invoice amount had been subject to annual review.

Risk Rating – Low Risk

Status Update – The Director of Finance and Corporate Services has agreed a revised implementation date of 30th September 2015.

Original Action Date   1 Apr 15   Revised Action Date   30 Sep 15

PCI Compliance

Control Issue – The consequences of non-compliance with the PCI DSS had not been considered as part of the Council's risk management process.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Mar 15   Revised Action Date   31 Jul 15

Control Issue – The Council's ICT section had not produced, or obtained from the Third Party Service Providers (TPSP), a diagram showing current cardholder data flows or evidence to demonstrate that access points to cardholder data had been secured.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Mar 15   Revised Action Date   31 Jul 15

Control Issue – The Council had not received any correspondence from the Third Party Service Providers – Global Pay or Capita Business Services confirming responsibilities for PCI compliance.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Jan 15   Revised Action Date   31 Jul 15

Control Issue – Reporting lines and responsibilities for ensuring PCI DSS compliance had not been defined within the Council.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Mar 15   Revised Action Date   31 Jul 15

Council Tax / NNDR / Cashiering 2013-14

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

Risk Rating – Low Risk

Status Update – Another 6 months has been requested to address this. Majority, if not all, relate to old converted accounts which have a void liability date i.e. 1.4.05 – 1.4.05 and therefore bills will not get printed as Academy believes there is no liability, or are below minimum print level - < £1.

Original Action Date   31 Dec 14   Revised Action Date   30 Jun 15

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CRM Security Assessment

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

Risk Rating – Low Risk

Status Update – These matters are being addressed through the replacement of a server and an upgrade to the CRM system which is due to be implemented by September 2015 to meet PSN requirements.

Original Action Date   30 Apr 15   Revised Action Date   30 Sep 15

Control Issue – There were a number of issues noted with the backups of the CRM SQL Server. The SQL Server system databases were not subject to backups, log files were not being backed up despite the server being in full recovery mode, backups were being written to the same drive as the live database files, and there was no evidence to demonstrate test restores were taking place.

Risk Rating – Moderate Risk

Status Update – These matters are being addressed through the replacement of a server and an upgrade to the CRM system which is due to be implemented by September 2015 to meet PSN requirements.

Original Action Date   30 Apr 15   Revised Action Date   30 Sep 15

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

Risk Rating – Moderate Risk

Status Update – These matters are being addressed through the replacement of a server and an upgrade to the CRM system which is due to be implemented by September 2015 to meet PSN requirements.

Original Action Date   30 Apr 15   Revised Action Date   30 Sep 15

Business Continuity

Control Issue – Contrary to the SLA, the Business Continuity Management Team had not received regular refresher training and a training log was not being maintained to enable gaps in training needs to be identified.

Risk Rating – Low Risk

Status Update – Training proposals have been sent to directors, now awaiting agreement.

Original Action Date   30 Apr 15   Revised Action Date   31 Jul 15

Partnership Governance

Control Issue – The mechanism for releasing payments had only been included within the Management Agreement, which was between the Council and Aurora. The financial contribution of each partner had not been formally documented and agreed.

Risk Rating – Low Risk

Status Update – No Response.

Original Action Date   31 Mar 15   Revised Action Date

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Control Issue – Terms of reference were established in 2006 and had not been reviewed or updated since.

Risk Rating – Low Risk

Status Update – No Response.

Original Action Date   31 Mar 15   Revised Action Date

Control Issue – Key financial rules and procedures documents had not been issued to Aurora.

Risk Rating – Low Risk

Status Update – This will be an agenda item at 4th August 2015 Executive meeting.

Original Action Date   31 Mar 15   Revised Action Date   5 Aug 15

Civica Security Assessment

Control Issue – A number of directories housing Civica documents on the Council's file server were accessible by unauthorised users. This gives rise to data protection breaches and privacy violations.

Risk Rating – Moderate Risk

Status Update – Additional time requested.

Original Action Date   1 May 15   Revised Action Date   30 Jun 15

Community & Planning Services

Community Safety Partnership

Control Issue – The current arrangements for reporting back to the Council and other partner organisations had not been clearly documented.

Risk Rating – Low Risk

Status Update – Refreshed Partnership Plan provided along with an example of a quarterly newsletter.

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

Control Issue – The Terms of Reference for the key Boards, Groups and Committees were not reviewed and updated on a regular basis, and did not always reflect current membership of the group.

Risk Rating – Low Risk

Status Update – Strategic Group ToRs had been updated and approved. Other ToRs that required updating were VAL, ASB Tasking, Pub Watch and DAAG - no progress on these.

Original Action Date   31 Dec 14   Revised Action Date   30 Jun 15

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 – Revised and finalised documents were issued to Active Nation with a view to a formal signing. However, in the interim and further to VAT advice it came to light that a side agreement with a lease or licence relating to GBLC is required as well as an update to VAT related wording within the contract. The Council's legal advisor is on extended sick leave and so the Council is receiving external legal support from Geldards and the leisure contract is part of this work programme.

Original Action Date   25 Oct 13   Revised Action Date   30 Apr 15

Section 106 Agreements

Control Issue – Periodic reconciliations were not being done between the Land Charges records and the Planning Team's Section 106 agreement records to ensure that all agreements had been correctly registered as charges against the relevant land.

Risk Rating – Low Risk

Status Update – Some progress made on this recommendation but completion of reconciliation programme not yet complete.

Original Action Date   1 Apr 15   Revised Action Date   30 Jun 15

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Bereavement Services

Control Issue – Although there were some procedural guidelines and checklists in place, the documents were fragmented and the checklists were not always being properly completed.

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

Original Action Date   31 Mar 15   Revised Action Date   30 Sep 15

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

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

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

Control Issue – The Interment and memorial application forms and the Council's burial webpage did not clearly advice customers on the methods available to them for making a payment.

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

Original Action Date   31 Mar 15   Revised Action Date   30 Sep 15

Housing & Environmental Services

Tenants Arrears

Control Issue – The Council did not have a formal rent arrears policy.

Risk Rating – Low Risk

Status Update – In the process of reviewing all of our policies and procedures. With the introduction of Universal credit in September, we are looking to complete the rents policy after this date.

Original Action Date   31 Dec 14   Revised Action Date   30 Sep 15

Vehicles, Plant & Equipment

Control Issue – There was not a formally approved replacement policy in place that set the criteria for assessing the replacement of vehicles, plant and equipment to ensure the chosen option achieved optimum vfm.

Risk Rating – Low Risk

Status Update – Due to changing priorities, workload and staffing issues a new action date has been agreed with the Director of Housing and Environmental Services. The new plan is for a draft strategy to be completed by 1st July 2015, to be taken to Committee on 12th August 2015.

Original Action Date   31 Dec 14   Revised Action Date   12 Aug 15

Control Issue – There was not an adequate information management system in place that provided up-to-date and accurate vehicle, plant and equipment data. The management information system in use was essentially the inventory record that audit testing revealed had not been appropriately updated.

Risk Rating – Moderate Risk

Status Update – Due to changing priorities, workload and staffing issues a new action date has been agreed with the Director of Housing and Environmental Services. The new plan is for a draft strategy to be completed by 1st July 2015, to be taken to Committee on 12th August 2015.

Original Action Date   30 Nov 14   Revised Action Date   12 Aug 15

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Control Issue – The Council did not have a formally approved Vehicle, Plant and Equipment Management Strategy in place that set out its aims and objectives and its policy on the management of these assets.

Risk Rating – Low Risk

Status Update – Due to changing priorities, workload and staffing issues a new action date has been agreed with the Director of Housing and Environmental Services. The new plan is for a draft strategy to be completed by 1st July 2015, to be taken to Committee on 12th August 2015.

Original Action Date   1 Apr 15   **Revised Action Date**   12 Aug 15

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	17th JUNE 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE Kevin.stackhouse@south-derbys.gov.uk 01283 595811	DOC: u/ks/audit/internal audit/annual reports/effectiveness 2015
SUBJECT:	EFFECTIVENESS OF INTERNAL AUDIT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendation

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 the Committee 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 2014/15 is summarised below:

Overall Rating	Number
Excellent	10
Good	2
Fair	0
Poor	0
Very Poor	0

3.5.4 People

The staff in the Internal Audit partnership have 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) or an internal auditing qualification (1 CMIIA and 3 PIIA), and the IT Audit staff have relevant IT degrees and the CISA (Certified Information Systems Auditor) qualification. One of them also has the ITIL qualification, as does an Assistant Audit Manager. 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:

	2014/15		2013/14	
	Target	Actual	Target	Actual
Productivity	71.1%	74.1%	70.7%	72.6%
% of audit plan completed	91.0%	93.5%	91.0%	93.5%

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 an annual conformance self-assessment carried out using both CIPFA and the Chartered Institute of Internal Auditors (IIA) checklists. The outcome is consistent with the conformance 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

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 Council's Section 151 Officer 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. Reliance can be 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 28 years internal audit experience, of which 22 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		
1000 Purpose, Authority and Responsibility	Generally	CMAP's internal audit activity has a formal definition of its purpose, authority and responsibility
1100 Independence and Objectivity	Generally	CMAP's Internal Audit Charter and planning documents do not contain major restrictions upon its internal audit activity
1200 Proficiency and Due Professional Care	Generally	CMAP formally defines how it operates in its Internal Audit Charter and documented procedures.
1300 Quality Assurance and Improvement Programme	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		
2000 Managing the Internal Audit Activity	Generally	CMAP's internal audit work adds value to the Council (and its stakeholders) through objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk

PSIAS requirement - Summary	Generally/ Partially/Does Not Conform	Comments
		management and control processes.
2100 Nature of Work	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.
2200 Engagement Planning	Generally	CMAP develops and documents a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300 Performing the Engagement	Generally	The internal auditors identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400 Communicating Results	Generally	Internal auditors communicate results of each audit engagement.
2500 Monitoring Progress	Generally	The Head of the Audit Partnership has established and maintains a system to monitor the disposition of results communicated to management.
2600 Communicating the Acceptance of Risks	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:	17th JUNE 2015	CATEGORY: RECOMMENDED
REPORT FROM:	AUDIT MANAGER	
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD Adrian.manifold@centralmidlandsaudit.gov.uk (01332 643281)	DOC: u/ks/audit/internal audit/annual reports/HOA Opinion 2015
SUBJECT:	HEAD OF INTERNAL AUDIT'S ANNUAL AUDIT OPINION 2013/14	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

1.1 To note the annual internal audit opinion for 2014/15.

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. This includes details of the outcomes of internal audit work undertaken in the year.

3.0 Detail

3.1 Under Audit regulations, the Internal Audit Manager is required to 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 2014/15. 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.**

3.4 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.

3.5 I can confirm that there are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2014/15. 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 2015/16 work of Internal Audit.

Basis of the Opinion

3.6 In preparing the overall opinion, I have reviewed all audit activity carried out during 2014/15. 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.

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

central midlands audit partnership

South Derbyshire District Council – Internal Audit Annual Report 2014-15

Audit Sub-Committee: 17th June 2015

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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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 2014/15 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 provides this 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 2014/15. 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

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.

In preparing the overall opinion, the Head of Audit has reviewed all audit activity carried out during 2014/15 and noted any issues arising from those audits that have carried forward into 2014/15. 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 2014/15 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.

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Head of Audit's Opinion 2014-15

Summary

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

- The level of coverage provided by Internal Audit was considered substantial.
- Only 1 report provided a 'Limited' control assurance rating, all others were either 'Comprehensive' or 'Reasonable'.
- There were no 'critical risk' recommendations made and only 1 recommendation attracted a 'significant risk' rating within any audit reports issued in 2014/15.
- There were no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2014-15.
- All of the issues 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 but one, where management has chosen to accept the risk.
- The Council's system of risk management was examined during 2014-15 and the overall level of assurance was considered Comprehensive
- Our overview of the Council's Data Quality through a combination of control self-assessment and specific audit testing deemed that the overall control environment was Reasonable.
- Internal Audit's coverage during 2014-15 included an appropriate range of governance areas.
- Internal Audit has not been involved in any anti-fraud and corruption work or investigations for the Council during 2014-15.

This opinion is provided with the following caveats:

- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.

Controls Examined

For those audits finalised during 2014-15, we established the following information about the controls examined:


South Derbyshire

- Adequate Controls
- Partial Controls
- Weak Controls

16%
16%
68%
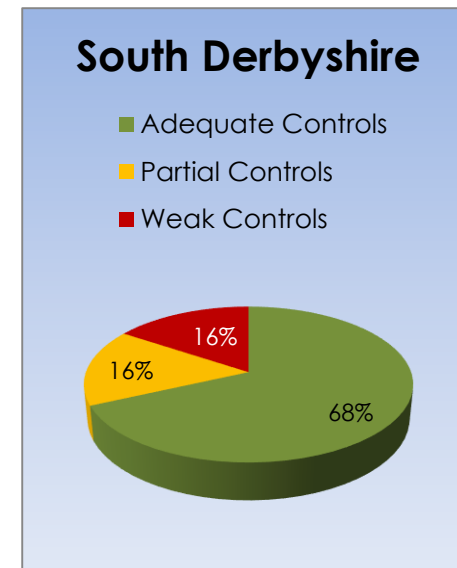
South Derbyshire	2014-15
Evaluated Controls	497
Adequate Controls	339
Partial Controls	80
Weak Controls	78

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Audit Coverage

Coverage per Type of Audit 2014-15

- Key Financial System
- Governance Review
- Systems/Risk Audit
- IT Audit
- Procurement/Contract Audit
- Investigation
- Advice/Emerging Issues
- Follow-up
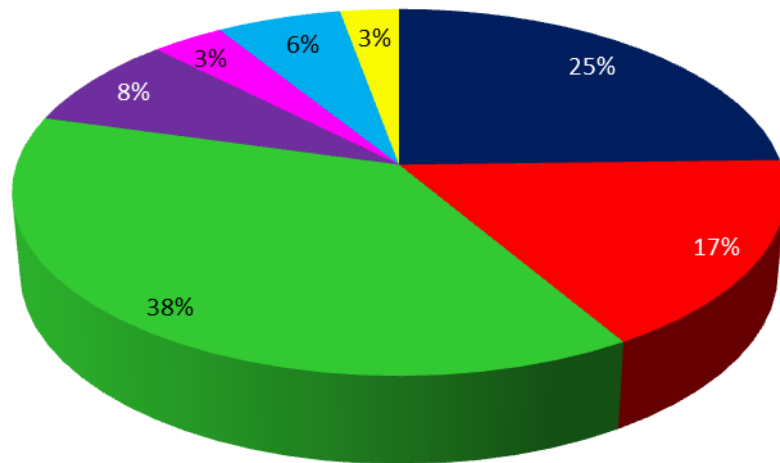
Coverage per Department 2014-15

- Corporate Services
- Community & Planning Services
- Housing & Environmental Services
- Advice & Management

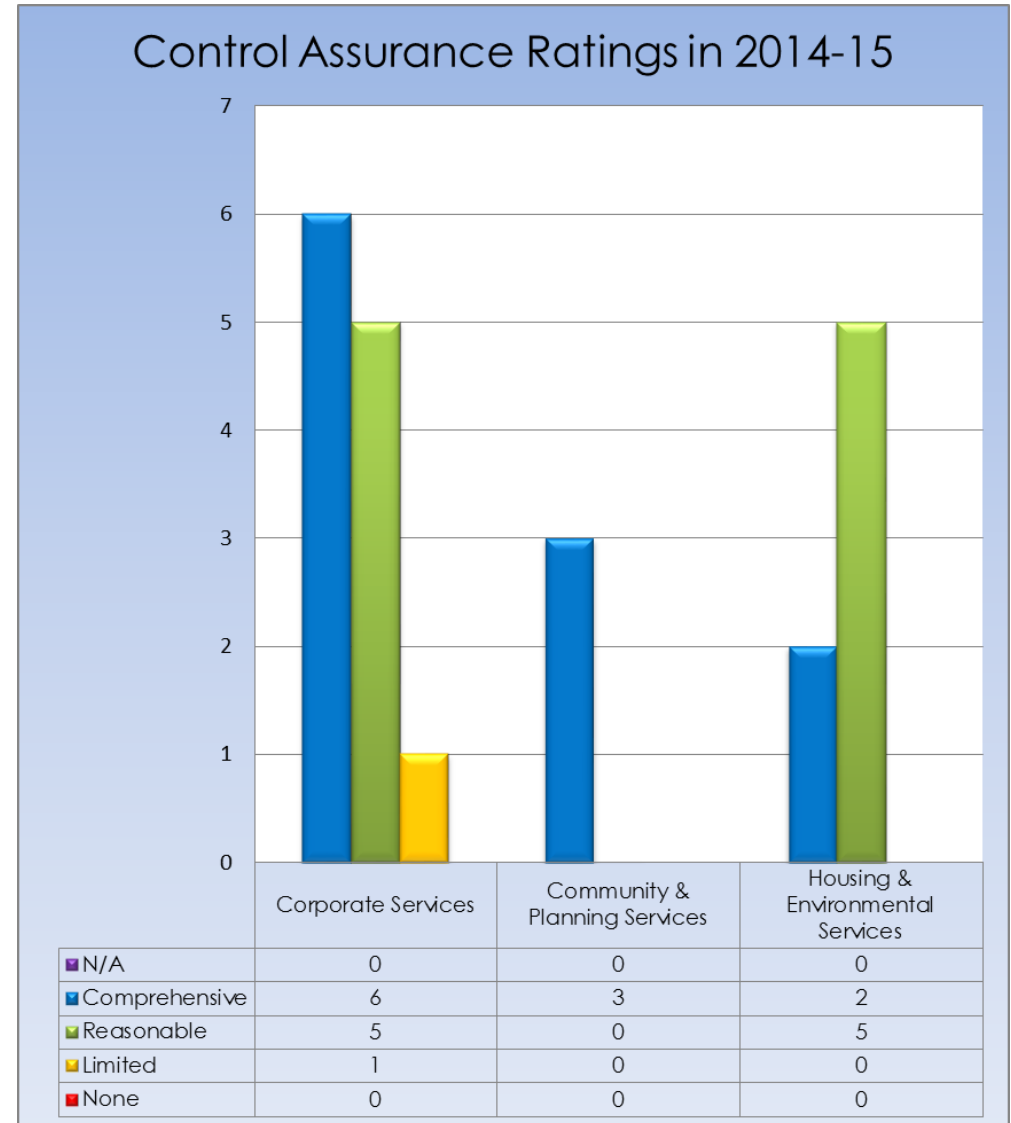# South Derbyshire District Council – Internal Audit Annual Report 2014-15
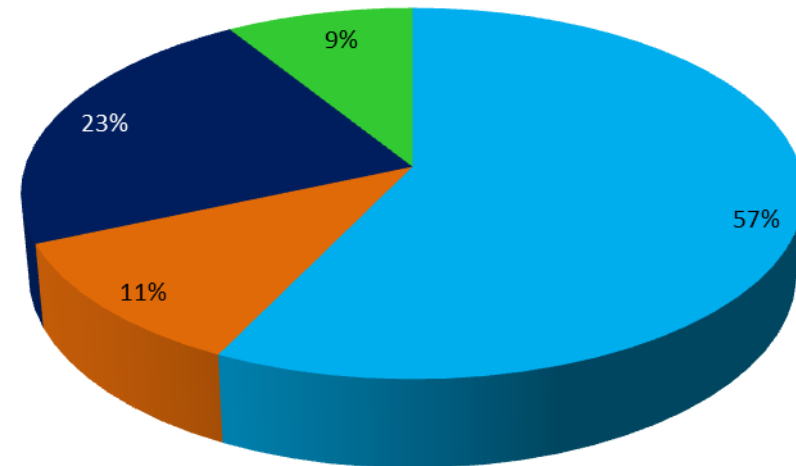
Control Assurance Ratings

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 2014/15 is shown in the table across.

Control Assurance Ratings in 2014-15

	Corporate Services	Community & Planning Services	Housing & Environmental Services
N/A	0	0	0
Comprehensive	6	3	2
Reasonable	5	0	5
Limited	1	0	0
None	0	0	0

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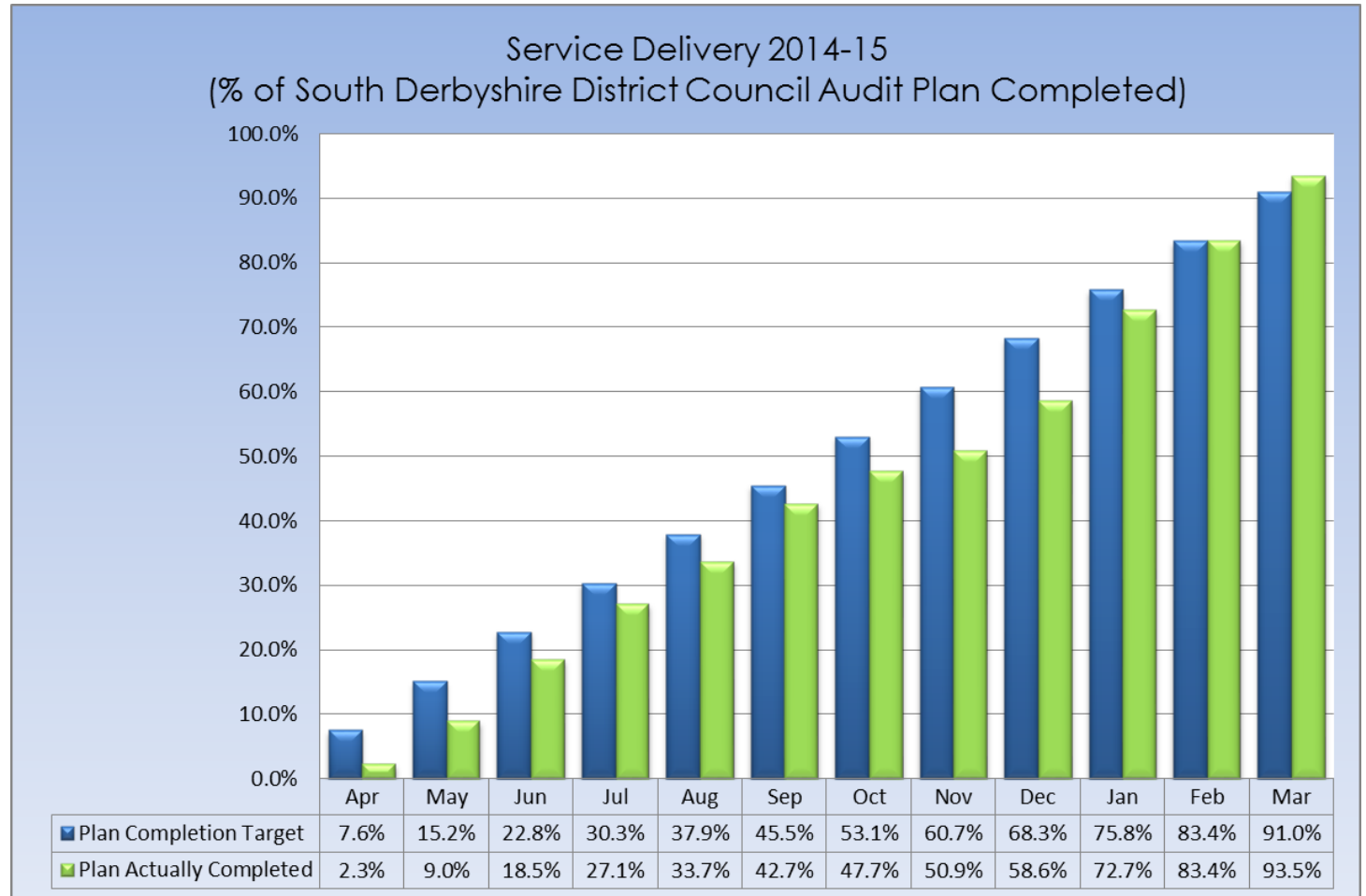
Performance Measures

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 2014-15 Audit Plan (including incomplete jobs brought forward from the 2013-14 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.
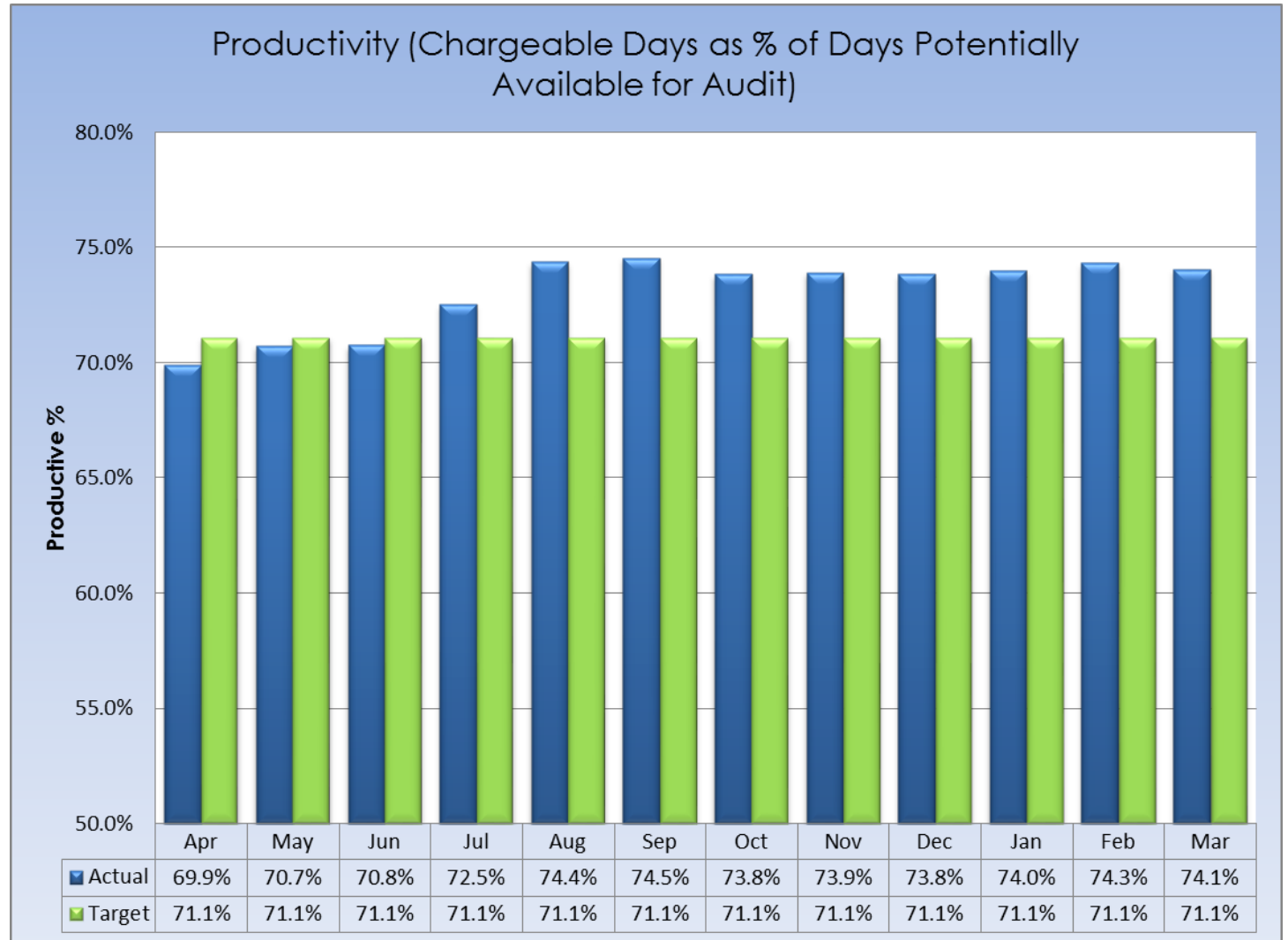
Service Delivery 2014-15
(% of South Derbyshire District Council Audit Plan Completed)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Plan Completion Target	7.6%	15.2%	22.8%	30.3%	37.9%	45.5%	53.1%	60.7%	68.3%	75.8%	83.4%	91.0%
Plan Actually Completed	2.3%	9.0%	18.5%	27.1%	33.7%	42.7%	47.7%	50.9%	58.6%	72.7%	83.4%	93.5%

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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 71.1% for the year. The average productive rate for the year was 74.1%.

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

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

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual	69.9%	70.7%	70.8%	72.5%	74.4%	74.5%	73.8%	73.9%	73.8%	74.0%	74.3%	74.1%
Target	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%	71.1%

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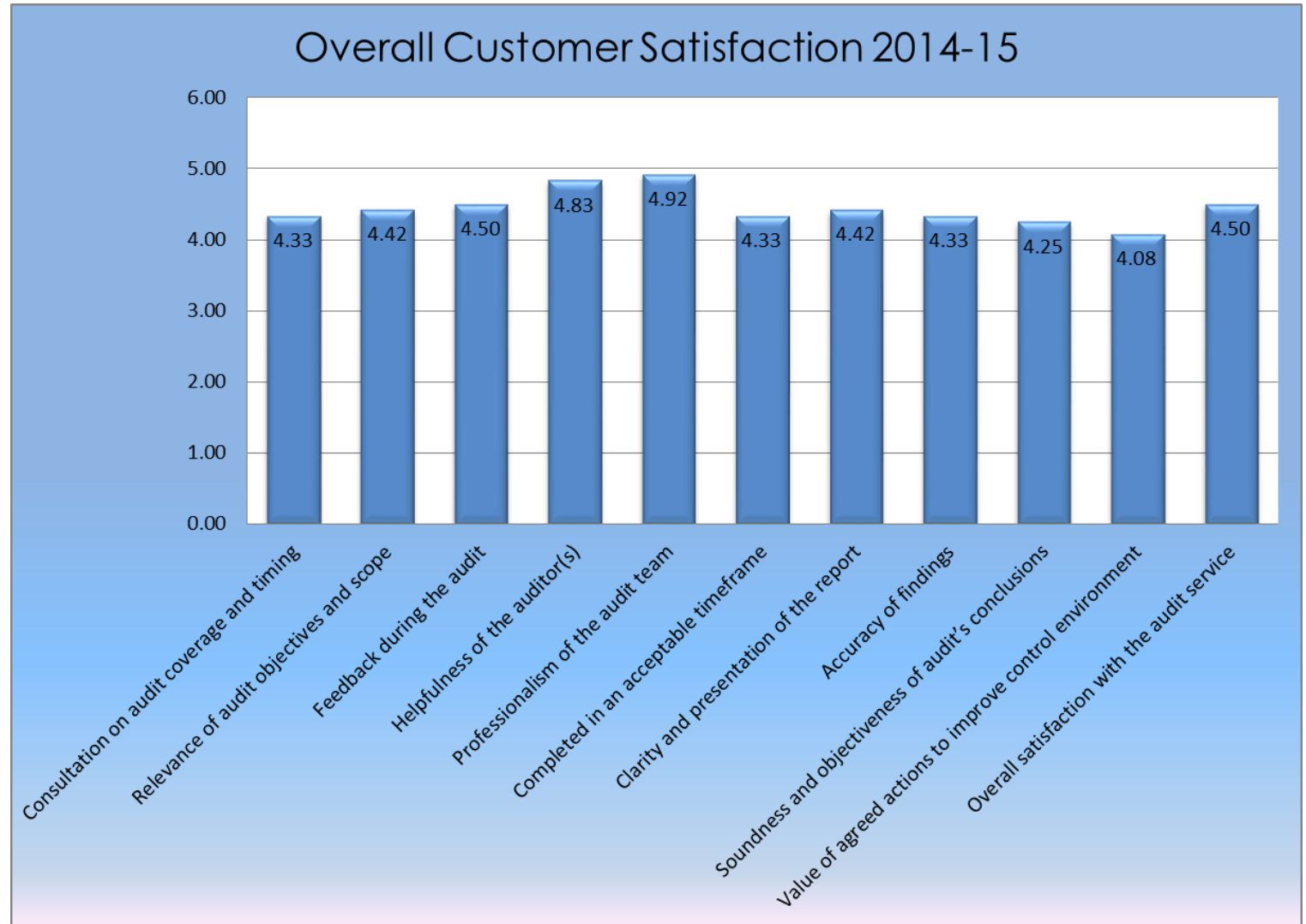# South Derbyshire District Council – Internal Audit Annual Report 2014-15

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 12 responses received. The average score from the surveys was 48.9 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 10 of 12 responses categorised the audit service they received as excellent and another 2 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.

Overall Customer Satisfaction 2014-15

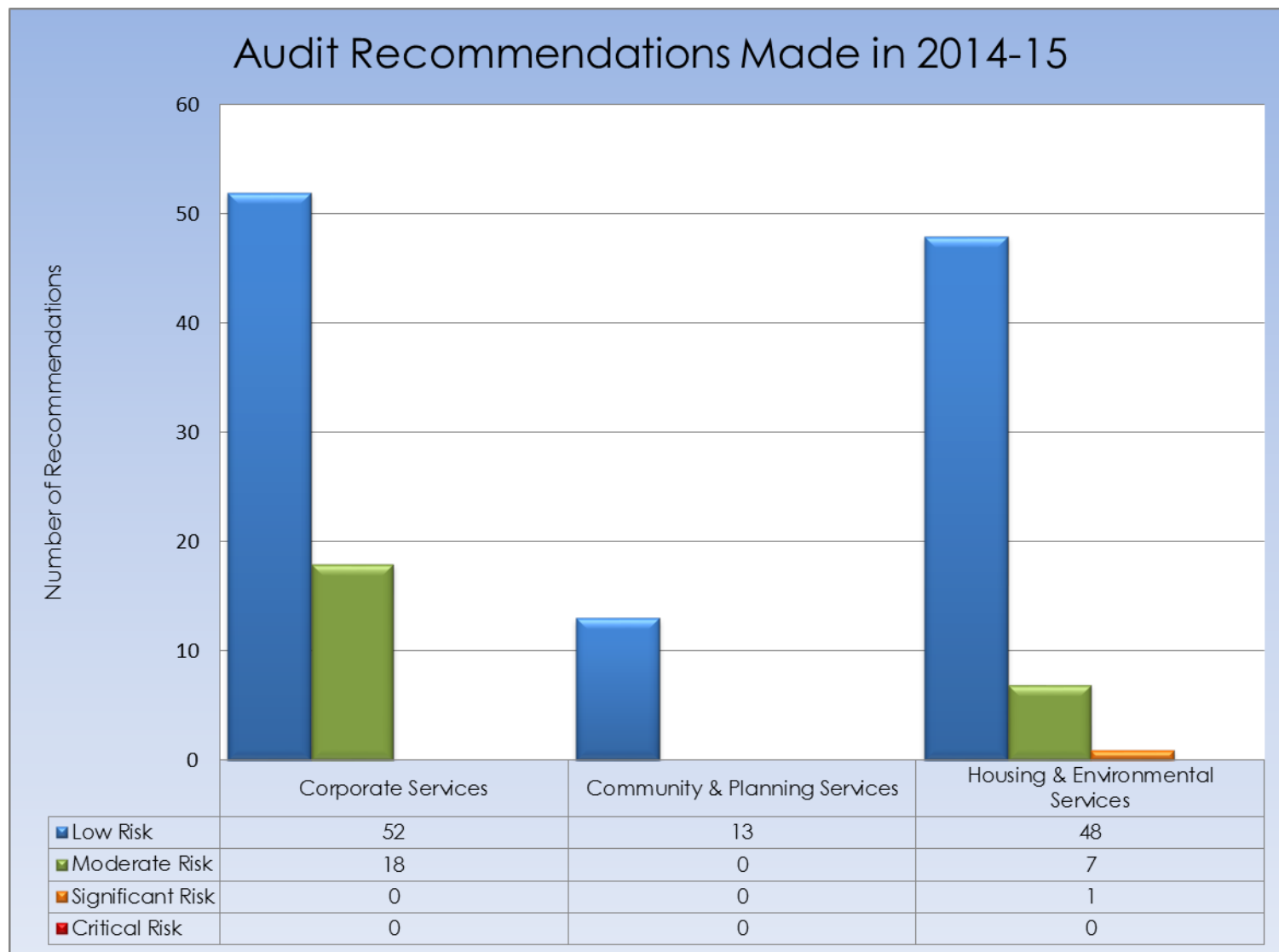| Category	Score
Consultation on audit coverage and timing	4.33
Relevance of audit objectives and scope	4.42
Feedback during the audit	4.50
Helpfulness of the auditor(s)	4.83
Professionalism of the audit team	4.92
Completed in an acceptable timeframe	4.33
Clarity and presentation of the report	4.42
Accuracy of findings	4.33
Soundness and objectiveness of audit's conclusions	4.25
Value of agreed actions to improve control environment	4.08
Overall satisfaction with the audit service	4.50

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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 2014-15 is shown in the table across.

Audit Recommendations Made in 2014-15

	Corporate Services	Community & Planning Services	Housing & Environmental Services
Low Risk	52	13	48
Moderate Risk	18	0	7
Significant Risk	0	0	1
Critical Risk	0	0	0

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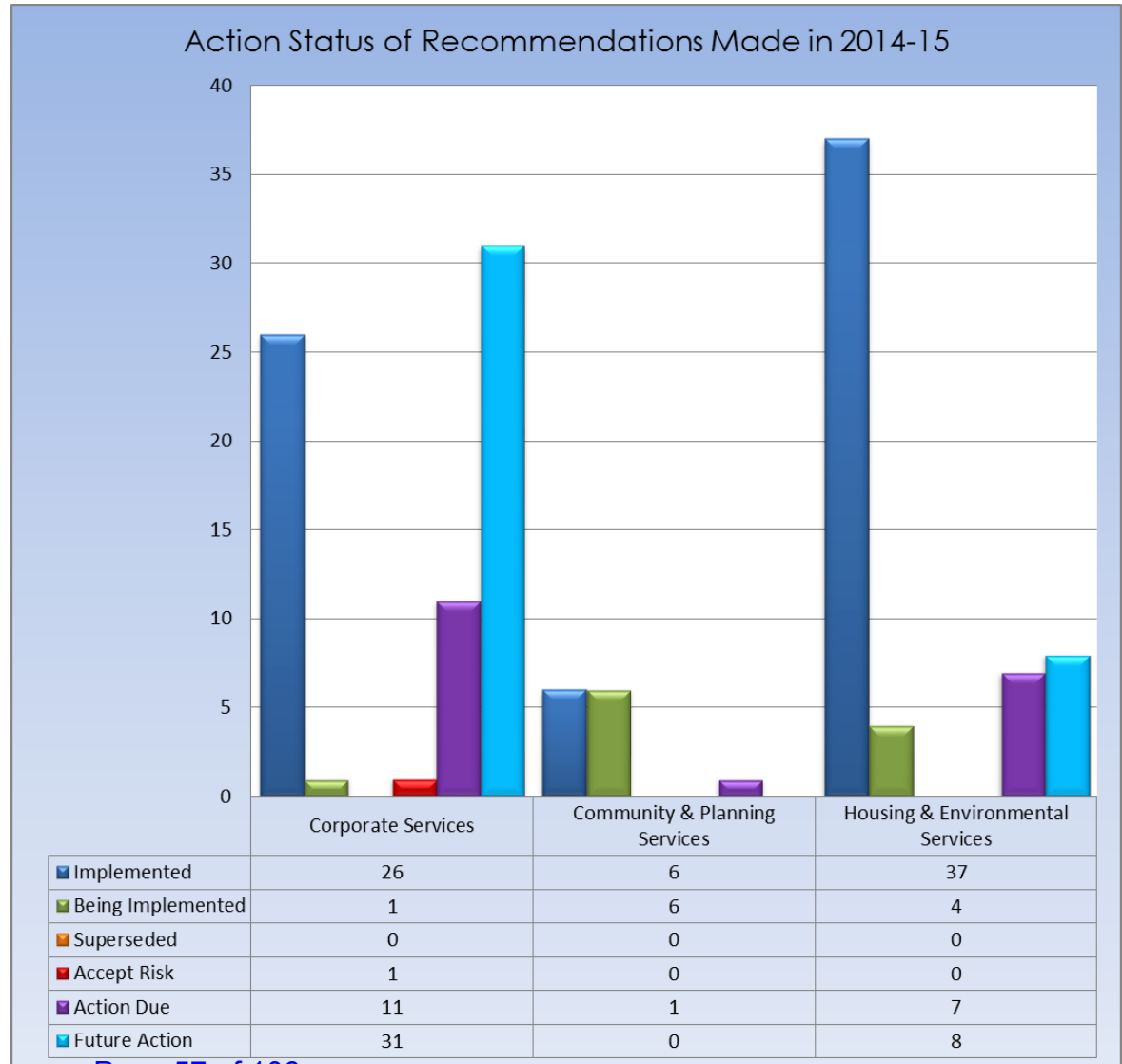
Recommendations Action Status

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.
- **Action Due** = Audit have been unable to ascertain any progress information from the responsible officer.
- **Future Action** = The recommendations haven't reached their agreed action date

A summary of the action status of recommendations by directorate for 2014/15 is shown in the table across.

Action Status of Recommendations Made in 2014-15

	Corporate Services	Community & Planning Services	Housing & Environmental Services
Implemented	26	6	37
Being Implemented	1	6	4
Superseded	0	0	0
Accept Risk	1	0	0
Action Due	11	1	7
Future Action	31	0	8

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	17th JUNE 2015	CATEGORY: DELEGATED
REPORT FROM:	LEGAL & DEMOCRATIC SERVICES MANAGER and MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR ardip.kaur@south-derbys.gov.uk	DOC:
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE – ANNUAL REVIEW 2014/15	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 2014/15 is approved.

1.2   That the completion of the work plan to strengthen the Council's governance arrangements in 2014/15 is noted.

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 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 detailed assessment for 2014/15 is detailed in **Appendix 2**. This largely remains unchanged from the previous year; it is considered that the Council continues to have sound and adequate arrangements in place that meet the requirements of good corporate governance.

3.7 Generally, all areas are rated highly with any outstanding matters highlighted with an appropriate action point. The Committee are requested to broadly review Appendix 2 to satisfy itself that it generally accords with its view of the Council's arrangements.

Work Plan 2014/15

3.8 Actions identified in the Council's Annual Governance Statement for 2013/14 were completed in 2014/15. These are detailed in Appendix 1.

Work Plan 2015/16

3.9 The proposed work plan for 2015/16 is set out in the Annual Governance Statement which is subject to a separate report on this Committee's Agenda.

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 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	Completed Reviews undertaken 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	Implemented and on-going. External trainer procured and 3-year programme established; year 1 progressing.
Update Induction training for Members	March 2015	Legal and Democratic Services Manager	Completed. Induction being progressed following election of new Council in May 2015.
Development of Neighbourhood Plans for local communities	March 2015	Director of Community and Planning Services	Support being provided to one Parish. Government funding awarded to meet costs.
Expand the publication of "open data" in accordance with the new Transparency Code for Local Government	September 2014	Director of Finance and Corporate Services	The main framework and areas subject to the Code completed. This will be on-going as new requirements are published together with audit checks. Requirements to standardise the format of data sets to be developed in accordance with best practice.
Implement a Data Management Policy	September 2014	Director of Finance and Corporate Services	Completed. Data retention schedules updated. Corporate guidance provided to manage data.

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: • 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	

1

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	• 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	Implementation of the Local Plan subject to final review of the Government inspector. A decision is expected later in 2015.
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	• 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	• Corporate Plan • Statutory Statement of Accounts • External Audit Management Letter • Annual Budget Report • Medium Term Financial Plan • Council Tax leaflet • Annual Report	5	

2

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: • 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	• 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	

3

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
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	Director of Finance and Corporate Services	The results are reflected in the Council's performance plans and in reviewing the work of the Council e.g. • 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	5	

4

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	Director of Finance and Corporate Services Legal and Democratic Services Manager	• 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	New Members induction process being rolled out in 2015/16 following election of new Council in May 2015

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	• 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	• 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	• 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	

6

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	• 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	• 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	• 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	

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
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)	Legal and Democratic Services Manager Director of Finance and Corporate Services	• 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	• 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	• 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	• 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: ◆ 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	• 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	

9

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	• 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	Legal and Democratic Services Manager Director of Finance and Corporate Services	• 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 *cont/….over*	5	

10

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/…..		- 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	Director of Finance and Corporate Services Legal and Democratic Services Manager	- 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 *cont/….over*	5	

11

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/….		• 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	• 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	• 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	

12

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	• 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	• 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	• 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	

13

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	• 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	• 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	• 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	• 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	• 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	• 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 *cont/….over*	5	

15

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/…..		• 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	• 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	• 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	• 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	

16

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	• Constitution • Monitoring Officer/ S151 Officer • Member Protocol • Planning Code of Good Practice • Member Induction process • Standards Code of Conduct •	4	New Members induction process being rolled out in 2015/16 following election of new Council in May 2015
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	• Circulation of reports prior to going to Committee • Monitoring Officer and S151 Officers in post • Decisions and Recommendations from Committee	4	New Members induction process being rolled out in 2015/16 following election of new Council in May 2015
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	• 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	New Members induction process being rolled out in 2015/16 following election of new Council in May 2015

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

How the principles of corporate governance should be reflected
Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles (40 & 41)

Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group (42 – 44)

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) |

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	• 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	New Members induction process being rolled out in 2015/16 following election of new Council in May 2015
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	• Job Description/Person Specifications • Article 11 in Constitution • Performance Development Reviews • S151 and Monitoring Officers have support from professional organisations	5	

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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	Director of Finance and Corporate Services Legal and Democratic Services Manager	• 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	Director of Finance and Corporate Services Legal and Democratic Services Manager	• 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	

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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	Director of Finance and Corporate Services Legal and Democratic Services Manager	• 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	• 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	

20

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	- 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	

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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	• 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	• 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	• Annual report to Council Page 83 of 106	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	• 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	• 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	• 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 *cont/….over*	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/…..		• 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	• 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	• Annual financial statements • Corporate Plan 2009-2014 • Annual Service Plans • Annual Report • Annual Audit Management Letter • Year End Performance Report • Council Tax Leaflet	5	

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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	• 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	Keep under review requirements of the Government's Transparency Code to publish data in a standard format
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	• 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	

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REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	17th JUNE 2015	CATEGORY: RECOMMENDED
REPORT FROM:	LEGAL and DEMOCRATIC SERVICES MANAGER and MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) ardip.kaur@south-derbys.gov.uk	DOC:
SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2014/15	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 2015 and its publication within the Statement of Accounts for 2014/15.

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 2014/15 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.

1

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 2014/15 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 **Section D** of the Statement highlights those issues and matters dealt with under the Governance framework. This includes a summary of any complaints made against the Council by the Local Government Ombudsman and other Government agencies, together with any significant issues raised by Auditors and failures to operate within expected standards.

3.6 A Work Plan, considered and approved by the Committee in June 2014, was progressed during 2014/15 to address matters identified to maintain and strengthen the governance environment. These were:

- Continuing to review the Local Code of Corporate Governance half yearly

- Introduction of a new Leadership and Development Programme for Managers

- Supporting the development of a Neighbourhood Plan for a large Parish Council

- Expanding the publication of "open data" in accordance with the Government's Transparency Code of Practice

- Reviewing and updating Data Management procedures

3.7 The proposed work plan for 2015/16 is 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:

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- Development of a new Council Plan following the election of a new Council in May 2015

- Updating the Constitution following the formulation of the new Council

- Implementing the recommendations of an internal audit review into the Council's Business Continuity arrangements

- Reviewing the Declaration of Interests Procedure at the Council in accordance with nationally recognised ethical standards

3.8 The most significant action will be the development of a new Council Plan following the election of a new Council in May 2015. This will set out the Council's priorities and actions to 2019. The work plan will be monitored through the Local Code.

4.0 Financial Implications

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.

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ANNUAL GOVERNANCE STATEMENT 2014/15

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 Sub-Committee approved the Code for 2014/15 in June 2015 and this is at:

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1838/Committee/387/Default.aspx

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 GOVERNANCE 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 2015, up to the date that the Annual Report and Statement of Accounts were approved.

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 2014/15.

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 and an Annual Report.

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.

- 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:

4

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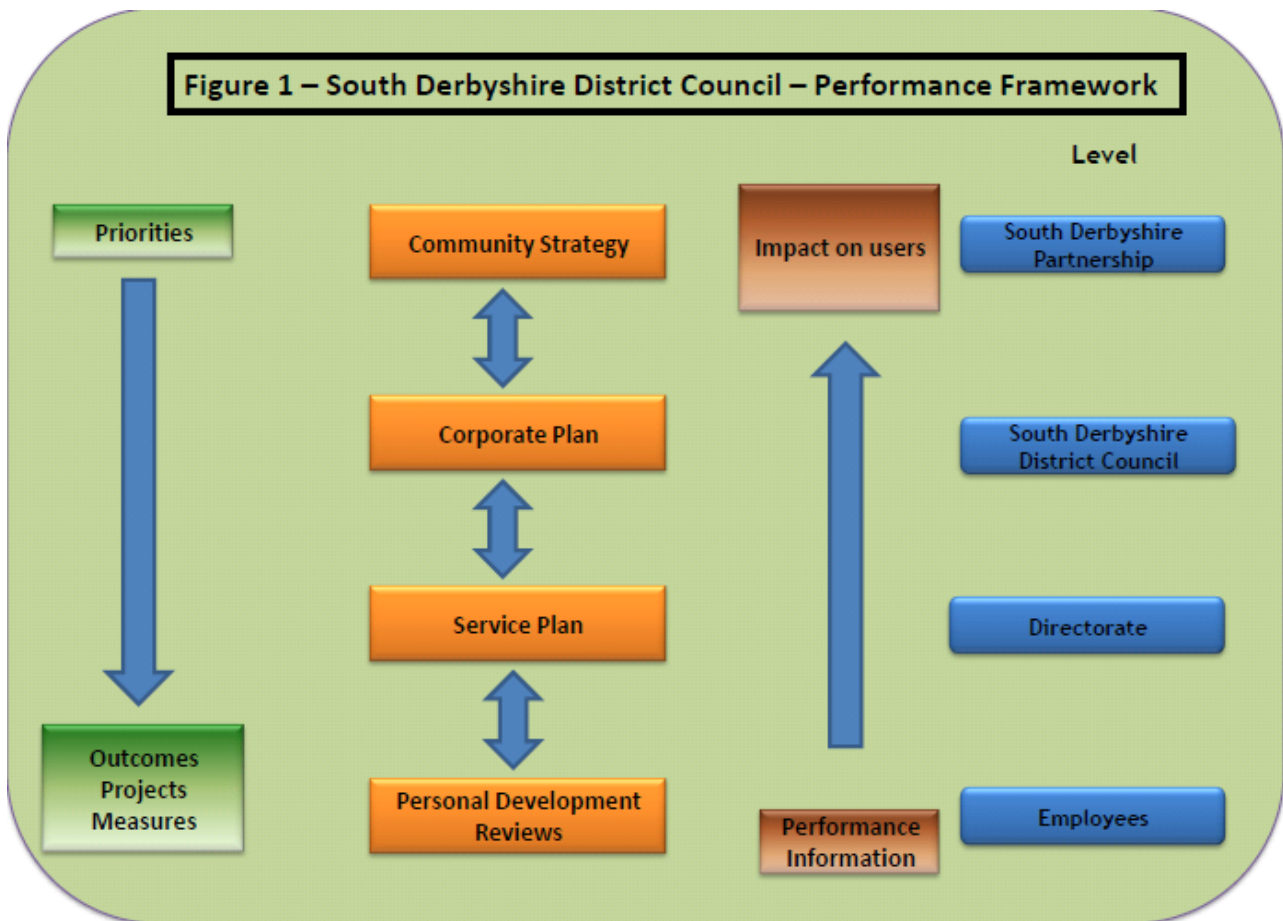
The **Community Strategy** sets the long-term vision and community goals for all agencies in South Derbyshire. This was reviewed in 2009 and a new Strategy implemented for the period 2009-2029.

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 oversee 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 2015 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, details of procurement card transactions, together with remuneration and expenses paid to Members. This is information is available at:
http://www.south-derbys.gov.uk/our_website/open_data/default.asp

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 2014/15 following a work programme arising out the Governance Statement for the previous year 2013/14. 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 2014/15 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 2014/15, the Council was required to meet government requirements regarding the sharing of data between other public sector agencies and to safeguard personal and confidential information.

To comply with the Public Services Network, the Council was required to review its server estate to eliminate any unsupported applications. The Council also enhanced its remote access solution for home workers and remote log on.

There were no major security incidents reported during 2014/15. The Council's internal auditors reviewed and tested the Council's IT infrastructure. Although they identified several areas to strengthen security, there were no implications highlighted that would have a negative effect on the Council's ICT governance arrangements.

The Government's Cabinet Office certified the Council as being PSN compliant in April 2015.

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 by the auditors through a tracking system, 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.

During 2014/15, the Committee monitored a series of recommendations relating to Health and Safety procedures at the Council's Depot. This followed concerns raised over the implementation dates for certain procedures to be updated.

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 2014/15 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 2014/15, the system of internal audit was effective and this was noted by the Audit Sub-Committee on 17th June 2015.

Public Sector Internal Auditing Standards

New Standards were introduced and adopted by the Council back in April 2013.Following this, an updated Internal Audit Charter, together with a Quality Improvement and Assessment Programme was approved by the Council in 2013. These are now established.

During 2014/15, the Audit Sub-Committee updated its terms of reference to reflect its current role. In addition, it undertook a self-assessment of its effectiveness and whilst being satisfied in most respects that it met best practice, it also identified some areas for improvement. These were approved by the Audit Sub-Committee in April 2015.

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 17th June 2015. The Head of Internal Audit gave an opinion on the overall adequacy and effectiveness of the Council's internal control environment for 2014/15. 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**. I have arrived at this opinion having regard to the following:*

- *The level of coverage provided by Internal Audit was considered substantial.*
- *Only 1 report provided a 'Limited' control assurance rating, all others were either 'Comprehensive' or 'Reasonable'.*
- *There were no 'critical risk' recommendations made and only 1 recommendation attracted a 'significant risk' rating within any audit reports issued in 2014/15.*
- *There were no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2014-15.*
- *All of the issues 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 but one, where management has chosen to accept the risk.*

- *The Council's system of risk management was examined during 2014-15 and the overall level of assurance was considered Comprehensive*
- *Our overview of the Council's Data Quality through a combination of control self-assessment and specific audit testing deemed that the overall control environment was Reasonable.*
- *Internal Audit's coverage during 2014-15 included an appropriate range of governance areas.*
- *Internal Audit has not been involved in any anti-fraud and corruption work or investigations for the Council during 2014-15.*

This opinion is provided with the following caveats:

- *No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.*
- *Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.*

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 2014/15, these included:

- Raising the profile of the Council's tourism area within the National Forest
- The refurbishment of a major urban park following significant capital investment
- Sustained output of information to inspire and motivate residents to stay fit and healthy
- Encouraging residents to play a role in reducing anti-social actions
- Promoting a local "Friday Night Project" for younger members of the community
- Features in local newspapers celebrating "40 years of South Derbyshire."

In doing this, the Council continued to make greater make use of social media in the year through a Twitter feed which has 5,000 followers, together with the publication of environmental, housing and leisure activities on Facebook.

In addition, the Council developed a free "Mobile App" in 2014/15. This will enable local residents to report missed bin collections, fly tipping and dog fouling. It will be rolled out during 2015/16.

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.

Substantial consultation was undertaken during 2014/15 on the Council's Local Plan. This sets out proposals for delivering substantial growth in residential development over the next decade. The Plan was independently inspected during January 2015; the outcome will be known later in 2015.

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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 2014/15, the following were the main pieces of consultation that were undertaken with local residents on:

- The pre submission of the Local Plan for inspection
- Accessing dental services in the area to feed into a county wide health review
- Cycling activities in the area to inform service development
- Ideas for a town centre heritage scheme
- Cemetery provision in the area to inform a development strategy for future provision

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.

The Constitution is being reviewed and updated following the Election of a new Council in May 2015.

Work of the 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 2014/15.

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 2014/15 is available at:

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1830/Committee/388/Default.aspx

In particular, the Committee scrutinised and supported the following areas:

- New requirements for Individual Electoral Registration.

- NHS Dentist provision in South Derbyshire, which involved undertaking local consultation to feed into a wider review being conducted by the local Public Health body.

- Customer services and the implementation of payment machines, including research and site visits at other councils.

- A strategic review of leisure centre provision in the area.

- Provision of cemetery space in the District, including consultation with parish councils to identify space still remaining.

- Scrutinising the Council's budget proposals for 2015/16 and MTFP to 2020.

Propriety in the Conduct of Business

During 2014/15, the following matters were raised and dealt with by the Council

Complaints

The Council was subject to one finding of maladministration by the Local Government Ombudsman. This related to how a particular homelessness case was dealt with. The outcome was that the Council sent a formal apology to the person concerned but no further action or sanctions were applied.

This was the first case of maladministration found against the Council for many years.

Code of Conduct

One employee was found to be in breach of the Council's Employee Code of Conduct in the year and this was dealt with under the Council's Disciplinary Procedure.

One elected member of the Council was found to be in breach of the Members Code of Conduct during 2014/15. This breach was upheld by the Standards Committee on 25th March 2015; the independent report and findings can be accessed at:

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1828/Committee/386/Default.aspx

This was the first ever case brought to the Council's Standards Committee against an Elected Member of the Council under the Revised Code of Conduct.

Register Of interests

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

Whistleblowing

Two internal whistleblowing complaints were received and investigated by the Monitoring Officer in 2014/15. One was complaint was upheld and the issue resolved. The other complaint was dealt with under a separate Council procedure.

Data Protection

For the first time, the Council received a complaint from the Information Commissioners Office (ICO) regarding the potential breach of the Data Protection Act. Following the Council's response, the ICO was satisfied that no breach had occurred and was satisfied of a further safeguard put in place to protect personal data.

Health and Safety

There were 5 reportable accidents under Health & Safety Regulations during 2014/15. This compares with 5 in 2013/14, 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

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agreed remedial measures where these were necessary. In addition, the Finance and Management Committee received quarterly financial monitoring reports.

Service Recognition

Several areas of the Council's work is regularly checked independently and recognised as being of an excellent standard. Current recognition continued in the following areas in 2014/15.

Health and Safety - the Council continued to attain the Gold Award in the 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 2014 for its approach to reducing the carbon footprint in its own services and for supporting work across the District.

Leisure Facilities – the Council has attained a Green Flag Award for its urban parks acknowledging how well they are maintained and managed and for providing good facilities.

Town Centre – the Council is nationally recognised as providing the best small market and was recognised regionally as providing the best Farmer's market.

Business Continuity

During 2014/15, the Council's arrangements for business continuity in the event of major disruption to its services, was subject to an internal audit review. The review gave only a limited assurance rating highlighting several areas of weakness to be addressed. None of the Audit recommendations arising from their report were considered to be high or significant.

Consequently, a work plan was been drawn up and this will be actioned during 2015/16. A Resilience Liaison Forum has since been established which brings together key people from across the Council, supported by the County Council's Emergency Planning Team. This Forum is tasked with co-ordinating planning, reviewing events and overseeing the work plan.

Value for Money (VFM) Assessment

The External Auditor is required to make a judgement on the Council's arrangements for securing value for money. During 2014/15, 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 2014."

In addition, the Annual Audit Letter of the External Auditor reports any significant weaknesses in the overall control framework. None were reported in 2014/15. The Audit Letter for 2013/14 is available at:

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1709/Committee/364/Default.aspx

E   KEY GOVERNANCE ISSUES FOR SOUTH DERBYSHIRE

The Council operates within a changing environment with constant development in electronic communications and 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 2013/14 have been addressed in 2014/15, together with other developments to strengthen Governance at the Council. Besides issues identified earlier in this Statement, during 2014/15, the Council also:

- *Introduced a new Leadership and Development Programme for Managers*

- *Supported the development of a Neighbourhood Plan for a large Parish Council*

- *Expanded the publication of "open data" in accordance with the Government's Transparency Code of Practice*

- *Reviewed and updated its Data Management procedures*

These actions were noted by the Audit Sub-Committee on 17th June 2015 following consideration of a detailed report.

http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1838/Committee/387/Default.aspx

Work Plan 2015/16

The areas identified for development during 2015/16 are:

- Development of a new Council Plan following the election of a new Council in May 2015

- Updating the Constitution following the formulation of the new Council

- Implementing the recommendations of the internal audit review into the Council's Business Continuity arrangements

- Reviewing the Declaration of Interests Procedure at the Council in accordance with nationally recognised ethical standards

The most significant action will be the development of a new Council Plan following the election of a new Council in May 2015. This will set out the Council's priorities and actions to 2019. Any changes to consultation arrangements, service planning and the performance management framework will made accordingly as part of this process.

These developments are set out and included in the Governance Work Plan for 2015/16 in **Appendix 1.**

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 2015/16

Work Area	Timescale	Responsible Officer (s)	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 2015 and June 2016
Development and implementation of a new Council Plan to 2019	September 2015 to December 2015	Senior Management Team	Consultation, service planning and performance monitoring will be reviewed by December 2015 where required
Review of the Council's Constitution	July 2015	Legal and Democratic Services Manager	In particular, the terms of reference for each Policy Committee to be updated
Strengthening the Council's Business Continuity arrangements	September 2015	Director of Finance and Corporate Services	Work plan agreed by the Resilience Liaison Forum in April 2015
Reviewing the Declarations of Interest Procedure	August 2015	Legal and Democratic Services Manager / Director of Finance and Corporate Services	Any additional work will be subject to an internal audit review; they are due to report in the summer.