

Date: 4 December 2018

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 12 December 2018 at 16:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**
Councillor Grant (Chairman), Councillor Atkin (Vice-Chairman) and Councillor MacPherson

Labour Group
Councillors Dunn and Shepherd

AGENDA

Open to Public and Press

- 1 Apologies.
- 2 To note any declarations of interest arising from any items on the Agenda
- 3 To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4 To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING **4 - 18**
- 6 INTERNAL AUDIT PROGRESS REPORT **19 - 34**
- 7 LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2018-19 **35 - 50**
- 8 RISK MANAGEMENT POLICY FRAMEWORK AND GUIDANCE **51 - 71**
- 9 COMMITTEE WORK PROGRAMME **72 - 75**

Exclusion of the Public and Press:

- 10 The Chairman may therefore move:-
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 11 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	12th DECEMBER 2018	CATEGORY: DELEGATED
REPORT FROM:	EXTERNAL AUDIT	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/EY/quarterly update cover
SUBJECT:	LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 01

1.0 Recommendation

1.1 That the Committee consider the key questions posed by the Council's External Auditors contained in their latest sector update.

2.0 Purpose of Report

2.1 To provide the latest briefing from the Council's External Auditors. This is aimed at supporting the Council in an environment that is constantly changing and evolving. It covers issues which may have an impact on the Council, the wider local governments sector and the audits that EY undertake.

3.0 Detail

3.1 The Briefing is attached separately to the report. The key questions are detailed on Page 10 of the Briefing and include matters relating to:

- Brexit
- CIPFA Financial Resilience Index
- Consultation on the adoption of IFRS 16
- Consultation on proposed statutory overrides for IFRS 9
- LEP Governance
- Social Care
- Social Housing
- Transformation
- Cybersecurity strategies

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 Not applicable

6.0 Community Implications

6.1 Not applicable

Local government audit committee briefing



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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



Government and economic news

EY ITEM Club – Local Government Economic Briefing Q3

The outlook for the UK economy appears to be worsening in 2018, as challenges continue for consumption, investment and trade. Local authorities are increasingly under pressure to deliver local economic growth and improved services within this uncertain environment.

A cloudier outlook for the UK economy may impact local authority MTFPs

The UK has witnessed a recovery in services output and consumer activity, partially in response to the sunny weather and the World Cup; however, weaker overseas growth (exacerbated by escalating fears of global trade disputes) has contributed to a slowing momentum in some sectors.

The ultimate impact is a continued slowdown in real GDP growth during 2018, with the EY ITEM Club revising its forecast for GDP growth to 1.4% in July 2018, down from the 1.6% expected in April 2018. The increasingly uncertain global outlook has led the EY ITEM Club to also renew its interest rate position, predicting that there will be only one rate rise in 2018 rather than the two

forecasted previously. Local authority short-term borrowing increased by 31% in 2017/18, meaning that such a delay in interest rate hikes will likely be positive news to many local authorities. On August 2018, the Bank of England has since raised the interest rate by a quarter of a percentage point, from 0.5% to 0.75% – the highest level since March 2009, which will be re-considered by the EY ITEM Club in our next forecast.

Whilst it is still early days as far as predicting 2018/19's fiscal performance, a downgraded forecast for GDP growth this year and next, compared to the expectation three months ago, implies a bigger fiscal deficit.

On the whole, a weaker outlook for the UK economy should signal caution for local authorities. Increased pressure on real incomes and affordability has dampened activity in the housing market, with house price inflation slowing to 2%. However the ratio of prices to average earnings is still stretched by historical standards. Despite a record high employment rate, annual pay growth has not responded in turn, falling to 2.5% in April. These dynamics suggest that pressure on social housing will continue in the medium-term.

Slower growth should be considered in the light of local authorities' proposed or existing commercial activity. Dampened economic activity may also impact local businesses, leading to an

increase in high street vacancies. Furthermore, local authorities should also factor a more negative economic outlook into its supply chain risk assessments, with the potential of it increasing the chances of firms collapsing.

How do local authorities respond to the struggling retail sector?

As the retail sector undergoes significant structural change, local authorities need to consider how they can respond to this and adapt both their regeneration and investment plans accordingly.

The increasing drive towards online shopping along with rising operating costs for retailers has led to decreasing footfall in shopping centres and high streets as well as record levels of shop closures. Noteworthy retailers, including House of Fraser, Poundworld, Maplin and Toys R Us as well as a number of chain restaurants, have proposed restructures or shop closures, or have fallen into administration. There are concerns that the number of shops is too high as sustained vacancy rates continue.

Over the past two years, local authorities in England have made debt funded investment of around £1.7bn in commercial property assets. This has included a number of investments in shopping centres and other retail focused assets. These investments are likely to see a period of underperformance, with estimations suggesting a potential 10% fall in shopping centre capital value, driven by higher vacancy rates. Yields are likely to be lower than anticipated, along with there being a requirement for an increase in active management of these units, further eating into returns.

Local authorities need to consider the changing retail sector in light of their regeneration plans. There is a consensus that too much high street and town centre space is dedicated to retail. The think tank Centre for Cities has stated that shops take up twice as much space as offices in struggling town centres, whilst successful town centres tend to have three times as much office space than retail. Local authorities need to ensure that regeneration plans have appropriately considered the medium and longer term outlook for the retail sector.

The structural changes evident in the retail sector shouldn't deter local authorities from maintaining an active role in driving town centre regeneration nor in retail investment. Rather, local authorities should be integral to undertaking active investment ensuring the aim is focused on socio-economic regeneration as opposed to merely revenue generation. It is vital that local authorities are at the helm of repurposing town centres, ensuring that the public realm centres on public spaces, homes and community assets, rather than retail. This will help to ensure the sustainability of our town centres, whilst at the same time helping local authorities to achieve their regeneration and financial goals.

Brexit

A CIPFA survey has found that three quarters of public service leaders feel that central government is not engaged or has not communicated sufficiently over Brexit. CIPFA's Brexit Advisory Commission has commented that in order for local authorities to plan effectively and identify opportunities, communication channels need to be open between the government and public service leaders. Anticipating an increase in cost, public service leaders are purchasing more from suppliers now to prevent potential higher costs in the future.

Public service leaders are also anticipated a staffing pressures. Nationally it is estimated that 7% of the social care sector's workforce are non-UK EU nationals. However, in some regions of the UK non-UK EU nationals make up a significantly larger proportion.

Another major concern is regarding replacement of EU funding which is currently worth £8.4bn. In a recent white paper the Government has proposed a UK Shared Prosperity Fund (UKSPF) to replace the existing EU regional funding. Details of how local authorities can bid to secure this funding has yet to be determined.



Accounting, auditing and governance

EY's response to CIPFA consultation on its proposed local authority financial resilience index

On 24 August CIPFA closed its consultation on its plans to launch an authoritative measure of local authority financial resilience through the creation of a new index. CIPFA's proposals include using a range of indicators for the index and a dashboard enabling comparison with similar authorities. CIPFA has reported that it has had an unprecedented number of responses- not a surprise given the current profile of local authority financial resilience and the noise in the sector over CIPFA's proposals. We summarise EY's response below.

Whilst we support CIPFA's ambition to support senior officers and members with an early warning system for financial resilience issues we are unconvinced that the proposed indicators provide sufficient depth and sophistication to reflect the complexities of local authorities. In particular it is unclear how the indicators take account of the different type of reserves (earmarked, un-earmarked, usable and unusable), general fund and housing balances, income generated from other sources and borrowing plans (including recognising the different types of borrowing). Reference should also be made to the scale of borrowing to

invest in commercial property, as well as exposure to material outsourcing contracts and associated supplier risk, noting that current focus on the risk that these issues are generating in the sector. There is no reference to how the culture of an organisation impacts its financial plans and its appetite for risk. In addition, many authorities work significantly in partnership with others. In our experience, whilst the proposed indicators may provide a crude indication of financial resilience, senior officers and members would value an output that takes into account these other major influencers of financial resilience.

We have suggested that the proposed index could be treated as the first step to developing a more sophisticated index, using some of the same principles but taking into account the complexities outlined above. While CIPFA have stated that the index is not designed to predict financial issues, we would welcome the development of forward looking indicators using information from an authority's medium term financial plan as well as taking into account historic performance in achieving planned savings, unplanned use of un-earmarked reserves as well as an assessment of forward looking demographic and economic forecasts for a locality. In addition, a developing index can incorporate important changes in the way local authorities operate, for example greater integration between health and social care and the impact of CQC reviews on local health systems.

We supported the proposal for a single dashboard showing the individual authority and the relevant comparator group performance. However, we questioned the use of the terms 'best' and 'worst' performers if the index is to avoid 'naming and shaming' authorities.

We look forward to seeing CIPFA's response to the consultation and will share our views of their next steps.

EY's response to CIPFA consultation on implementation of the new adoption of IFRS 16

On 7 September CIPFA closed its consultation on proposals for developing the new edition of the Local Authority Accounting Code for 2019/20 in relation to implementing the new leasing accounting standard, IFRS 16.

IFRS 16 aims to increase the transparency of financial reporting on leases. It removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset (i.e., a lessee's right to use an asset over the life of a lease) be recognised for all leases (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. This will be a significant change for local authorities and present practical challenges for processes, systems and data collection.

IFRS 16 will mean that current value depreciation and depreciation is charged to the Surplus or Deficit on the Provision of Services. It will also impact on the statutory reporting and capital finance requirements for leased assets which currently refer to finance leases. The recognition of right-to-use assets will bring leases into the scope of the Prudential Framework. The cost (on initial recognition) of the right-to-use asset will meet the definition of capital expenditure in contrast to the current revenue treatment of operating leases.

We generally support the CIPFA proposals with the following matters to highlight:

- ▶ **Clarification of what 'low value' is.** There are exemptions under IFRS 16 for 'low value' leases but there is no clear definition. The proposals do not make reference to assets that may be of low value, but are only used or used to maximum

effect by being part of a network e.g., photocopiers can be used off-line but are more usually used on-line; laptops could have a similar position. The Code needs to clarify what low value is and what being part of a network is as this would be a potential area of disagreement and inconsistency. A number of clients have suggested using their de minimis level for capitalisation as the 'low value'. The Code should emphasise that these are two different concepts.

- ▶ **Measurement of the lease liability.** The lease liability is calculated from the present value of the lease payments payable over the lease term. This is discounted at the interest rate implicit in the lease or the authority's incremental borrowing rate. In our experience many authorities do not have information on the rate implicit in their operating leases. For consistency and cost effectiveness mandating the use of the incremental borrowing rate for all leases would be a positive step.
- ▶ **Subsequent measurement.** To measure the right-of-use asset we support the approach of current value measurement with materiality based practical expedients. This would be consistent with the current approach for PPE assets. It would be unsupportable to have different valuation models for the same asset types based on whether they were controlled directly or controlled via lease.
- ▶ **Housing authorities and the Capital Financing Requirement (CFR).** The HRA CFR was effectively capped following HRA self-financing under Regulation. As many HRA authorities are at their HRA CFR limit the addition of right-of-use assets would lead to breaches of the HRA CFR cap. Given the categorisation of such assets as capital in nature this change will restrict the ability of HRA authorities to enter such leases which in some cases may severely impact on their 30 year HRA financial plan. Amending Regulations could be laid that allow the HRA CFR cap to be increased by the value of any right-of-use assets identified. This would maintain the integrity of the current system regarding capital expenditure but also maintain the current flexibility in respect of operating leases. We have suggested that CIPFA should seek discussions with the Ministry of Housing, Communities and Local Government to address this issue.

Consultation on proposed statutory overrides for IFRS 9

Local authorities will be required to implement the new IFRS 9 Financial Instruments standard for the 2018/19 financial year. The sector has made representations to government on the anticipated negative impacts of the new standard which could result in income statement volatility, earlier recognition of impairment losses on receivables and loans and significant new disclosure requirements. Ministry of Housing Communities and Local Government (MHCLG) has set a response date of 28 September 2018 for the following matters:

Time limited statutory override on fair value movements for pooled investment funds

One of the consequences of IFRS 9 is that fair value changes in pooled investments fund will be accounted for at fair value through profit and loss which will impact non-ringfenced revenue reserves, annual balanced budget calculations and ultimately mean there is less money available to fund services.

MHCLG is proposing a three year grace period to adapt to the accounting changes, requiring local authorities to reverse out fair value movements on pooled investments to unusable reserves until 1 April 2021. MHCLG believes this should give local authorities sufficient time to divest themselves of these types of funds or alternatively build up sufficient revenue reserves to mitigate the impact. To aid in transparency, fair value movements relating to IFRS 9 should be separately disclosed in the Unusable Reserves note.

Earlier recognition of impairments on loans and trade receivables

MHCLG does not intend to mitigate the impact of early impairment recognition of loans and receivables, owing any substantial impairment a direct result to the authorities risk appetite. Local authorities will need to keep a close eye on the budgetary position to accommodate this accounting change.

Disclosure Requirements

MHCLG does not intend to reduce any disclosure requirements, despite the administrative burden that may arise in first time implementation, as the new and enhanced disclosure requirements will benefit the users of the accounts.

The first year of local government faster close

After almost two years preparation, numerous discussions between auditors and finance teams, several reminders to audit committees and a significant amount of hard work, the end of July, the new deadline for local authorities to publish audited accounts, came and went. Across the 150 EY local authority audit portfolio, the new deadline was met at 132 authorities (88%). Nationally, we hear, and it's an unaudited figure, the outcome was 15% missed the earlier deadline, compared with 5% that missed the previous year's end of September deadline.

Auditors are already meeting with finance teams to de-brief and learn lessons for FY19. We outline below our immediate views on the key factors for both authorities and auditors that contributed to meeting the faster close deadlines.

- 1. Project management:** Authorities with a clear, well thought through, detailed and actively managed action plan, involving their auditors, were more likely to be successful in delivering closedown, accounts preparation and the audit to time. Project plans that made preparation of supporting working papers an integral part of the process resulted in better quality financial statements. When things were going off track, decisive action was taken to make a change and get progress moving in the right direction. Often project management resided with one or two key individuals in finance and audit teams who had the ability to influence others and make decisions on priorities and resource allocation.
- 2. Communication:** Early and honest communication on progress, key judgements and potential problems enabled officers and auditors to find solutions and agree on matters promptly and efficiently rather than having limited time to deal with late and unexpected issues.
- 3. Capacity and contingency:** The shorter period between accounts preparation and publication of audited accounts increased pressure on teams and squeezed the time to deal with late issues. Successful delivery was more likely where officers and auditors built capacity and contingency into their respective scheduling plans.

4. Dealing with accounting estimates: Authorities and auditors need to be clearer on their approach to preparing and auditing accounting estimates. Notably in respect of the two biggest estimates an authority makes relating to pensions and the valuation of property, plant and equipment. Both rely on the work of a specialist and are determined by an authority as part of closedown. Both are also estimates that auditors will always challenge and draw on the latest available information.

5. Streamlining the accounts: We were surprised that we didn't see much evidence of authorities using the opportunity to review their accounts and taking out non-material disclosures. This may be an area that authorities and auditors would find it helpful to discuss as part of planning for 2018/19.

We encourage audit committees to consider the five key factors in relation to their plans for preparing their 2018/19 statement of accounts and supporting the associated audit.

CIPFA Governance Guidance for LEPs

Over the years, the amount of public expenditure that Local Enterprise Schemes (LEPs) are responsible for has increased and the role of the section 151 officer has become of greater importance in the LEP assurance model. CIPFA, in collaboration with the Cities and Local Growth Unit, has developed five key principles for LEP section 151 officers which would result in more proportional financial governance for LEPs. The five key principles are as follows:

1. Enshrining a corporate position for the section 151 officer in LEP assurance.

- ▶ This will result in a shared responsibility arrangement between the chair, the chief executive, and the section 151 officer. Section 151 officers will also be required to provide an Annual Assurance Statement.

2. Creating a formal/structured mandate for the section 151 officer.

- ▶ This will allow the section 151 officer to attend board meetings and provide recommendations on financial administration.

3. Embedding good governance into decision making.

- ▶ This will result in section 151 officers taking an active role in the financial and risk-based decision making.

4. Ensuring effective review of governance.

- ▶ Internal audit will need to include a risk-based audit plan which will provide assurance to the board and the section 151 officer. Where there are serious concerns, such as non-compliance with legal requirements or fraud, the section 151 officer will be required to report these to the Cities and Local Growth Unit.

5. Appropriate skills and resourcing.

- ▶ This will ensure LEPs have the appropriate skills and resources, including audit, to enable the Section 151 officer to carry out their function.



Other

Social Care Spending

Age UK has published a report on a study conducted by health policy and communication specialists, Incisive Health, which shows that the social care system in the England 'lags behind' other countries. The report states that countries such as Germany and Japan have made sustainable social care policy changes in 1995 and 2000, respectively; whilst the social care system in England has remained largely unchanged despite several government consultations and green or white papers.

In response to this report, the Local Government Association (LGA) has attributed the delay in progression of adult social care system to underfunding, a rise in demand and increased cost for care and support. The LGA has estimated that there is a £3.5bn funding gap facing adult social care by 2025 to maintain the existing standards of care.

Research conducted by the Association of Directors of Adult Social Services has estimated that English councils in 2018/19 have cut social care spending by £700m which is equivalent to 5% of the total £14.5bn budget and that since 2010 social care spending has decreased by £7bn. The survey also found that half of councils in England overspent on adult social care budgets in 2017/18, half of which have drawn on council reserves to meet overspends. This is a concerning statistic given that the National Audit Office (NAO) has warned that 10% of councils will exhaust their reserves at the current rate of use.

To help bridge the funding gap, the LGA is currently consulting on its own proposals which includes an increase to national insurance by 1% on the basic rate and an additional social care premium for over-40s.

Social housing

There are 1.2 million people on waiting lists for social housing and for these people affordable housing is becoming more and more unaffordable as their incomes are squeezed. To address this issue the Government has released a consultation green paper which has proposed the building of new affordable housing by 'exploring flexibilities' on how local authorities spend the money from homes sold under the Right to Buy (RTB) scheme. Current funding allows for local authorities to keep one third of each RTB receipt to build a replacement RTB home; but does not allow authorities to borrow money to make up the shortfall for financing the replacement RTB home. The green papers also contains proposals to allow tenants to purchase as little as 1% of their property each year through shared ownership.

The LGA response to the Government's green paper was that the consultation showed positive signs, however the government could do much more for example allowing local authorities to keep all of the RTB receipts to allow councils to more easily finance replacement RTB homes and scraping the housing borrowing cap. The current proposals do not directly allocate funding to local authorities to build more social housing.

Organisational Transformation Guidance for Audit Committees

Transformation plans of any organisation can be highly complicated and risky, even more so for large organisations. Transformation plans can be broad in scope, evolve over time and it can be difficult to measure the impact of transformational change. The exercising of good governance by Audit Committees is essential for the success of major transformation projects. To aid Audit Committees, the NAO has issued guidance which sets out the initial questions that could be asked of officers in the 'set up' phase, 'delivery' phase and 'live running and benefit realisation' phase.

Further details of this guidance can be found through the link in the [Find out more](#) section below.

EY cybersecurity strategies

There's a new way of thinking about cybersecurity. New security approaches are moving from thinking about cybersecurity as a defensive approach, to thinking about it as a source of transformation. Here are some ways to position your cybersecurity strategies for a distinct advantage.

Make it a team sport that everyone is a part of

The number one cause of large security breaches remains phishing, according to the EY 2017/18 Global Information Security Survey of over 1,200 companies. On mobile devices, phishing attacks have increased by an average of 85% year on year for the last seven years, so you are still more likely to be made vulnerable by a member of staff opening a rogue email than anything else.

This is often the result of a lack of cybersecurity awareness – whether about generic malware, scams related to fake LinkedIn profiles, or hacks on public Wi-Fi.

Therefore, developing a culture where staff at all levels understand how to protect data and systems, including mobile devices, through up-to-date training, drills and regular communication, will help build and maintain a cybersecurity advantage.

Cyber policies are vital as a living, breathing reference to help manage a fraught and fast-moving situation, yet these aren't effective if staff outside of the cyber function don't know about them.

Embedding a cyber conscious culture that heightens awareness and behaviours amongst all employees can help you pull ahead of the competition, instead of scoring an own goal.

Keep to a small window for damage control

The UK's national cyber security centre recently described a need to act collaboratively and collectively against cyber threats, urging organisations to raise the bar.

Cyber threats don't respect borders, jurisdictions or organisational boundaries, and there is a small window in which to minimise the damage.

Under GDPR, the new mandatory 72-hour breach reporting could be too long a timeline in the court of public opinion, and focusing on the first 2 to 5 hours instead could provide a much needed advantage.

Outlining key stages of your breach response in the first few hours across functions from IT, security, PR to legal, and identifying at which points to get an external view, could make the difference between a forgiving public or not.

As we start to see more threats and regulations emerge across the world, how organisations come together, under extreme time pressures, will provide much needed collaborative gains.

Use different approaches for evolving risks

Cyber risks aren't constant. The nature of the risks are always changing – which means resources to fight them can't be allocated on a set basis.

Increasingly, cybersecurity requires bringing together a wide range of capabilities to deliver value.

Whether that be through enhancing cyber resources with new skillsets, leveraging emerging technology from hardware authentication, virtualised intrusion detection, or using AI and machine learning.

With cybersecurity increasingly becoming a competitive battleground, that's all the more reason to start thinking about how your organisation can build an effective cybersecurity advantage.

Key questions for the Audit Committee

Brexit

Has your authority considered the implications of Brexit? What plans does your authority have in plan to mitigate potential risks associated with Brexit?

CIPFA Financial Resilience Index

Does the proposed CIPFA financial resilience index provide your authority with the support needed to achieve a balanced budget?

Consultation on the adoption of IFRS 16

How prepared is your Fire Authority for the changes in processes, systems and data collection as a result of CIPFA implementation of IFRS 16?

Consultation on proposed statutory overrides for IFRS 9

Has your authority assessed the impact of the new accounting standard IFRS 9 Financial Instruments and the potential statutory overrides on your budgets?

LEP Governance

Is your local authority part of a LEP? If so, what arrangements are in place to ensure that the authority has sufficient assurance over the governance of the LEP?

Social Care

Given the spending pressures on social care and the sustainability of funding sources, what is the authority's strategy to ensure the sustainability of social care? How does the authority ensure that it maximises value for money from its social care services and ensures that the quality of care provided is appropriate?

Social Housing

What plans does your local authority have to ensure that there is sufficient social housing in the area? Has your authority responded to the Government's green paper consultation?

Transformation

Is your local authority considering or does your local authority have plans to transform its business? If so, how will the audit committee exercise good governance over these arrangements? Have you used the NAO transformational guidance?

EY cybersecurity strategies

Is your organisation still thinking about cybersecurity as a defensive approach or a source of transformation and distinct advantage?

Find out more

EY Item Club

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

Brexit

<https://www.publicfinance.co.uk/news/2018/06/government-failing-engage-over-brexit>

<https://www.publicfinance.co.uk/news/2018/07/brexit-will-hit-public-finances-conference-hears>

<https://www.local.gov.uk/about/news/lga-responds-brexit-white-paper>

CIPFA consultation on its proposed local authority financial resilience index

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-consultation-on-new-index-to-measure-councils%E2%80%99-financial-resilience>

Consultation on the adoption of IFRS 16

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

Consultation on proposed statutory overrides for IFRS 9

<https://www.gov.uk/government/consultations/local-authority-budget-setting-mitigating-the-impact-of-fair-value-movements-on-pooled-investment-funds>

LEP Governance Guidance

<https://www.cipfa.org/policy-and-guidance/reports/principles-for-section-151-officers-working-with-leps>

Social care

<https://www.publicfinance.co.uk/news/2018/08/england-lags-behind-other-countries-social-care>

<https://www.local.gov.uk/about/news/lga-responds-age-uk-report-care-funding-comparison>

<https://economia.icaew.com/news/august-2018/lga-proposes-tax-increase-to-support-social-care>

<https://www.theguardian.com/society/2018/jun/12/adult-social-care-services-collapse-survey-england-council>

Social Housing

<https://www.local.gov.uk/about/news/lga-responds-social-housing-green-paper>

<https://www.publicfinance.co.uk/news/2018/08/social-housing-paper-fails-provide-cash-needed-homes1>

Transformation Guidance (from the NAO)

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

EY cybersecurity strategies

<https://www.ey.com/uk/en/services/advisory/cybersecurity/ey-four-cybersecurity-strategies>

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REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	12th DECEMBER 2018	CATEGORY: RECOMMENDED
REPORT FROM:	INTERNAL AUDIT MANAGER	OPEN
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD (01332 643281) adrian.manifold@centralmidlandsaudit.co.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 for 2018/19 as at 30th November 2018.

3.0 Detail

- 3.1 The detailed report is attached.

4.0 Financial Implications

- 4.1 None.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 None directly.

7.0 Background Papers

- 7.1 None



South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 12th December 2018



South Derbyshire
District Council



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Our Vision

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

Contacts

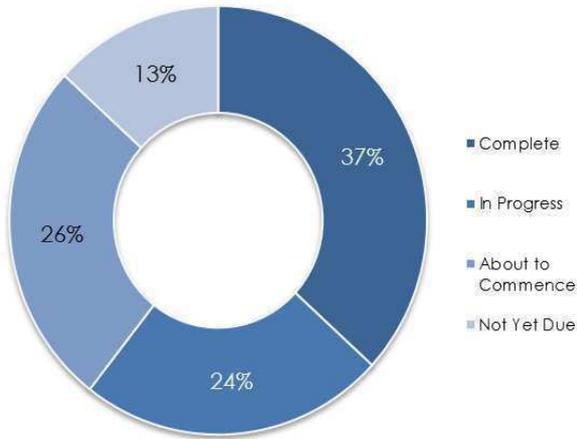
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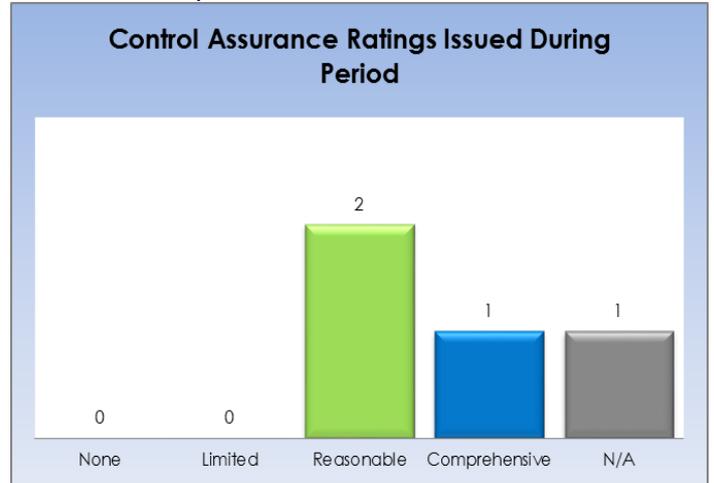


AUDIT DASHBOARD

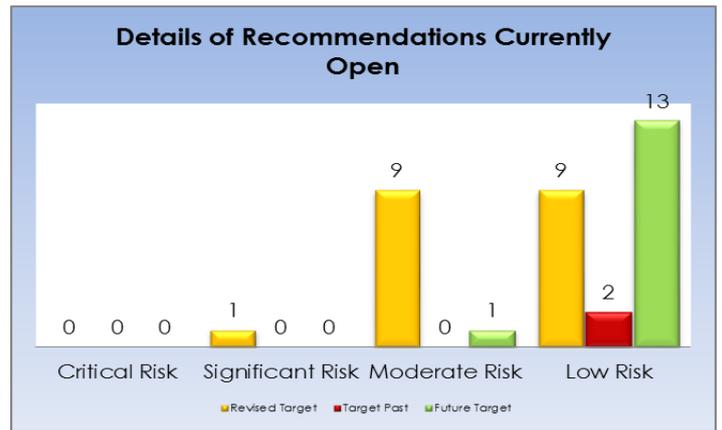
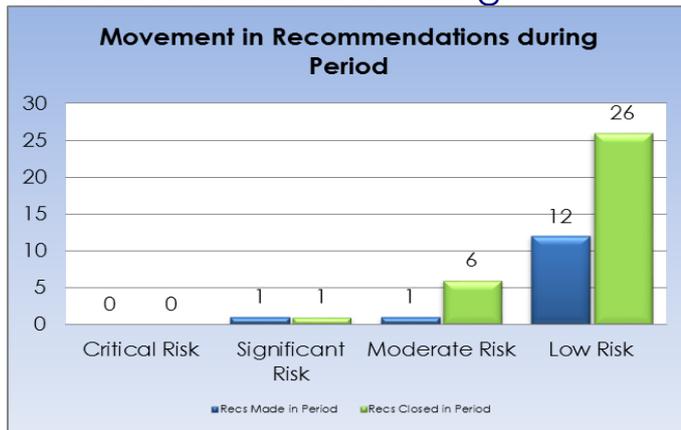
Plan Progress



Jobs Completed in Period

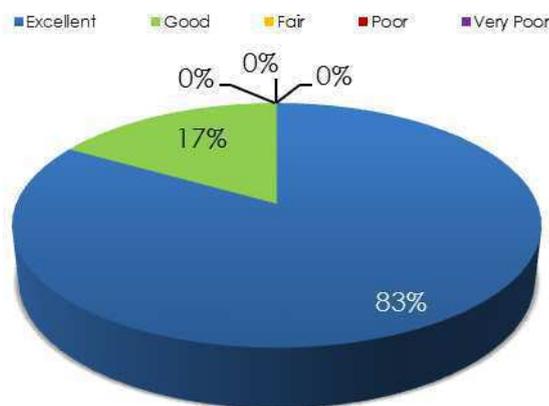


Recommendation Tracking



Customer Satisfaction

Dec 17 to Nov 18



South Derbyshire District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 29th November 2018.

2018-19 Jobs	Status	% Complete	Assurance Rating
Data Protection & Freedom of Information	Removed from Plan	0%	
Information Governance	Allocated	5%	
Treasury Management 2018-19	Allocated	0%	
Insurance 2018-19	Final Report	100%	Reasonable
Capital Programme	Not Allocated	0%	
Payroll 2018-19	Allocated	0%	
Creditors 2018-19	Allocated	5%	
Council Tax 2018-19*	Allocated	0%	
NDR 2018-19*	Allocated	0%	
Housing Benefit & Council Tax Support 2018-19	Not Allocated	0%	
PCI Compliance	In Progress	45%	
IT Applications *	Removed from Plan	0%	
File Server Security	Allocated	5%	
Waste Management (Collection, Trade, Recycling)	In Progress	10%	
Fleet Management	Not Allocated	0%	
Street Cleansing	In Progress	10%	
Section 106 Agreements	Draft Report	95%	
Development Control	Allocated	5%	
Pollution Control	Final Report	100%	Comprehensive
Food Safety	Not Allocated	0%	
Sport & Health Funding	Not Allocated	0%	
Rosliston Forestry Centre	Allocated	0%	
Planned & Responsive Maintenance - Public Buildings	Allocated	0%	
Housing Safety Inspections	In Progress	0%	
Allocations & Homelessness	In Progress	60%	
Sheltered Housing / Careline	Draft Report	95%	
Community Safety Partnership	In Progress	65%	
Corporate Governance	Allocated	0%	

- See Audit Plan Changes

South Derbyshire District Council – Audit Progress Report

B/Fwd Jobs	Status	% Complete	Assurance Rating
Risk Management	Job Complete	100%	N/A
Health & Safety	Draft Report	95%	
Payroll 2017-18	Final Report	100%	Reasonable
Organisational Culture & Ethics	Final Report	100%	Reasonable
Council Tax 2017-18	Final Report	100%	Comprehensive
NDR 2017-18	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support 2017-18	Final Report	100%	Comprehensive
Express Electoral System Security Assessment	Final Report	100%	Reasonable
Sharpes Pottery	Final Report	100%	Comprehensive
New Build / Affordable Housing	Final Report	100%	Comprehensive
Licensing	Final Report	100%	Comprehensive
Safeguarding	Final Report	100%	Reasonable
Followup of Whistleblowing Recommendations	Final Report	100%	Reasonable

Audit Plan Changes

The IT Applications audit scheduled for this year is unlikely to take place in 2018/19. Our two IT Audit Trainees have recently taken up positions with other employers. The Partnership's Operational Group has decided that rather than recruit two more IT Audit Trainees, efforts would be made to recruit a more experienced Senior/Principal IT Auditor. As this leaves us significantly under resourced to deliver our planned IT Audits across the Partnership, it was agreed by each Partner Organisation on 5th November 2018 that some IT Audits would have to be deferred until resources are available.

As last year's Council Tax and NDR audits highlighted very similar issues for the same officer, in the interest of efficiency, it has been agreed that rather than undertake two separate audit assignments, they will be combined into one all encompassing Revenue Systems assignment this year.

South Derbyshire District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 6th September 2018 and 29th November 2018, the following audit assignments have been finalised since the last Progress Report was presented to this Sub-Committee.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Payroll 2017-18	Reasonable	-	1	-	9	70%
Pollution Control	Comprehensive	-	-	-	2	100%
Insurance	Reasonable	-	-	1	1	50%
Risk Management	N/A	-	-	-	-	N/A

Payroll 2017-18	Assurance Rating			
	None	Limited	Reasonable	Comprehensive
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
New employees are set up on the payroll system correctly.	7	2	3	2
Variations to pay are processed accurately, promptly and are fully authorised.	11	7	3	1
Review the resource link permissions to see if SDDC adheres to the controls.	9	4	0	5
TOTALS	27	13	6	8
Summary of Weakness		Risk Rating	Agreed Action Date	
Documents were not consistently stored in the secure locations used by HR and Payroll.		Low Risk	31/08/2019 Future Action	
Hard copy HR and Payroll documents were being stored in an unlocked cabinet within the Finance office.		Low Risk	Implemented	
There was inappropriate access to the Payroll shared inbox and to the HR shared inbox.		Low Risk	Implemented	
There were inadequate controls in place regarding separation of duties when setting up new starters on Payroll.		Significant Risk	26/10/2018 Being Implemented 21/12/2018	
A policy regarding honoraria and acting up was not in place. An end date for an acting up payment had not been specified on the official form or entered onto the Resource Link (Payroll) system: payments would therefore continue to be made to this employee without further checks or intervention.		Low Risk	21/12/2018 Future Action	
Honoraria and acting up payments were not uniquely coded.		Low Risk	Implemented	
There were no system restrictions in place that would identify changes made to the Payroll Managers salary in period.		Low Risk	Risk Accepted	
Testing identified two instances where return to work forms had not been passed to HR.		Low Risk	30/09/2018 Implemented	
The role of system administrator within Resource Link was permanently granted to the Accounting Technician.		Low Risk	Risk Accepted	
There was a SDDC HR shared account that could perform up to 362 tasks within the Resource Link System.		Low Risk	Implemented	

South Derbyshire District Council – Audit Progress Report

Pollution Control				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Policies, procedures and governance arrangements in place to ensure effective decision making process and adequate actions taken	5	5	0	0
Confirm that investigations are carried out in compliance with the procedure, within the target, all cases are recorded electronically and accompanied by supporting documents	10	8	0	2
Confirm that performance information is appropriately collated, relevant indicators calculated and reported	2	2	0	0
TOTALS	17	15	0	2
Summary of Weakness		Risk Rating	Agreed Action Date	
Incomplete supporting documentation indexed on the electronic investigation record		Low Risk	01/11/2018 Implemented	
Cases were closed earlier or left open for prolonged period without an explanation recorded on the system.		Low Risk	01/11/2018 Implemented	

Insurance				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
There is an adequately defined control framework for the use of insurance for the mitigation of risk.	5	5	0	0
Adequate insurance cover in place, taking into account risks identified.	6	5	1	0
Adequate procedures in place to accurately and completely process insurance claims.	8	7	1	0
Insurance premiums and claims properly accounted for and suitably reported to management and members.	3	3	0	0
TOTALS	22	20	2	0
Summary of Weakness		Risk Rating	Agreed Action Date	
For many of the risks for which insurance was in place there was no corresponding risk identified in any of the Council's risk registers.		Moderate Risk	25/01/2019 Future Action	
There are no recorded minutes for Health & Safety / Insurance meetings that take place to review accidents and incidents that had occurred, consequently actions resulting from the meeting were not recorded, and there is no process to ensure they had been completed.		Low Risk	10/10/2018 Implemented	

South Derbyshire District Council – Audit Progress Report

Completed Audit Consultancy Assignments

Review of the Risk Management Framework

A consultancy review which compared the Council's Risk Management Framework against the Association of Local Authority Risk Managers (Alarm) national performance model for risk management in public services has been completed. The performance model is a detailed and comprehensive set of questions that have been designed to test current performance against the assessment framework.

The review concentrated on the following key areas:

- Do senior management and Elected Members support and promote risk management?
- Are there clear strategies and policies for risk?
- Are people equipped and supported to manage risk well?
- Are there effective arrangements for managing risks with partners?
- Does the Council have effective risk management processes to support the business?
- Are risks handled well and does the Council have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?

An initial assessment was made and discussed with the Strategic Director (Corporate Resources). Following further information from the Strategic Director, a revised/final assessment was made. The assessments are shown below.

RAG	Ratings	Number of Instances in original assessment	Number of Instances in revised assessment
Red	Weakness	9	1
Yellow	Partial Weakness	17	12
Green	Adequate	12	25

The full details of the assessment are contained in the report on the risk management policy framework and guidance from the Strategic Director (Corporate Resources) which is on the Audit Sub-Committee agenda for 12th December.

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RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
21-Nov-18	Insurance	Reasonable	-	-	1
02-Oct-18	Payroll 2017-18	Reasonable	-	1	2
25-Apr-18	Organisational Culture & Ethics	Reasonable	-	1	1
11-Jul-18	Housing Benefit & Council Tax Support 2017-18	Comprehensive	-	-	1
12-Jul-18	NDR 2017-18	Comprehensive	-	-	2
06-Sep-18	Council Tax 2017-18	Comprehensive	-	-	2
06-Mar-18	Tenants Arrears 2017-18	Reasonable	1	1	1
19-Jan-18	Rent Accounting 2017-18	Reasonable	-	1	-
02-Mar-18	Backup Policy	Reasonable	-	3	-
13-Nov-17	Officers Expenses & Allowances	Reasonable	-	1	-
17-Nov-17	Backup Server Healthcheck	Limited	-	3	-
18-May-18	Sharpes Pottery	Comprehensive	-	-	2
23-Nov-17	Housing Contracts Review	Limited	-	1	-
07-Aug-17	Parks & Open Spaces	Reasonable	-	5	-
06-Jun-17	Leisure Centres	Reasonable	-	1	-
27-Jan-17	Whistleblowing Investigation	Limited	-	1	-
29-Jun-18	Safeguarding	Reasonable	1	-	2
		TOTALS	2	19	14

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

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

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

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Payroll 2017-18	-	-	-	1	-	-
Organisational Culture & Ethics	-	-	-	-	1	-
Tenants Arrears 2017-18	-	-	1	-	-	1
Rent Accounting 2017-18	-	-	-	-	-	1
Backup Policy	-	-	-	-	1	2
Officers Expenses & Allowances	-	-	-	-	1	-
Backup Server Healthcheck	-	-	-	-	1	2
Housing Contracts Review	-	-	-	-	1	-
Parks & Open Spaces	-	-	-	-	2	3
Leisure Centres	-	-	-	-	1	-
Whistleblowing Investigation	-	-	-	-	1	-
Safeguarding	-	-	1	-	-	-
TOTALS	-	-	2	1	9	9

South Derbyshire District Council – Audit Progress Report

Highlighted Recommendations

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

Action Due Recommendations

Organisational Culture & Ethics	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not undertaken a staff survey which was specifically geared towards the Council's culture, ethics and values.</p> <p>We recommend that the Council consider undertaking a specific Cultural Survey aimed at assessing officer opinions on the Council's culture, ethics and values. The results of the survey could then be used to make improvements where necessary should any common specific themes or patterns result.</p>	Moderate Risk
Management Response/Action Details	Action Date
A survey will be undertaken following research with the Council's Communications section.	31/10/2018
Status Update Comments	Revised Date
There is a restructure report tabled to Members at the Finance and Management Committee this week. Following the outcome of that, the post to drive this matter forward will be identified. Management therefore propose to delay this recommendation until 30/09/19.	30/09/2019

Being Implemented Recommendations

Payroll	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>There were inadequate controls in place regarding separation of duties when setting up new starters on Payroll.</p> <p>We recommend that the Payroll Manager's access to the Resource Link system is amended so that she cannot create new employees and that additional checking is introduced which ensures any new starters set up have been instructed from HR</p>	Significant Risk
Management Response/Action Details	Action Date
Payroll Manager to have security access changed so new starters cannot be set up in payroll. The existing effective control measures to continue for setting up new starters on all payrolls to remain in place and observed.	26/10/2018
Status Update Comments	Revised Date
<p>The security access for the Payroll Manager has yet to be changed and advice has been sought from the system provider on the appropriate actions to change security permissions to ensure no impact on the production of the payroll. All new starters are only entered on to the system by Human Resources.</p> <p>Work has continued with the system provider to put in place adequate security profiles that meet the recommendation whilst ensuring no detriment to the timely delivery of the payroll. Different options have been tested but no final solution has been provided. This will be escalated with the system provider and additional support requested. The controls currently in place will be observed for adding new starters on to the system.</p>	21/12/2018

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

Backup Server Healthcheck	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>A local administrator account on one of the Council's Backup Exec Server had a weak corresponding password which was representative of the word password with only minor character substitutes. Furthermore, this password had not been changed in 656 days.</p> <p>We recommend that management looks to strengthen the weak corresponding password vulnerability which has been reported confidentially to the IT team.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Where possible passwords have been changed to resolve this issue. Again we need to be careful when changing passwords as many accounts run services and so we don't want the Backup processes to start failing. This issue will be fully addressed when a new solution is implemented.</p>	27/04/2018
Status Update Comments	Revised Date
<p>To fall in line with the recommendations/project surrounding job 3061 - SDDC Backup Policy.</p>	31/12/2018

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Backup Policy	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>There were not 3 recovery sources for backups of critical systems. Only hardware level replication between the primary and DR SAN maintained copies of backup files for all virtual servers, leaving the Council vulnerable to a complete loss of recovery sources if there was major corruption issues replicated the storage level between both storage area networks.</p> <p>We recommend that management reviews the implications of maintaining a 3rd copy of backups for critical information systems, such as tape, or cloud based recovery sources.</p>	Moderate Risk
Management Response/Action Details	Action Date
This is part of the requirements for the new backup & DR solution.	31/08/2018
Status Update Comments	Revised Date
The new solution allows for a third source to be integrated. This 'break-point' safeguards against total corruption of existing backups in the event of viral attacks / physical damage.□	31/12/2018

Leisure Centres	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not undertaken inspections on the exterior fabric of the building as per the contract summary of maintenance responsibilities.</p> <p>We recommend that the Council fulfil its obligations in respect of those areas which it has responsibility for maintaining. Inspections should be undertaken on a regular basis, in accordance with any relevant legislation and properly documented.</p>	Moderate Risk
Management Response/Action Details	Action Date
Programme of inspections to be agreed with Building Maintenance Officer	01/10/2017
Status Update Comments	Revised Date
<p>Our public building officer resigned several months ago and has not been replaced pending both a housing services and Council wide restructure. Once responsibility for this area of work is identified in the final structure and someone in post we will be able to commence the required inspections. Given the uncertainty suggest a revised compliance date of Jan 31st 2018.</p> <p>The long term future of the Public Building Officer post has still not been settled and an interim arrangement has recently been implemented with a temporary 6 month appointment. Suggest a revised date of the end of September 2018.</p> <p>Request made to interim public buildings officer to assist. Answer pending. Anticipate should be able to close out by Dec 31st 2018</p>	31/12/2018

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Parks & Open Spaces	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>Comprehensive risk assessments of play equipment were not available for inspection. A limited number of non-descript risk assessments were located with play equipment listed as a hazard, suggesting that risk assessments had not been completed for all playgrounds and equipment across the district.</p> <p>We recommend that the Council establish risk assessments for all the playgrounds and the equipment therein, for which it could be held liable. The risk assessments should be undertaken with the above guidance provided by ROSPA and should consider the activity classification, hazard identification, the evaluation of risk, the evaluation of the control measures and the specification for further action.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>Agree action plan with H&S officer. Agree content of risk assessments and list of sites to be inspected - SDDC own sites only. Establish which Parish Councils already undertake risk assessments. Write to advise remaining Parish Councils of their responsibilities. NOTE: there may be budget/cost implication.</p>	<p>31/12/2017</p>
Status Update Comments	Revised Date
<p>Due to officer departure from the Council don't believe any action has been taken to date so deadline will need moving back probably to end March for now. We now have an interim 3 day replacement and will be convening to discuss how we take the audit recommendations forward.</p> <p>Our internal capacity to progress is temporarily limited but we are undertaking a district wide play audit of our own which will help to address the outstanding recommendations. We are currently engaged in a procurement exercise to secure external expertise to undertake the audit. To allow for the procurement, the audit and then remedial action suggest a revised date for implementing the outstanding recommendations of end September.</p> <p>Play audit nearing completion. To allow for digesting and acting upon recommendations, suggest a revised date of end March 2019</p>	<p>31/03/2019</p>

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Parks & Open Spaces		Rec No. 8
Summary of Weakness / Recommendation		Risk Rating
<p>Park Keepers and other members of the Grounds Maintenance team undertaking inspections of play equipment had not received appropriate training.</p> <p>We recommend that the Park Keepers and any other members of the Grounds Maintenance team, who would be expected to undertake inspections of play equipment, undertake appropriate training on playground inspections. This is in accordance with the Grounds Maintenance Contract Specification which states that routine visual inspections should be undertaken on a daily basis by appropriately trained and accredited staff.</p>		Moderate Risk
Management Response/Action Details		Action Date
Identify relevant staff. Training of all relevant staff to be carried out and documented, including regular refresher training		31/03/2018
Status Update Comments		Revised Date
<p>We would look to book the relevant operatives onto a course as soon as possible in the new financial year. We are now in that period so will look for an appropriate course for the staff to attend.</p> <p>Unfortunately, we are currently down to only one of the tree Park Keepers at present, one has been off long term sick and the second put in his notice to retire so has finished work. We will be interviewing a replacement. It didn't seem practical to only look for the one operative! Revised action date requested.</p> <p>In response to this we currently only have one Park Keeper as one has retired and we have not been able to replace as of yet, The other is on long term absence and at present unsure as to when he may return. The final Park Keeper that is in work has intimated that he may be looking for alternative employment so at this time I have not progressed this recommendation. Once we have recruited and hopefully got back to the correct staffing we will look to sort asap. Action date revised to 31 December 2018.</p>		31/12/2018

Whistleblowing Investigation		Rec No. 13
Summary of Weakness / Recommendation		Risk Rating
<p>The information recorded on the Summary of Asbestos Registers spreadsheet was not being adequately maintained in order to provide sufficient control over the process.</p> <p>We recommend that, in addition to storing copies of asbestos surveys and test certificates electronically, that the Housing Section also look into recording the asbestos related information on the Lifespan Asset Management System. This will then create a central location for all officers to search for the information and can be used to record details of the annual checks. Information contained within the existing Summary of Asbestos Registers spreadsheet should also be imported into Lifespan, if possible, to ensure the continued integrity of data.</p>		Moderate Risk
Management Response/Action Details		Action Date
The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager and all staff within his Directorate to comply with the recommended action in this regard.		30/06/2017
Status Update Comments		Revised Date
Asbestos reports will be downloaded from the current contractor's portal onto the V drive and to Lifespan. Lifespan training is to be completed by the end of September 2018 and we are aiming for Lifespan to be up-to-date by the end of December 2018.		31/12/2018

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Housing Contracts Review	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>Contract opportunities for adaptations (where collective works were over the £25,000 threshold) were not being advertised on the 'Contracts Finder' website, in line with the requirements of the Public Contract Regulations 2015.</p> <p>We recommend that the Head of Procurement identify a range of options available to the Council for complying with this ruling and seek to strengthen systems to ensure compliance with the Public Contract Regulations 2015. Such a system should ensure that the principles of transparency, equal treatment and non-discrimination, under European Union Treaties, are also adhered to.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>The Council agreed changes to the procurement of Disabled Facility works at a meeting of the Finance and Management Committee on 12th October 2017. The current "standing" list will be replaced by a Framework of 4 to 5 contractors to undertake smaller works below £25,000. This will be subject to an OJEU process.</p> <p>Any larger works above £25,000 will be tendered separately and advertised in the normal way (Source Derbyshire, etc.)</p>	<p>23/11/2017</p>
Status Update Comments	Revised Date
<p>The Housing Section have met with Chesterfield NHS to explore the possibility of using a dynamic purchasing framework this will give our existing local contractors the opportunity to join the frame work if they meet the requirements, the list of existing contractors has been sent to Chesterfield NHS in order to move the procurement forward. Realistic implementation by the end of January 2019 if we want the existing contractors to have the chance to gain access to the framework.</p>	<p>31/01/2019</p>

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	12th DECEMBER 2018	CATEGORY: DELEGATED
REPORT FROM:	LEGAL and DEMOCRATIC SERVICES MANAGER/ MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) Ardip.kaur@south-derbys.gov.uk	DOC: u/ks/governance/local code/Dec 18/update report Dec 18
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2018/19	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

- 1.1 That the review against the Council's Local Code of Corporate Governance for 2018/19 as detailed in **Appendix 1** is approved.
- 1.2 That progress on the work plan to strengthen the Council's governance arrangements in 2018/19 as detailed in **Appendix 2** is approved.

2.0 Purpose of the Report

- 2.1 To assess the Council's governance arrangements against the national framework which the Council has adopted. The report also details progress on actions arising out of the Council's Annual Governance Statement (AGS) for 2017/18.

3.0 Detail

Background

- 3.1 In 2016, the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published an updated national framework for ensuring proper and robust governance in local authorities. This was adopted by the Council in December 2016 following a review by the Committee.
- 3.2 The main aim of corporate governance relates to having a system by which a local authority directs and controls its functions and relates to its local community.
- 3.3 Good corporate governance is considered to be essential in demonstrating that there is credibility and confidence in public services. Sound arrangements should be founded on openness, integrity and accountability, together with the overarching concept of leadership.

The Framework

- 3.4 The framework is based on a set of core principles. The national framework is intended to assist authorities individually in reviewing and accounting for their own approach.
- 3.5 The overall aim is to ensure that resources are directed in accordance with agreed priorities, that there is sound and inclusive decision making, together with clear accountability for the use of resources to achieve intended outcomes for local communities.
- 3.6 Within the national framework, focus is also placed upon demonstrating economic, social and environment sustainability over a longer-term, together with the principles of social value.

The Core Principles

- 3.7 These are:
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong public financial management.
 - Implementing good practice in transparency, reporting and audit to deliver effective accountability.
- 3.8 Within each principle there are a series of sub-principles. The Framework advocates a self-assessment against each of the sub-principles.
- 3.9 The latest self-assessment against the Framework is detailed in **Appendix 1**. Proposed changes and additional comments have been highlighted.
- 3.10 The associated template sets out each core principle and details the degree to which, on the evidence base, the Council meets each of the sub-principles. As previously, a score from 1 to 5 has been allocated, where a score of 5 demonstrates strong compliance.

The Council's Assessment

3.11 The Council has been able to demonstrate that it generally has a sound and robust system of corporate governance in place when compared to the Framework. The latest assessment shows that this continues to be the case in many instances with a score of 5 remaining prevalent in many areas. The ratings, with a comparison to previous periods, are summarised in the following table.

	Dec 2016	June 2017	Dec 2017	May 2018	Dec 2018
Total number of principles	21	21	21	21	21
Total number scoring 5	16	18	17	18	18
Total number scoring 4	5	3	4	3	3

3.12 Overall, it is considered that there are no material weaknesses in the Council's governance arrangements when assessed against the national Framework.

3.13 The areas scoring 4 are where it is considered additional work is or can be undertaken to provide additional evidence and to further strengthen the Council's arrangements. These are detailed in the following table.

Sub-Principle	Action	Timeframe
Demonstrating a strong commitment to ethical values	An action for 2018/19 is to undertake a staff survey and hold briefing sessions to promote the Council's Culture and Ethics Framework. Due to the proposed changes to the Senior Management Structure which have been approved by the Finance and Management Committee, this will be reviewed and undertaken during 2019/20.	November 2018
Developing the entity's capacity	The guidelines recommend that organisations should be subject to an external peer review from time-to-time. As per the Corporate Plan, this is planned to take place during the fourth quarter of the financial year.	March 2019
Developing the capability of the entity's leadership and other individuals	As above.	March 2019

Progress on actions in 2018/19

3.14 The approved work plan is detailed in **Appendix 2** and besides an overall review of the Local Code as detailed in this report, reflects the actions in the above table, i.e. promoting ethics, together with the planned Peer Review.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 The Local Code applies to all of the Council's services and activities.

6.0 Community Implications

6.1 A key outcome in the Council's Corporate Plan is "proper corporate governance". Adopting a local code is a definitive way of demonstrating that the Council is aspiring to this principle.

7.0 Background Papers

7.1 Delivering Good Governance in Local Government; Framework and Guidance Notes 2016 Edition. (*Published by CIPFA and SOLACE*).

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

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Framework Description: “Local Government organisations are accountable not only for how much they spend but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Behaving with integrity	<ul style="list-style-type: none"> • There are established Member and Officer Codes of Conduct which are detailed in the Council’s Constitution. • Members and Officers sign-up to the Codes when appointed. • Standards and behavior expected are part of the induction processes. • Standards and behavior are part of the PDR process for Officers and are included in the job competency framework. • There is an established process for Members to declare any interests at Committee meetings and these are recorded in official Minutes. • There is an established procedure governing conduct at Committee meetings, including the use of social media. • The Council has an established Standards Committee with independent persons appointed. • There are anti-fraud and corruption policies in place which are regularly reviewed and audited. • There are registers of interests for Members and Officers which are maintained and regularly reviewed. The Codes of Conduct refer Officers and Members to declare any interests. • There is a procedure for declaring gifts and hospitality and these declarations are registered with and held centrally by the Monitoring Officer. • The Council has an established Whistleblowing Policy which protects individuals and is communicated to all stakeholders, including contractors. • An established Complaints Procedure which includes provision for raising issues regarding standards and the behavior of Officers. • This Procedure makes provision to identify improvements and changes to procedures if required; these are reported to the Council. 	5	

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

<p>Demonstrating a strong commitment to ethical values</p>	<ul style="list-style-type: none"> • The Council's Ethical Framework is set out in its Constitution. Specific references are detailed below. <ul style="list-style-type: none"> ➤ The Code of Conduct for both Members and Officers sets out the standards of conduct that Members are required to adhere to. ➤ The Protocol for Member and Officer Relations defines respective roles and stresses the principles of mutual courtesy and respect. ➤ An Ethics Statement has been adopted by the Council ➤ The Planning Code of Good Practice is designed to assist and protect Members involved in the planning process. ➤ The ICT Protocol is designed to assist and protect Members when using computer equipment and social media. ➤ The Licensing Protocol sets out procedures so that Members act in a fair and proper manner and are seen to do so. ➤ The Code of Conduct for Representation on Outside Bodies provides support and guidance to Members when representing the Council on funded bodies and partnerships. ➤ Ethical values are an element of the Council's Procurement framework and feature in the tendering/contract process. 	<p>4</p> <p style="color: purple;">No Change proposed at this stage</p>	<p>An action for 2018/19 is to undertake a staff survey and hold briefing sessions to promote the Council's Culture and Ethics Framework.</p> <p>Due to the proposed changes to the Senior Management Structure which have been approved by the Finance and Management Committee, this will be reviewed and undertaken during 2019/20.</p>
<p>Respecting the rule of law</p>	<ul style="list-style-type: none"> • The role of the Monitoring Officer and associated Protocol is designed to ensure that the Council operates within the law. • The Council complies with the national Statement on the "<i>Role of the Chief Financial Officer</i>" to ensure that the Council uses and accounts for its resources in accordance with legislation. • All Council Committees operate under a Terms of Reference. • An established Scheme of Delegation from Full Council to Committees and to Senior Officers is in place. • All Committees are supported by Committee Clerks. • The Monitoring Officer attends all meetings of Full Council. • New policies and operational developments/changes are only considered at Committee following consultation and analysis by the Chief Finance Officer, Head of Legal and Democratic Services and Head of HR. 	<p>5</p>	

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

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Framework Description: “Local Government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. “

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Openness	<ul style="list-style-type: none"> • An established Freedom of Information Publication Scheme is in place which informs how and where information is available. • The Corporate Plan and Annual Report set out what the Council wants to achieve and how it has performed. • The Council adheres to the Government’s Transparency Code of Practice and publishes information accordingly. • Records of decisions at Committee meetings are published. • Committee reports are published in a standard form. • Committee reports include financial, legal and HR implications where required, together with an assessment of the Corporate and Community implications of proposals. • The Council adheres to a Committee timetable which is reported and approved ahead of every Civic Year; dates of meetings are publicised in advance. • A Committee work programme is updated and reviewed at each Committee which publishes forthcoming business and reports. • Committee agendas are published 5 working days prior to a meeting in accordance with the Access to Information Regulations. • All meetings are open to the press, media and public and each Agenda allows questions to be raised by the Public. 	5	
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • The Council has an established Communications Strategy with an annual action plan subject to quarterly review. • The Council engages the support of other agencies and the voluntary sector to undertake consultations as appropriate. • Where the Council works in Partnership, protocols and procedures allow for views to be shared and challenge to take place. 	5	
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • An SLA is in place with the local CVS to undertake consultation on potential changes affecting specific groups. • The Council regularly consults with council house tenants and users of sport and leisure facilities through established groups. • Results of public consultation are reported to the Council and assessed as part of any new proposals or changes to service provision. 	5	

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

Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Framework Description: “The long-term nature and impact of many of local government’s responsibilities mean that it should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available. “

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Defining outcomes	<ul style="list-style-type: none"> • The Council has an established vision of “<i>Making South Derbyshire a better place to live, work and visit</i>”. This is supported by 3 priorities of People, Place and Progress. • This vision and the priorities are central to the Corporate Plan which is set for a 5-year period. • The achievement of the priorities is measured in terms of a set of performance indicators for defined outcomes. • The Corporate Plan is published and advertised extensively both internally and externally. • It is approved and adopted by Full Council. • Operational targets are cascaded down into Service Plans. • The Council’s Performance Management Framework monitors and reviews performance against the priorities; this includes comparisons and trends which are reported quarterly. • Identified risks to the achievement of defined outcomes are integral to this process. Risk registers are reviewed on a quarterly basis. • The Corporate Plan also aligns to the Sustainable Community Strategy for the District. 	5	
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • The allocation of resources is subject to a Service and Financial Planning process which evaluates proposals in accordance with the Corporate Plan and takes into account risk and sustainability. • The Council’s Capital Programme focuses resources on long-term benefits with investment in new housing, new leisure facilities, sustainable infrastructure and the purchase of land to secure investment and future service provision. • Key plans and strategies such as the Corporate Plan, Housing Business Plan and Medium-Term Financial Plan, focus on a period that overlaps each 4-year democratic term. • Current financial constraints are factored into strategic plans for Housing, Economic and Environmental Services. • A corporate Equalities Working Group ensures that there is fair access to all services and this is demonstrated in an Annual Report. 	5	

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

	<ul style="list-style-type: none"> The Communications Strategy sets out guidelines on how and when stakeholders are engaged. 		
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Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Framework Description: “Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Determining interventions	<ul style="list-style-type: none"> The Service and Financial Planning framework is effectively an options appraisal which includes an analysis of risk and opportunities together with short and long term resourcing implications. The process directs that all major procurements are subject to a prior options appraisal which is recorded and signed off corporately; this includes soft market testing where appropriate. The framework determines that proposals are discussed at senior officer level, with senior Members and are then subject to the Committee process. Working groups are set up if necessary to review options, for example on the HRA Business Plan and future management of the Forestry Centre; this includes representative groups (tenants) and service users (sport facilities). Established consultation is undertaken with service users in housing, sport and health, etc. Consultation outcomes have helped to shape the design of facilities, for example, local skate parks. 	5	
Planning interventions	<ul style="list-style-type: none"> Established quarterly performance and budget monitoring reports with key indicators which report performance results and highlight corrective action where necessary. Annual budgets are based on current and future service provision and in accordance with the Medium-Term Financial Plan (MTFP). The key aim of the Financial Strategy is sustainability and the MTFP factors in potential funding constraints in which services plan accordingly. 	5	

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

Optimising achievement of intended outcomes	<ul style="list-style-type: none"> The MTFP integrates and balances service priorities, affordability and external pressures. This is analysed in the comprehensive service and budget reports during the Annual Budget Round and ½ yearly reviews. Service planning and the procurement framework consider “social value” and this is a part of the evaluation in procurement exercises to encourage local employment and apprenticeship schemes, etc. Work is commissioned in partnership with the local voluntary sector (for example CVS) to optimise the social and environmental well-being of local residents and to help all groups access services. 	5	
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Core Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Framework Description: “Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Developing the entity’s capacity	<ul style="list-style-type: none"> The Council uses comparative data where this is appropriate through benchmarking and soft market testing to determine how resources are used and allocated and to inform future service provision, for example ICT (September 2016) and the HRA New Build programme. The Council uses representative groups, for example council house tenants and leisure centre users, to help formulate service provision. The Council actively works in partnership where this is deemed to be beneficial to achieving its desired outcomes with added value, for example the management of leisure facilities. The Council has several partnership/collaborative working arrangements. An established Workforce Strategy is in place which includes an annual work plan setting out training and development activities. 	4 No Change proposed at this stage	<p>The guidelines recommend that organisations should be subject to an external peer review from time-to-time.</p> <p>As per the Corporate Plan, this is planned to take place during the fourth quarter of the financial year.</p>

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

	<ul style="list-style-type: none"> An established training programme is in place to develop senior and aspiring managers, which is delivered by external facilitators; this is aligned to corporate priorities and factors in external issues such as limiting resources. 		
<p>Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> Regular meetings take place between senior managers and leading Members to ensure regular and effective communication. Article 12 of the Constitution sets out the principles of Decision Making with Section 21 detailing the Scheme of Delegation; these are designed to ensure that the responsibility for decision making is clear and rests at the right place in the Council. The Council also operates within a set of Financial Regulations and Procedural Rules. A weekly meeting takes place between the Leader and Chief Executive to ensure a continuing and effective relationship. Members undertake statutory training on Licensing, Planning and Finance in order to keep updated on developments and legislative changes in key areas of service delivery. Members have access to training and seminars through the District Council's Network and the East Midlands Regional Council. Development plans for Officers are linked to a competency framework and where appropriate to the leadership programme. The Council employs external support for key specialist tasks and to relieve pressure on capacity, for example, to implement job evaluation, ICT Strategy and assessment of housing options. The Council works with other authorities to deliver services to benefit from economies of scale, for example, the provision of internal audit, building control and fraud prevention. All employees, including the CEO and Directors are subject to annual appraisals. Certain training courses are mandatory for specific groups of employees or for all Officers, regarding health and safety, equality and absence management, etc. HR policies are designed to assist and guide Officers and further their well-being to ensure that they act in the correct manner, are safe and have access to appropriate benefits. These policies are regularly reviewed in consultation with employee representatives. 	<p>4</p> <p>No Change proposed at this stage</p>	<p>As above</p>

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

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Framework Description: “Local government needs to ensure that the organisation and governance structures that it oversees have been implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Managing risk	<ul style="list-style-type: none"> The Council has an established risk management framework in place. This is reviewed regularly and was updated in 2016 against the new Corporate Plan. The framework is also subject to Audit from time-to-time. Responsibility for managing risks is assigned to service managers in Service Plans. Strategic risks are owned by the Leadership Team. These risks are regularly reviewed and reported quarterly. 	5	
Managing performance	<ul style="list-style-type: none"> The Council has an established performance framework with comprehensive performance reports considered by policy committees on a quarterly basis. All key activities in the Corporate Plan are subject to performance measures which assesses progress against intended outcomes. Consultation takes place between Members and Officers in the planning process to establish what and the format that information is required for decision making. The Council has an established Overview and Scrutiny function in place, including a separate Committee whose Chair does not sit on any other policy committees. This Committee operates under a terms of reference set out in the Constitution and sets its own work programme. It focuses on a balance of internal and external issues and reports to Council, in an annual report, its outcomes for the year and where it has added value. 	5	

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

	<ul style="list-style-type: none"> The Council's outcomes in terms of finance are reported from base budget stage through to the publication of the annual financial statements. 		
<p>Robust internal control</p>	<ul style="list-style-type: none"> The Council has an established Audit Committee. The Committee has its own terms of reference which includes overseeing good governance, internal control and risk management, etc. The effectiveness of the Committee is regularly reviewed and Members receive training and briefings. The Committee oversees an annual Internal Audit Plan which covers all fundamental systems on a yearly basis and all Council services/activities over a 5 year rolling period based on risk. Internal Audit reports quarterly on its audits, the outcomes and ranks the control status from limited to comprehensive assurance. Any potential implications for the Council's Governance Statement are highlighted at that stage. An established counter fraud and anti-corruption framework is in place and the Council works in partnership with other councils to prevent and detect fraud; this includes sharing systems and data. The Council reports its Governance Framework and its effectiveness are assessed through an Annual Governance Statement which is reported in the Financial Statements. The provision of Internal Audit is through an established partnership arrangement with other authorities; this ensures that the Council benefits from economies of scale and additional expertise in its audit coverage. Internal Audit meets the requirements of the nationally recognised Public Sector Internal Auditing Standards. 	<p>5</p>	
<p>Managing data</p>	<ul style="list-style-type: none"> The Council has an established Data Quality framework in place which is subject to annual review and audit. Methodology statements are established for each key performance indicator in the Corporate Plan; these ensure that there are proper procedures to ensure that the data collected and reported is correct, reliable and accurately measures progress on intended outcomes. The Council's ICT and Business Change Manager is the designated Data Protection Officer. The Council has established policies regarding the security of data, and data protection, etc. Arrangements for managing and storing data are subject to audit. Information asset owners assigned to data folders and systems. 	<p>5</p>	

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

	<ul style="list-style-type: none"> • The Council shares data with other agencies in accordance with data sharing protocols. These currently exist with the DWP, the Police and Fire authorities • From time-to-time, other agreements are established with for example, credit rating agencies for specifically defined purposes. • Where high volumes of data are processed, the Council undertakes independent quality checking, for example in the processing of housing benefits. 		
<p>Strong public financial management</p>	<ul style="list-style-type: none"> • The Council's Medium-Term Financial Plan (MTFP) aims to maintain resources over the longer-term to deliver services and factors in potential changes in service provision. • The MTFP is underpinned by a Financial Strategy which sets out procedures for the proper stewardship of public money, together with safeguarding the sustainability of the Council's financial position. • The Strategy sets out the overriding financial target that defines a minimum level of General Reserves over a rolling 5-year period (10 years for the HRA). • Quarterly budget and financial monitoring reports to the Council assess progress against annual budgets and also keep under review any current issues and their potential impact on the longer-term financial position. 	<p>5</p>	

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

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Framework Description: “Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.”

Sub Principle	Evidence Base to Demonstrate Compliance	Self-Assessment Score (out of 5)	Actions to Strengthen Compliance
Implementing good practice in transparency	<ul style="list-style-type: none"> • The Council publishes its successes and answers any issues through a series of media releases; these are designed to explain matters in a more easily understandable, but factual way, and summarises decisions made following consideration of technical Committee reports. • The Council publishes an Annual Report which helps to explain what the Council does, its achievements, etc. in a more easily understandable style. • The Council’s website is also a means of publishing information in an informative way. A new website was implemented in October 2017 to improve the access to and transparency of information. • Social media is also being used as a tool for engaging with residents and other stakeholders. 	5	
Implementing good practice in reporting	<ul style="list-style-type: none"> • In accordance with statutory requirements, the Council publishes Audited Accounts and Financial Statements, together with an Annual Governance Statement. These are considered and approved by the Council and then published in accordance with a statutory timescale. 	5	
Assurance and effective accountability	<ul style="list-style-type: none"> • All key indicators and projects in the Corporate Plan have a named responsible officer. • These responsible officers are accountable to the relevant Policy Committee. • Any recommendations made by External Audit in their annual report, are assigned a responsible Council Officer and actions are monitored by the appropriate Committee. • Recommendations made by Internal Audit are designed to strengthen the Council’s internal control environment. • Recommendations made by Internal Audit are also assigned a responsible Council Officer to implement agreed actions. • Internal Audit provides quarterly updates on outstanding recommendations and there have been Page 48 of 75 the Audit Committee has requested specific reports from responsible officers where agreed actions are still to be implemented. 	5	

APPENDIX 2: ANNUAL GOVERNANCE STATEMENT 2017/18 – PROGRESS ON WORK PLAN

Work Area	Timescale	Responsible Officer(s)	Governance / Corporate Plan Priority	Action and Outcome
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	This is the overall framework that monitors the priority outcomes for the Corporate Plan	Reviews to be held in December 2018 and May 2018. <u>Progress</u> December 2018 completed as detailed in Appendix 1.
Undertake a staff survey and hold briefing sessions to promote the Council’s Culture and Ethics Framework	November 2018	Legal and Democratic Services Manager	To ensure that staff are fully aware of the Framework and their responsibilities in order to comply.	Due to the proposed changes to the Senior Management Structure which have been approved by the Finance and Management Committee, this will be reviewed and undertaken during 2019/20.
Undertake an external Peer Assessment	March 2019	Chief Executive Officer	To review and develop the Council’s capacity.	To commence in the final quarter of 2018/19.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	12th DECEMBER 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/live files/risk mgt/review sept 18/report to ASC Dec 18
SUBJECT:	RISK MANAGEMENT POLICY FRAMEWORK AND GUIDANCE	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendations

- 1.1 That the Risk Management Policy Framework and Guidance is approved.
- 1.2 That the Framework and Guidance are kept under review and reported to the Committee at least annually.

2.0 Purpose of Report

- 2.1 To detail an updated Risk Management Policy, together with guidance notes for the identification and assessment of risk. This has arisen from a periodic review of the framework to enable a consistent and streamlined approach to be adopted across the Council.
- 2.2 Under the Committee's Terms of Reference, it is responsible for considering and ensuring that the Council has an effective framework in place for managing risk as part of the Council's overall governance arrangements.

3.0 Detail

- 3.1 The Risk Management Policy Framework and Guidance is attached at **Appendix 1**. The Council's current framework has been in place since 2012; it was updated in 2016 alongside a new Corporate Plan.
- 3.2 Section 1 is a Policy Statement which remains largely unchanged. This sets out the objectives of the risk management framework, together with the roles and responsibilities of Elected Members and Officers.
- 3.3 Section 2 contains the main detail of the Framework. This is effectively guidance to Members and Officers on how to assess, identify, evaluate, communicate and report risk.

- 3.4 This section has been updated and in particular the templates in Appendices 1 and 2, i.e. the Risk Matrix and the Risk Action Plan. These are the templates that are reported to the Policy Committees as part of the Council's Performance Management framework. Guidance for assessing and rating risks has been updated to support these templates.
- 3.5 The templates have been revised in the interests of consistency, as current reporting to each of the three main policy committees had varied. These templates bring all risk registers together in a single format, using a standard four by four matrix, together with the associated action plan.

Reviewing the Council's Framework

- 3.6 During 2017/18, Internal Audit undertook a review of the Council's arrangements for Risk Management. The review compared the Council's arrangements to an industry best practice standard.
- 3.7 The review was intended to identify where the Council could improve its current arrangements and in summary, these related to:
- Encouraging greater challenge of risks by Policy Committees
 - Raising awareness of risk management amongst all staff
 - Training for managers directly involved in risk assessment and mitigation
 - Strengthening the embeddedness of risk management in the Council.
- 3.8 Since the review was completed, work has been completed to improve arrangements. The best practice standard includes 38 individual questions and the following table shows a summary of the initial rating and the rating following the more recent reassessment by Internal Audit.

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

Embedding Risk Management

- 3.9 The main test on whether a Risk Management framework is truly working is how far it is embedded within an organisation. The amber and red ratings relate to how far risk management is truly embedded at the Council.
- 3.10 Embedding can be an elusive concept to practically define. Best practice guidance sets out a seven point test which helps to determine how far a risk management system is embedded in an organisation.
- 3.11 Following the review by Internal Audit, this test has been completed and the result is detailed in **Appendix 2**. The tests confirmed that the Council has embedded risk management in all significant aspects.

3.12 However, it also confirmed that for the Council's framework to become fully embedded, further challenge, awareness and training is required. Appendix 2 sets out how this is being achieved.

4.0 Financial Implications

4.1 None.

5.0 Corporate Implications

5.1 Risk Management is one facet of ensuring "Good Governance" in the Council (Corporate Plan Aim O2). The outcome from this review is to ensure that Risk Management is fully embedded in the Council.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None

Risk Management Policy Framework and Guidance

**Corporate
Resources
Directorate**

September 2018



Version Control

Version	Description of version	Effective Date
1	Policy Statement and Framework Fully Revised	December 2012
2	Review and Update for new Corporate Plan	March 2016
3	Review and Update following Senior Management Restructure	September 2018

Approvals

Approved by	Date
Finance and Management Committee	December 2012
Director of Finance and Corporate Services	March 2016
Leadership Team	September 2018
Audit Sub-Committee Review – Planned	December 2018

Associated Documentation

Description of Documentation

1.0 POLICY OBJECTIVES

- 1.1 The Council is committed to risk management as an element of its strategy to preserve the Council's assets, enhance safety and productivity for residents, service users and members of the public and to protect its employees.
- 1.2 The principal objective is to minimise liabilities and costs and to protect the Council's reputation through effective and efficient risk management.
- 1.3 Risk is defined as the likelihood of harm occurring, i.e. something happening that has an adverse impact on the Council's aims and objectives. Risk needs to be managed rather than avoided and consideration of risk should not stifle innovation.
- 1.4 The Council recognises that it has to deliver services in an increasing litigious and risk adverse society. However, risk management is a tool for exploiting opportunities as well as a safeguard against potential threats.
- 1.5 A systematic approach to identifying and analysing risks is an integral part of all management processes and all day-to-day working rather than a separate issue. As such, the Council aims to embed risk management in all that it does.
- 1.6 The Council's aim is to use Risk Management to assist in maintaining and improving the quality of services within the Council; risk is reviewed on a regular basis.
- 1.7 The Council has adopted a Risk Management Framework that has the following objectives:
 - Integrates Risk Management into the culture of the Council and raises awareness across its services.
 - Manages risk in accordance with best practice.
 - Complies with legislation and guidance.
 - Increase safety awareness.
 - Protects Council property, services and reputation.
 - Reduces disruption to services by having effective contingency or recovery plans in place to deal with incidents when they occur.
 - Raises awareness of the need for Risk Management by all those connected with the delivery of services (including partners and contractors).
 - Minimises injury, damage, loss and inconvenience to residents, staff, service users, assets etc. arising from or connected with the delivery of Council services.

- Maintains a robust framework for identification, analysis, assessment and management of risk together with the reporting and recording of events, based on best practice.
- Minimises the cost of risk.

Role and Responsibilities of Senior Management and Elected Members

- 1.8 The Chief Executive and the Council's Leadership Team are accountable to Elected Members for the effective management of risk within the Council and will ensure that appropriate procedures, resources and skills are maintained in order to achieve this.
- 1.9 Elected Members have responsibility for determining the strategic direction of the Council. Within this, they need to create the environment and the structures for risk management to operate effectively. This is achieved through:
- The Council's Audit Sub-Committee, who under its terms of reference, oversees the framework for managing risk.
 - A Risk Management Working Group to ensure consistency in approach, to challenge risks and to consider any detailed changes to the overall framework.
- 1.10 Risk management is part of the Council's internal control structure and is an integral part of corporate governance. Therefore, in evaluating the system of internal control the Council will consider:
- The nature and extent of retained or residual risk.
 - The likelihood of such risks becoming reality.
 - The process for the management of unacceptable risks.
 - The probability and impact on the Council, including costs and benefits of actions taken.
 - The effectiveness of the risk management process.
 - The risk implications of Committee decisions.

Role and Responsibilities of Unit Managers

1.11 This includes:

- Responsibility for managing risk on a day-to-day basis.
- Promoting risk awareness within their service areas, including the introduction of risk into service planning/performance management.
- Incorporating risk into project management, from conception through to implementation.

Risk Management Lead (Strategic Director, Corporate Resources)

1.12 The Strategic Director is responsible for coordinating Risk Management across the Council and this includes:

- Preparing and advising on strategy, policy and associated procedures for adoption.
- Designing and reviewing processes for risk management.
- Advising on risk management issues within the Council.
- Preparing reports on risk for the Leadership Team and Elected Members.

1.13 This is supported by the work of Internal Audit who:

- Focus internal audit work on the significant risks as identified by management and auditing the risk management processes across the Council.
- Providing assurance on the management of risk to the Audit Sub-Committee.

2.0 THE RISK MANAGEMENT PROCESS & FRAMEWORK

2.1 The risk management process for South Derbyshire follows best practice and covers:

- Establishing strategic objectives for risk management (*as detailed in Section 1*)
- Assessing and Evaluating Risk, i.e.
 - Identifying and describing each risk
 - Analysing the likelihood of the risk occurring
 - Estimating its impact
- Communicating and reporting risks
- Treatment of risk including the Council's attitude or "appetite" to each risk
- Monitoring

Risk Assessment

2.2 This is the process of analysing and assessing risks. This framework provides the guidance required to help those responsible for risk within the Council to complete their respective tasks, for example, identifying, estimating, controlling, etc. contained within the process shown above.

Risk Identification

2.3 The risk identification process is concerned with identifying the events that can impact on service objectives, i.e. what could happen. This may have a positive rather than a negative effect on the objectives.

2.4 Identifying risks is completed by assessing internal and external factors. These can be environmental, political, regulatory, financial/economic and structural, etc. For example, an **EVENT** (or cause) that has a **CONSEQUENCE** that leads to an **IMPACT** on the Council's objectives.

Typical phrases that help with identification include:

Loss to....

Failure of....

Lack of.....

Partnership with....

Development of.....

Risk Analysis

2.5 The risks facing the Council and its operations are then categorised. As highlighted, risks can result from both internal and external factors which will include:

Strategic:	These concern the long-term strategic objectives of the Council. They can be affected by availability of resources, political, legal and regulatory changes, reputation and the physical environment.
Operational:	These concern the day-to-day issues that the Council is faced with including resources, skills and capacity issues at a detailed service level.
Financial:	These concern the effective management and control of the finances of the Council and the effects of external factors such as availability of central government grants, interest rate movement and other market conditions.
Knowledge management:	These concern the effective management and control of the knowledge resource, together with the production, protection and communication thereof. Factors might include a system malfunction or loss of key staff.
Compliance:	These concern such issues as health & safety, environmental, data protection, employment practices and other regulatory issues.

Risk Description

- 2.6 The objective of describing each risk is to provide clarity in a structured and consistent format.
- 2.7 The risk description includes identifying the consequences if the risk occurred and who, or what it affects. This methodology is also incorporated into the early planning stage of projects as well as throughout the life of a project.

Risk Evaluation

- 2.8 This step is about assessing which risks are going to pose the greatest threat (or opportunity). This is achieved by looking at both the likelihood of a risk occurring and its potential impact. As the likelihood and severity of impact increases the level of risk increases.
- 2.9 Evaluation is based on a 4-point scoring system to assess the likelihood of a risk occurring (rated unlikely through to high) and the potential impact if the risk materialised to its full extent (rated from minor to catastrophic). This is plotted on the following Risk Matrix.

Likelihood					
4 High					
3 Medium					
2 Low					
1 Unlikely					
	1 Minor	2 Moderate	3 Significant	4 Catastrophic	Impact

Assessing the Likelihood

- 2.10 There will be existing or recent evidence that the risk is occurring and affecting a service(s). Alternatively, it is known that there is a high probability of an issue arising such as change in Government policy, a funding cut or a legal challenge, for example. In all these cases, the likelihood will be rated Medium to High.
- 2.11 If it is known that there is potential for an issue to occur but the probability is remote (however serious) for example a terrorist attack or an “Act of God”, then the likelihood will be rated unlikely or low.
- 2.12 Other risks may be reflect lower operational issues that may occur from time to time; these will usually be rated Low to Medium

Assessing the Impact

2.13 A judgement is required regarding the level of seriousness on a service(s) including any knock-on effects for the whole Council, if applicable. This will depend on factors such as:

- The relative degree of financial loss
- The number of people affected
- The effect on the Council's reputation
- A loss of or reduction of a service
- Breaches of Governance – procedures, internal control, etc.
- Health and safety issues

2.14 As the potential scale increases, the impact moves up to **significant**. At this level, the occurrence of these risks to their full extent would result in substantial financial loss, impact on a key front-line service or lead to negative media coverage, etc.

A **catastrophic ranking** would usually mean a life and death situation or a major displacement of people/the workforce.

2.15 It should be noted that risk scoring has an element of subjectivity. The key outcomes of this stage of the process are to:

- Ensure all key risks in each service area and corporately, are captured.
- Identify risks in some priority order to target and review remedial action.

Risk Appetite and Risk Treatment

2.16 Ultimately, for each risk identified, a decision has to be reached to determine the best action that **treats** the risk minimising the likelihood and impact on the Council, as far as is reasonably practicable.

2.17 Risk treatment is the process of selecting and implementing measures to reduce the level of risk as far as is reasonably practicable. This is based on what degree individual risks can be tolerated and the Council's "appetite" regarding risks.

2.18 Risk appetite depends on the level of each risk and where it sits in the context of delivering services and priorities. The Council will do all that is reasonably practical to mitigate risks and put in place relevant controls.

- 2.19 Generally, the higher the risk, the greater is the degree of risk treatment, i.e. the Council will attempt to mitigate the risk through intervention and control measures. This could include transferring the risk through insurance or to a third party or by terminating the relevant activity, where these options exist.
- 2.20 Generally, lower level risks are tolerated and the degree of monitoring and control is more limited and proportionate to the risk involved. Risk treatment is a key element of monitoring and is regularly updated alongside the success or otherwise of control measures in place.
- 2.21 The reasons for choosing a particular risk treatment are documented and an integral part of the overall process. Any resource implications involved in risk treatment are also reported.
- 2.22 However, the concept of “reasonably practicable” is adhered to; proportionate action is taken to reduce the level of risk unless the cost (e.g. in financial or other resource terms) of reducing a risk is grossly disproportionate to the level of risk and impact on the Council.
- 2.23 All individual risks are prioritised and then appropriate measures are considered to manage risks to acceptable levels. This is done by considering:
- Can the probability of occurrence be reduced?
 - Can the magnitude of loss be reduced?
 - Can the consequences of the risk be changed?

Treating Risk

- 2.24 The Council uses four basic approaches to lowering (or treating) the risk:

Terminate - Stop doing the activity or find a different way of doing it, or introduce alternative systems/practices.

Treat - Put procedures and controls in place to reduce the chance of a loss happening, or the frequency of a loss, or the severity of the incident.

Formulating a contingency plan to reduce interruption to services.

Introduce new internal systems and practices, staff training, physical risk improvements - all with continued assessment & monitoring.

Tolerate - Based on an informed decision to accept and retain the risk; in this case monitor the risk and meet any losses out of normal operating costs or council reserves.

Transfer - Place indemnity clauses in a contract, obtain insurance cover, or externalise activities to a third party or organisation.

2.25 As further guidance to treatment and action measures, the 4 by 4 Matrix can also be illustrated as follows:

Likelihood

4 High	3 Medium	House Keeping - these risks have a high likelihood of happening but they do not have a high impact; they require routine management.	Primary - these risks have both a high probability of happening, together with a high impact; these risks require urgent attention.		
			2 Low	1 Unlikely	Contingency - these risks have a low probability of occurring but the impact could be significant; robust plans should be in place and regularly reviewed
		1 Minor	2 Moderate	3 Significant	

Impact

Information and Communication

2.26 The information requirements and responsibilities at the differing levels within the Council is summarised below:

Elected Members

- Review significant risks facing the Council.
- Consider effects on reputation with stakeholders.
- Review the levels of awareness throughout the Council.
- Consider plans in place to manage a crisis.
- Review communications with the community and stakeholders.

- Obtain assurance that the risk management process is working effectively.
- Publish a clear risk management policy

The Leadership Team and Unit Managers

- Be aware of risks that fall into the relevant area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them.
- Complete and maintain risk assessment documentation.
- Monitor risks including a review of control mechanisms and actions to manage risks.
- Make relevant staff aware of the Council's approach to Risk Management as detailed in this document and encourage staff to report on risk to their managers.
- Report to Elected Members any perceived new risks or failures of existing control measures.

All staff

- Take responsibility for individual risks where appropriate.
- Understand how they can assist with continuous improvement of risk management.
- Understand that risk management and awareness is a key part of the organisation's culture.
- Report to management any perceived new risks or failures of existing control measures through team meetings and other employee forums.

Reporting

- 2.27 Reports to Elected Members setting out risk management policies and the effectiveness in achieving its objectives are made on a regular basis as part of the Council's service and performance management framework. This includes non-financial performance in such areas as employment practices, health and safety and the environment.
- 2.28 In accordance with good corporate governance a robust approach to risk management is adopted which aims to:

- Protect the interests of stakeholders.
- Ensures that Elected Members discharge their duties to direct strategy, build value and monitor performance of the Council.
- Ensures that management controls are in place and are performing adequately.

2.29 The arrangements for the formal reporting of risk management are as follows:

Service Plans – detailed risk registers where each service risk is cross referenced to the relevant Theme/Priority in the Corporate Plan.

Corporate Plan - strategic risks that impact across several services and the Council's overall vision.

Quarterly Performance Reports – a review of individual risks against key measures and targets. The reporting templates are shown in **Appendix 1** (the Risk Matrix) and **Appendix 2** (Risk Detail and Action Plan)

New Policies – an assessment of risk as part of the business case for implementing a new policy, service restructure or new investment, etc. If not incorporated direct within the standard report template, an analysis is detailed in the Corporate and Community implications of the proposal.

2.30 The formal reporting addresses:

- The control methods and management responsibilities for risk management.
- The processes used to identify risks and how they are addressed.
- Monitoring and review systems in place.
- The Council's risk appetite and treatment of each risk.
- Changes to risk levels and how actions have and are impacting upon each risk.

2.31 Under its term of reference, the Audit Sub-Committee reviews this Framework on a regular basis based on the work of Internal Audit. The Committee also ensures that a framework for managing risk is included in the Council's system of internal control. This is reported in the Annual Governance Statement.

Reviewing Risks and Monitoring the Risk Management Process

2.32 As part of the Council's service and performance management framework, service and corporate risks are monitored on a regular basis as detailed above. This includes reviewing and updating associated actions/control measures, together with

any movement in risk ratings. New risks and changes to the Council are also reported as part of this process.

2.33 Under its terms of reference, the Council's Audit Sub-Committee oversees the risk management framework as part of its assurance role. The Council's Finance and Management Committee are responsible for setting policy and associated strategy.

2.34 The main aim of the monitoring process is to provide assurance that there are appropriate controls in place for the Council's activities and that risk management procedures are understood and followed.

2.35 The Risk Management Group acts as a senior corporate team to provide a challenge to risks, to ensure consistency of approach and to determine whether:

- Control measures adopted resulted in what was intended.
- Procedures adopted and information gathered for undertaking the assessments was appropriate.
- Improved knowledge would have helped to reach better decisions.
- Lessons could be learned for future assessments and management of risks.

APPENDIX 1

SERVICE / STRATEGIC RISK REGISTER TEMPLATE

Likelihood					
4 High					
3 Medium					
2 Low					
1 Unlikely					
		1 Minor	2 Moderate	3 Significant	4 Catastrophic
		Impact			

Risk Description

STRATEGIC RISK REGISTER: ACTION PLAN

Risk	Rating and Current Position	Risk Treatment	Mitigating Actions	Change since last Quarter
<i>Outline Risk from Matrix</i>	<i>Why is risk rated as either Red, Amber or Green on Matrix (shade box to reflect rating)</i>	<p>Options:</p> <p><i>Treating the risk through continuous action and review</i></p> <p><i>Tolerate the current situation and keep under review</i></p> <p><i>Transfer the risk</i></p> <p><i>Terminate the activity</i></p>	<i>Outline current and future actions</i>	<p><i>Has rating changed and why</i></p> <p><i>If no change, just state so.</i></p>

APPENDIX 2

Risk Management: The Degree of Embeddedness

(As measured against ALARM's 7 Embedding Tests and scored on a scale of 1 to 5)

Test	Is Risk Management	Current Status	Level of Embedding	Actions
1	Sponsored (i.e. it has Executive and Board Level Support)	Risk Management is supported by the Leadership Team and the two Strategic Directors form part of the Risk Management Group (RMG). This can be evidenced in the minutes of the RMG. However, the RMG has met infrequently in recent times.	4 Approaches are adopted and improving but not fully embedded.	The RMG has recently been reconvened and will meet on a quarterly basis. In addition, regular reports will be presented to the Audit Sub-Committee to consider the Council's Risk Framework under its terms of reference.
2	Owned (i.e. each risk has an owner)	All risks are assigned an owner. However, it is not clear that individuals feel the associated accountabilities and the degree of influence regarding the monitoring and mitigation of the risk. This is usually evidenced in the performance process, for example, linking risk to personal (PDR) development reviews and personal objectives.	3 The framework is in place but greater evidence needs to be shown to demonstrate compliance.	The PDR process is currently being reviewed. This issue will form part of that review.
3	Decisive (i.e. risk is assessed in major decisions)	<p>The Business Case template has a specific section to consider risk. This has been acknowledged by Audit. However, when Internal Audit tested information presented to Policy Committees, it found that in a majority of Committee reports sampled, risk did not appear to have been assessed.</p> <p>An analysis of options and the consideration of risk maybe inherent or obvious in a report without reference to "Risk Management". In addition, an assessment of risk may not be applicable in some reports – the ALARM question focuses on major decisions.</p>	4 Approaches are adopted and improving but not fully embedded	<p>The current Committee template points the Author of a report to discuss risk implications in the Corporate Implications Section, in addition to other implications regarding HR, legal, equalities and environmental impact, etc.</p> <p>It would be better if these implications were broken out separately (similar to financial implications). This would prompt authors to consider these key issues if they are applicable and have not been included in the main detail of the report.</p> <p>A revised reporting template and guidance has now been implemented.</p>

4	Communicated (i.e. risk management is cascaded down to all staff)	Besides the RMG, the Framework allows risk to be openly discussed at the Leadership Team, Performance Board and Directorate Management Teams. This is evidenced in minutes of these meetings. However, there is no definitive feel that this is shared throughout the organisation, albeit on a proportionate basis.	3 The framework is in place but greater evidence needs to be shown to demonstrate compliance	It is considered best practice that all staff have an awareness of RM, how it affects them and how they can escalate issues. To a certain extent, the Employee Forum is a process to do this. However, it is considered that some general awareness is required for all staff. The method for undertaking this is being reviewed by the Leadership Team.
5	Integrated (i.e. is it incorporated into Business Planning and the Budget Cycle)	Yes it is. The consideration of risk is incorporated in the Corporate Planning process, service development and business transformation frameworks and the Medium Term Financial Plan.	5 Approaches to managing risk are fully embedded in major plans	None
6	Valued (i.e. do management value the outcomes of risk information) <i>This is the “golden test” and to satisfy it means other tests will have been satisfied to some extent in a meaningful way.</i>	Risk registers and risk planning are integral to the performance management process, and increasingly being discussed at Officer level, together with improvements in place regarding other tests. However, there is limited evidence that risk is challenged regularly by the Policy Committees.	4 Approaches are adopted and improving but not fully embedded.	Performance reports to the Policy Committees are being amended to include references to risk. In addition, a separate recommendation for Committees to formally consider risk will be inserted with the aim of encouraging the Committees to challenge risk. This has been implemented from quarter two monitoring reports 2018/19.
7	Sustained (i.e. are processes resilient to loss of key people)	The process is no longer vested in one person and the RMG are now in a position to ensure that knowledge is shared and disseminated.	4 Approaches are adopted and improving but not fully embedded.	The Council’s insurer has been requested to provide some training and briefings on risk management to senior managers and Members. It is considered that this will help to disseminate knowledge and therefore increase sustainability.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	12th DECEMBER 2018	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC:
SUBJECT:	COMMITTEE WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: G

1.0 Recommendations

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

2.0 Purpose of Report

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

3.0 Detail

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

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

Audit Sub-Committee: Indicative Work Programme 2018/19

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Reports Previously Considered By Previous Committees		
Local Government Audit Committee Briefing	30 th May 2018	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Progress Report	30 th May 2018	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Internal Audit Annual Report 2017/18	30 th May 2018	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Local Code of Corporate Governance Annual Report 2017/18	30 th May 2018	Ardip Kaur (Legal and Democratic Services Manager) Ardip.kaur@south-derbys.gov.uk
Annual Governance Statement 2017/18	30 th May 2018	Ardip Kaur (Legal and Democratic Services Manager) Ardip.kaur@south-derbys.gov.uk
Anti-Fraud and Corruption Plan 2018/19	30 th May 2018	Kevin Stackhouse (Strategic Director Corporate Resources) Kevin.stackhouse@south-derbys.gov.uk

Audit Results Report (ISA 260) for the year ending 31 st March 2018	25 th July 2018	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Progress Report	25 th July 2018	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Local Government Audit Committee Briefing	19 th September 2018	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Progress Report	19 th September 2018	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Provisional Programme of Reports To Be Considered by Committee		
Local Government Audit Committee Briefing	12 th December 2018	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Progress Report	12 th December 2018	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Local Code of Corporate Governance Review 2018/19	12 th December 2018	Ardip Kaur (Legal and Democratic Services Manager) Ardip.kaur@south-derbys.gov.uk

Local Government Audit Committee Briefing	13 th February/20 th March 2019	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Progress Report	13 th February/20 th March 2019	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Certification of Claims and Returns Report 2017/18	13 th February/20 th March 2019	Jason Burgess (Assistant Manager) EY
External Audit Planning Report for the year ending 31 st March 2019	13 th February/20 th March 2019	Jburgess3@uk.ey.co
Internal Audit Plan 2018/19 and Audit Charter	13 th February/20 th March 2019	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk