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Date: 8 December 2015

Dear Councillor,

Audit-Sub Committee

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

Yours faithfully,

Chief Executive

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

Labour Group
Councillors Dunn and Shepherd.



AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Apologies | |
| 2 | Minutes | |
| | Audit Sub-Committee 17th June 2015 Open Minutes | 4 - 6 |
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| | Audit Sub-Committee 30th September 2015 Open Minutes | 8 - 10 |
| 3 | To note any declarations of interest arising from any items on the Agenda | |
| 4 | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| 5 | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| 6 | EY AUDIT COMMITTEE UPDATE BRIEFING | 11 - 22 |
| 7 | LOCAL CODE OF CORPORATE GOVERNANCE - REVIEW OF WORK PLAN 2015-16 | 23 - 26 |
| 8 | INTERNAL AUDIT PROGRESS REPORT | 27 - 47 |

Exclusion of the Public and Press:

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



AUDIT SUB-COMMITTEE

17th June 2015

PRESENT:-

Conservative Group

Councillor Grant (Chairman) and Councillor Ford (Vice-Chairman).

Labour Group

Councillor Shepherd.

AS/1 **APOLOGIES**

Apologies for absence from the meeting were received from Councillor Dunn.

AS/2 **MINUTES**

The Open Minutes of the Meetings held on 18th February 2015 and 1st April 2015 were approved as a true record and signed by the Chairman.

AS/3 **DECLARATIONS OF INTEREST**

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

AS/4 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/5 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED TO SUB-COMMITTEE

AS/6 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the report to Members.

RESOLVED:-

That the report be considered and noted.

AS/7 **EFFECTIVENESS OF INTERNAL AUDIT**

The Director of Finance and Corporate Services presented the report to the Committee.

RESOLVED:-

That the report be noted and that the internal audit function be considered effective.

AS/8 **HEAD OF INTERNAL AUDIT ANNUAL AUDIT OPINION 2014/15**

The Internal Audit Manager summarised the report to Members, confirming that all recommendations had been accepted by the Council.

Queries raised by Members relating to business continuity and fraud detection were noted and responded to.

RESOLVED:-

That the annual internal audit opinion be noted.

AS/9 **LOCAL CODE OF CORPORATE GOVERNANCE ANNUAL REVIEW 2014/15**

The Monitoring Officer presented the report to the Committee.

RESOLVED:-

1.1 That the annual assessment of the Council's Local Code of Corporate Governance for 2014/15 be approved.

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

AS/10 **ANNUAL GOVERNANCE STATEMENT 2014/15**

The Monitoring Officer presented the report to the Committee.

RESOLVED:-

1.1 That the Annual Governance Statement 2014/15 be recommended to the Finance and Management Committee for the year ended 31st

March 2015 and its publication within the Statement of Accounts for 2014/15.

1.2 That the Leader of the Council and the Chief Executive Officer be authorised to sign the Annual Governance Statement.

AS/11 **COUNCIL REPRESENTATION ON THE PARTNERSHIP BOARD**

RESOLVED:-

That the Chairman of the Audit Sub-Committee attend meetings of the Central Midlands Audit Partnership Board.

The Meeting terminated at 4.35pm.

COUNCILLOR J GRANT

CHAIRMAN

AUDIT SUB-COMMITTEE

23rd September 2015

PRESENT:-

Conservative Group

Councillor Grant (Chairman)

Labour Group

Councillor Shepherd.

AS/12 **ADJOURNMENT**

In accordance with the Council's Rules of Procedure, the Chairman determined that as the Meeting was not quorate it would be adjourned until a later date.

The Meeting terminated at 4.05pm.

COUNCILLOR J GRANT

CHAIRMAN

AUDIT SUB-COMMITTEE

30th September 2015

PRESENT:-

Conservative Group

Councillor Grant (Chairman), Councillor Ford (Vice-Chairman) and Councillor Atkin.

Labour Group

Councillors Dunn and Shepherd.

AS/13 **APOLOGIES**

The Committee was informed that no apologies had been received.

AS/14 **DECLARATIONS OF INTEREST**

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

AS/15 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/16 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED TO SUB-COMMITTEE

AS/17 **THE AUDIT FINDINGS FOR SOUTH DERBYSHIRE DISTRICT COUNCIL**

The representative from the Council's external auditors, Grant Thornton, presented the report to Members, confirming the various unqualified conclusions, but making particular reference to the Payment of the Efficiency Dividend, in terms of governance, value for money and affordability.

Queries and comments made by Members in relation to the Financial Governance risk assessment rating, the Management response in the Action Plan, the references to the Council in the press and Parliament, the make-up of the visual risk categories and the Significant Matters element of the report were noted and responded to by the Chief Executive Officer and the Director of Finance and Corporate Services.

RESOLVED:-

1.1 That the report of the External Auditor be considered and approved.

(Abstention: Councillor Shepherd)

1.2 That the Action Plan in Appendix A to the report be approved.

(Abstentions: Councillors Dunn and Shepherd)

The Chief Executive Officer thanked the representative from Grant Thornton for their input to the report and their professional handling of the matter in these unusual circumstances, before leaving the Chamber at 4.35pm.

AS/18 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor delivered the report to Members, drawing attention to the one Limited Assurance rating applied to Capacity Management and confirming that the plans had been discussed with the Director of Finance and Corporate Services.

Councillor Shepherd queried, with regard to matters relating to Corporate Governance, the timeframe for responses to queries. The Legal and Democratic Services Manager confirmed that his comments would be taken into consideration.

Councillor Atkin referred to the Capacity Management issues and requested further details on the issues and the action to be taken. The Director of Finance and Corporate Services confirmed that proposals would be presented to the Finance and Management Committee.

RESOLVED:-

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

AS/19 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11

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

The Meeting terminated at 4.50pm.

COUNCILLOR J GRANT

CHAIRMAN

Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to 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 public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international

business. This briefing reflects this, bringing 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, as well as some examples of areas where EY can provide support to Local Authority bodies.

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



Government and economic news

EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



Government and economic news

However, Communities Secretary Greg Clark said:

“We’re determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today’s historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country.”

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA’s briefing document can be downloaded from <http://www.cipfa.org/cipfa-thinks/briefings>, and further information from the government is available at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants>

Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government’s stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the ‘Better Business Compliance Cabinet programme’, and reflects consideration of the findings from this trial.

An example of this is the Government’s proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf



Government and economic news

Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- ▶ 82% of councils have published local plans which state how many homes they intend to build over a given period
- ▶ 65% have fully adopted these plans
- ▶ Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>



Accounting, auditing and governance

Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- ▶ Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- ▶ Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- ▶ Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

<https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



Accounting, auditing and governance

Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

The NAO have recently released a consultation document (<http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to as the three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- ▶ Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- ▶ Update the definition of 'proper arrangements'
- ▶ Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- ▶ Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- ▶ Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed them. Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>.



Regulation news

Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

NAO Case Study: Managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- ▶ Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- ▶ Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- ▶ The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Have we considered the impact of the extension of Right to Buy and reflected our consideration in our Medium Term financial plans and/or Local Plan?

How successful are we in systematically improving our collection rates for Council Tax? Is there best practice that we could share via the Government's consultation?

What is our mid to long term IT strategy? Are we considering cloud-based IT and if so how robust are our risk assessments supporting the shift?

Have we formulated a response to the PSAA consultation on the work programme and scale of fees for 2016/17?



Find out more

EY Item Club Autumn Forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

For further information, please see the government press release at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants> and access the CIPFA report at <http://www.cipfa.org/cipfa-thinks/briefings>

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Local Plans for New Homes

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>

Proposals for further emergency services collaboration announced

For more information on the Government's proposals, please see <https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>, and for a copy of the consultation document please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

To find out more about Cloud Computing and how EY can support you, please ask a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>, and a copy of the NAO's consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

Consultation on 2016/17 proposed fee scales

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<http://www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

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About EY

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REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	16TH DECEMBER 2015	CATEGORY: DELEGATED
REPORT FROM:	MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) Ardip.kaur@south-derbys.gov.uk	DOC:
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE – REVIEW OF WORK PLAN 2015/16	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

1.1 That progress on the Action Plan for 2015/16 is considered and noted.

2.0 Purpose of Report

2.1 To review progress associated with updating and strengthening the Council's Corporate Governance arrangements as set out in the approved work plan. This plan was approved by the Committee in June 2015 and in accordance with Council policy, this report provides a six monthly update.

3.0 Detail

3.1 The current Local Code of Corporate Governance was adopted by the Council in 2008. It is based on a best practice document and principles which were founded by the professional organisations SOLACE and CIPFA. The local code provides evidence of how the Council has fulfilled or intends to fulfil its commitment to corporate governance.

3.2 Under its terms of reference, the Committee is required to review progress in relation to compliance against six core principles on which the Code is based. These principles and the local work plan are a fundamental part of the Council's Annual Governance Statement; this is subject to External Audit review as part of the annual accounts process.

What is Corporate Governance?

3.3 Corporate Governance is the system by which a Council directs and controls its functions and relates to its community. Good Corporate Governance is essential in demonstrating there is credibility and confidence in the public services provided. Sound arrangements are founded upon openness,

integrity and accountability, together with the over-arching concept of leadership.

The Purpose of the Local Code of Governance

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

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

How Governance Arrangements are Measured

3.5 The local code is based on six core principles:

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

3.6 The Council's Governance arrangements are overseen by the Corporate Management Team (CMT).

3.7 On an on-going basis, CMT will monitor and review a detailed self-assessment. This is effectively a checklist which assesses the documents and processes, together with any other means used to measure compliance with the six supporting principles. This is reported in detail to the Committee in June and is considered as part of the Annual Governance Statement.

3.8 This assessment may identify internal factors and new external requirements that need to be addressed to ensure that the Council maintains effective governance arrangements.

3.9 This is then formulated into an annual work plan that aims to meet any new requirements or identified areas of risk. The work plan approved for 2015/16 with progress is set out in **Appendix 1**. This shows that all actions are on track or have been completed as planned.

4.0 Financial Implications

4.1 None.

5.0 Corporate Implications

5.1 The Code covers all of the Council's activities and compliance with it affects all services.

5.2 The self assessment process is an important element in ensuring that the Council reviews its Local Code of Corporate Governance in order to continue to adhere to the six core principles.

6.0 Community Implications

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

7.0 Background Papers

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

APPENDIX 1: GOVERNANCE WORK PLAN 2015/16

Work Area	Timescale	Responsible Officer (s)	Action/Comment
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	As per this report. Further review planned for June 2016 prior to completion of the Annual Governance Statement for 2015/16.
Development and implementation of a new Corporate Plan to 2019	September 2015 to December 2015	Senior Management Team	Member workshops completed. First draft of themes and priorities now being reviewed. Outline plan expected to be approved by the Council in January 2016.
Review of the Council's Constitution	July 2015	Legal and Democratic Services Manager	The Constitution is being reviewed and updated on an ongoing basis.
Strengthening the Council's Business Continuity arrangements	September 2015	Director of Finance and Corporate Services	Work plan was agreed by the Resilience Liaison Forum in April 2015. This has now been completed with further development work identified and being progressed.
Reviewing the Declarations of Interest Procedure	August 2015	Legal and Democratic Services Manager / Director of Finance and Corporate Services	The internal audit review has been completed. Agreed actions following the report will be implemented in due course.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	16th DECEMBER 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/internal audit/quarterly reports/quarterly report cover
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

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

2.0 Purpose of Report

- 2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit between 1st September and 30th November 2015.

3.0 Detail

- 3.1 The detailed report is attached.

4.0 Financial Implications

- 4.1 None directly.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 None directly.

7.0 Background Papers

- 7.1 None

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 16th December 2015



Our Vision

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

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South Derbyshire District Council – Internal Audit Progress Report

Summary

Role of Internal Audit

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

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

Recommendation Ranking

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

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

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

Control Assurance Definitions

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

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

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

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 30th November 2015.

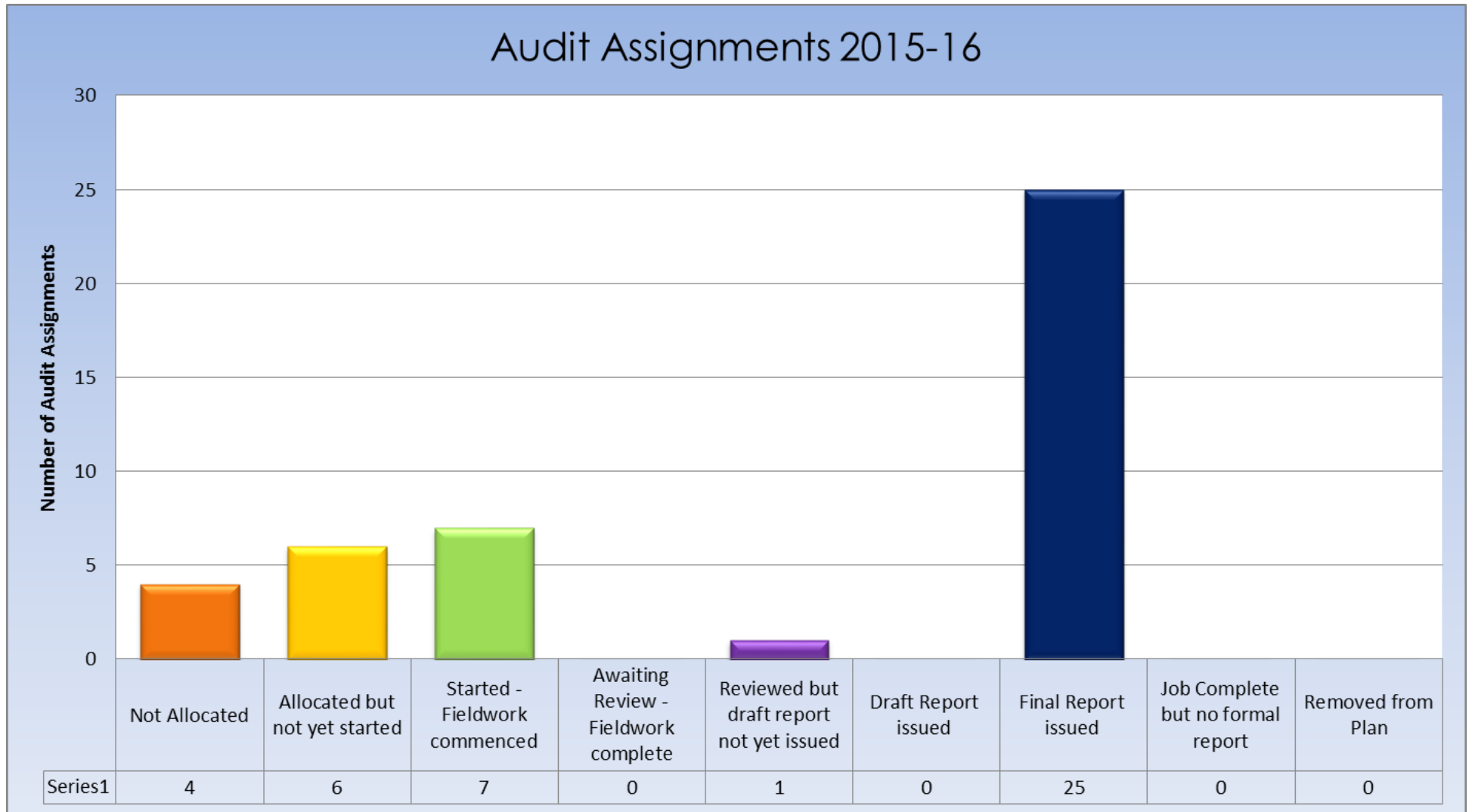
Audit Plan Assignments	Type of Audit	Current Status	% Complete
Main Accounting System (MTPF) 2015-16	Key Financial System	In Progress	15%
Treasury Management / Insurance 2015-16	Key Financial System	Reviewed	90%
Payroll / Officers Expenses & Allowances 2015-16	Key Financial System	Allocated	0%
Creditors / Debtors 2015-16	Key Financial System	Allocated	5%
People Management	Systems/Risk Audit	Final Report	100%
Change & Configuration Management	IT Audit	In Progress	70%
Corporate Governance	Governance Review	Allocated	15%
Declarations of Interest	Governance Review	Final Report	100%
Petty Cash & Inventories	Systems/Risk Audit	Allocated	5%
Data Quality & Performance Management 2015-16	Governance Review	In Progress	70%
Fixed Assets 2015-16	Key Financial System	Allocated	5%
Commercial Rents	Systems/Risk Audit	Final Report	100%
Land Sales	Systems/Risk Audit	In Progress	65%
Members Allowances	Systems/Risk Audit	Allocated	10%
Development Control	Systems/Risk Audit	In Progress	65%
Rosliston Forestry Centre	Systems/Risk Audit	In Progress	65%
Rechargeable Repairs	Systems/Risk Audit	Final Report	100%
Rent Accounting	Systems/Risk Audit	In Progress	75%
Income & Tenancy Management	Systems/Risk Audit	Final Report	100%
Sheltered Housing	Systems/Risk Audit	Final Report	100%
Grounds Maintenance	Systems/Risk Audit	Final Report	100%
Street Cleansing	Systems/Risk Audit	Final Report	100%
Safer Neighbourhood Wardens	Systems/Risk Audit	Final Report	100%
Cash Office Discrepancy	Investigation	Final Report	100%

Another 4 planned assignments (not shown above) have yet to be allocated. Also, 15 assignments brought forward from the 2014-15 Audit Plan (not shown above) have been finalised and have already been reported to this Sub-Committee.

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments Chart



South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st September 2015 and 30th November 2015, the following audit assignments have been finalised since the last Progress Report was presented to this Committee (the overall control assurance rating is shown in brackets):

- People Management (**Reasonable**).
- Declarations of Interest (**Reasonable**).
- Income & Tenancy Management (**Reasonable**).
- Sheltered Housing (**Comprehensive**).
- Grounds Maintenance (**Comprehensive**).
- Street Cleansing (**Comprehensive**).
- Cash Office Discrepancy (**N/A**).
- Safer Neighbourhood Wardens (**Reasonable**).

No audit assignments attracted a 'Limited' or 'None' control assurance rating and as such it is not necessary to bring any issues to the Sub-Committee's attention.

The organisation has demonstrated a higher appetite for risk which has resulted in Management taking decisions not to take mitigating actions to address certain control weaknesses we have identified. Internal Audit acknowledges Management's responsibility to only take appropriate and proportionate actions to mitigate risks. Accordingly, we no longer provide full details of any Low risk recommendations where management has decided not to take any mitigating actions. These will still be highlighted to this Committee in the assignment summaries provided in these Progress reports. However, we will continue to provide full details of any Moderate, Significant or Critical risk issues where management has decided not to take any mitigating actions.

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

People Management

Overall Control Assurance Rating: **Reasonable**

This audit focused on the processing of leavers and the performance management and development of staff, with a view to providing assurance to management and Members of the robustness of controls in place.

From the 25 key controls evaluated in this audit review, 12 were considered to provide adequate control and 13 contained weaknesses. The report contained 10 recommendations, 9 of which were considered a low risk and 1 was considered a moderate risk. The following issues were considered to be the key control weaknesses:

- Leavers Checklists had only been completed in 4 out of 25 cases considered, and only 2 of these 4 had been forward to HR. (**Low Risk**)
- Audit testing revealed a lack of documentary evidence to support:
 - The employee's notification of their intention to leave.
 - The Council's notification to the employee of their leaving details. (**Low Risk**)
- There was no evidence of Termination Forms having been completed in 6 of the 25 leavers cases tested and there was no other audit trail in place to demonstrate the timeliness of information being fed through to Payroll. (**Low Risk**)
- Only 4 of 18 leavers tested had their IT network access disabled on a timely basis and the network accounts for 7 leavers were still wrongly enabled at the time of the audit. (**Moderate Risk**)
- There was no evidence of leavers having been through an Exit Interview or having completed an Exit Questionnaire. (**Low Risk**)

South Derbyshire District Council – Internal Audit Progress Report

- There was limited evidence to support that leavers had returned all Council property on or before their last day of work. (Low Risk)
- The My View system was not being used consistently to document the annual appraisal (PDR) process for all employees. (Low Risk)
- Although there was some evidence of monitoring of the completion of annual appraisals, the consistently decreasing completion rate indicates that action taken to address incomplete appraisals was ineffective. Furthermore, there was no evidence of monitoring the quality and consistency of the PDR data on My View, contrary to the statements about monitoring within the PDR guidance. (Low Risk)
- Only 2 of 25 cases where there had been objectives set during the 2014-15 annual appraisal process were found to be fully SMART. (Low Risk)
- There was limited evidence of mid-year reviews of employee appraisal objectives being undertaken. (Low Risk)

All 10 issues raised within this report were accepted. Management has agreed to take action to address 4 of the issues (including the moderate risk issue) by 30th October 2015, 1 issue by 30th November 2015, another by 31st March 2016, another by 31st May 2016, 1 more by 30th September 2015 with the remaining 2 issues being addressed by 31st October 2016.

Declarations of Interest

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing key documentation including Members Code of Conduct, Employee Code of Conduct, declaration of Interest forms and books and declaration of gifts and hospitality forms and books. The process for declaring interests was also considered to ensure that officers and members have not taken part in decision making for areas to which they have an interest.

From the 15 key controls evaluated in this audit review, 9 were considered to provide adequate control and 6 contained weaknesses. The report contained 6 recommendations, all of which were considered

a low risk. The following issues were considered to be the key control weaknesses:

- The versions of key documents available on the Council's website were out-of-date. This included the Employee Code of Conduct, the Whistleblowing Policy and the Code of Conduct for Members on Outside Bodies. (Low Risk)
- A Declarations of Interest Policy did not exist and the Employee's and Members Codes of Conduct did not cover all of the expected areas within a Policy of this kind. (Low Risk)
- Discrepancies were noted between the hard copy Member gifts and hospitality forms and the details entered onto the Council's website. There were also instances where officer's forms for gifts and hospitality had not been completed in full and on a timely basis. (Low Risk)
- 4 out of 36 Members had not completed a Related Party Transaction declaration for the 2014-15 year. (Low Risk)
- There were two instances where Councillors had declared interests at meetings, but had not made the declaration on their required form. (Low Risk – **Not Accepted**)
- New Starters were not required to declare any additional employment they have. (Low Risk)

5 of the 6 issues raised within this report have been accepted, but Management did not accept 1 of the issues raised. The Head of Legal & Democratic Service and Monitoring Officer did not consider the matter identified constituted a weakness in the Council's governance arrangements, as there was no legal requirement for the Councillors to act as Internal Audit was suggesting. Internal Audit accepts that there is no legal requirement for the Councillors to also declare these interests annually, but feels that it would be more transparent and within the spirit of the Nolan Principles to do so. Management had taken action to address 1 of the issues with immediate effect and has agreed to take action to address 1 of the issues by 31st October 2015 with the remaining 3 issues being addressed by 31st May 2016.

South Derbyshire District Council – Internal Audit Progress Report

Income & Tenancy Management

Overall Control Assurance Rating: **Reasonable**

This audit focused on providing assurance over controls for ensuring that tenancies and housing estates were being appropriately managed such that income from housing was maximised; and action was being taken to resolve Anti-Social Behaviour.

From the 17 key controls evaluated in this audit review, 7 were considered to provide adequate control and 10 contained weaknesses. The report contained 8 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Tenancy Management policies were noted to be aged or were in draft format. (Low Risk)
- Procedural guidance notes for the work of the Housing Income Team were out-of-date and required review and update. (Low Risk)
- The estate inspection spreadsheet was not up-to-date to reflect all of the inspections that had been undertaken. Where issues had been identified, there was limited follow up to ensure the issue had been appropriately resolved. (Low Risk)
- The property inspections were not being undertaken in a timely manner as per procedure and where they were undertaken records were not being completed appropriately. (Low Risk)
- There were not any formal measures in place within the Housing Services team to detect and prevent tenancy fraud. (Moderate Risk)
- There was not a mechanism for identifying if tenants were making unauthorised alterations to their properties. (Moderate Risk)
- The Council was utilising an old version of the Orchard system for housing management. (Moderate Risk)
- Current tenant rent arrears were not always being pursued on a timely basis and former tenant rent arrears were not being recovered at the time of audit. (Low Risk)

All 8 issues raised within this report were accepted. Management had taken action to address 1 of the issues with immediate effect and agreed to take action to address 1 of the issues by 31st December 2015, 3 of the issues by 1st January 2016, 1 of the issues by 1st April 2016 with the remaining 2 issues being addressed by 1st July 2016.

Sheltered Housing

Overall Control Assurance Rating: **Comprehensive**

This audit focused on evaluating the adequacy of controls in place to ensure Careline service customers are valid, their details are properly recorded and that income due is promptly collected.

From the 17 key controls evaluated in this audit review, 14 were considered to provide adequate control and 3 contained weaknesses. The report contained 2 recommendations, which were both considered a low risk. The following issues were considered to be the key control weaknesses:

- A full listing of Careline customers was not easily available from the Tunstall PNC5 system and a data matching exercise was not being performed with the Council's Financial Management system, Agresso or to the Housing system, Orchard. (Low Risk)
- The process for raising the invoices and collecting the charges for the services provided by Careline did not require a subsequent check to confirm the invoice had been raised by Finance and that this was for the correct amount. (Low Risk)

The 2 control issues raised in this report have been accepted. Positive action was agreed to address both of the low risk issues by 1st April 2016.

Grounds Maintenance

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the systems and controls in place surrounding the grounds maintenance service activities to fulfil the requirements of the contract / service level agreement between Cultural Services and Direct Services. It covered the controls in place that ensured that this work was being adequately monitored and effectively delivered, but

South Derbyshire District Council – Internal Audit Progress Report

did not extend to cover the work carried out by the Direct Services team to Housing Services and Highways.

From the 23 key controls evaluated in this audit review, 20 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The frequency of visits did not meet the requirements of the management and maintenance plan. (Low Risk)
- The system for recording inspections carried out, work to be done and work carried out was reliant on individuals completing and scrutinising paper based records, with no means of automatically highlighting where action had not been taken or inspections omitted. (Low Risk)
- Checks on the processing of invoices had failed to identify that a member of staff had used their personal rewards card to benefit from a Council transaction with a supplier. Either the staff member concerned was unaware of the Code of Conduct or had failed to comply with it. (Low Risk)

All 3 issues raised within this report were accepted and were agreed to be addressed by the end of October 2015.

Street Cleansing

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the controls in operation over the management and processes for street cleansing.

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

- Littering incidents reported via the Council's website did not have the source of the report recorded in the database. Additionally

the Freephone facility to report incidents was being used infrequently. (Low Risk)

- The performance results published on the Council's website in respect of street cleansing were out of date. (Low Risk)

Both of the control issues raised within this report were accepted and positive action was agreed to be taken by 30th September 2015.

Cash Office Discrepancy

Overall Control Assurance Rating: **N/A**

Internal Audit were asked to investigate concerns relating to cash receipting transactions carried out by an officer employed by Northgate Public Services. A separate disciplinary investigation being carried out by Northgate Public Services was already underway into the activities the officer, with regard to a potential loss of £300. The focus of the Internal Audit investigation was on examining the procedures in place for the cash receipting function, to establish if there were weaknesses in the procedures and to advise on any steps which could be taken to strengthen controls in this area.

No recommendations were made in this report as the following control weaknesses identified were all addressed during the course of the investigation.

- A visual check of the cashiering area identified that there was not a sign asking customers to check their receipts before leaving the area. This has now been put in place.
- A change to the receipt issuing process has been implemented when a card payment is taken. The Customer Services Advisor now checks both the ACR receipt and the PDQ receipt, ensures that the amounts agree and staples the two together, making it clear to the customer that although two slips have been produced, they constitute the receipt for a single payment.
- There was a procedure in place for a second officer to check an individual Customer Services Advisors' cash takings and cheques, but not to verify that the PDQ report for the terminal agreed to the cash receipting. A procedure, requiring written verification, is now in place.

South Derbyshire District Council – Internal Audit Progress Report

Areas of concern relating to disciplinary issues were addressed by Northgate.

Safer Neighbourhood Wardens

Overall Control Assurance Rating: **Reasonable**

This audit focused on compliance with procedures for a number of environmental health issues administered by the Safer Neighbourhood Wardens. From the 43 key controls evaluated in this audit review, 36 were considered to provide adequate control and 7 contained weaknesses. The report contained 7 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The scanned versions of the diary sheets had not been recorded on the case log and so it was not possible to justify the actions taken by the Wardens or confirm that the diary sheets had been completed to the required standard. (Low Risk)
- Advisory letters had not been sent out to 11 out of 24 dog fouling cases examined. Procedures had not been followed in these cases and the audit trail was incomplete. (Low Risk)
- A warden had arranged to meet with the complainant to discuss a dog fouling case. The Flare system gave reference to the meeting date but then no details were recorded as to whether this ever took place or what the outcome was. The case was closed in this instance without this detail being clarified. (Low Risk)
- Not all fly-tipping cases recorded in the Flare system had been transferred to the Flycapture record maintained by the Service and required by the Environment Agency. (Low Risk)
- There were 3 examples of fly-tipping incidents where the cases had been closed without evidence of full investigations having been carried out, where according to the details recorded in the Flare system, further information was available. (Low Risk)
- One example had been identified where an abandoned vehicle case had been closed without an explanation of what actions had been taken with the vehicle in question. The Flare system

record stated that the tax had run out but no further details were recorded and the case had then been closed. (Low Risk)

- There were no procedures in place to support the process to issue and administer fixed penalty notices. (Low Risk)

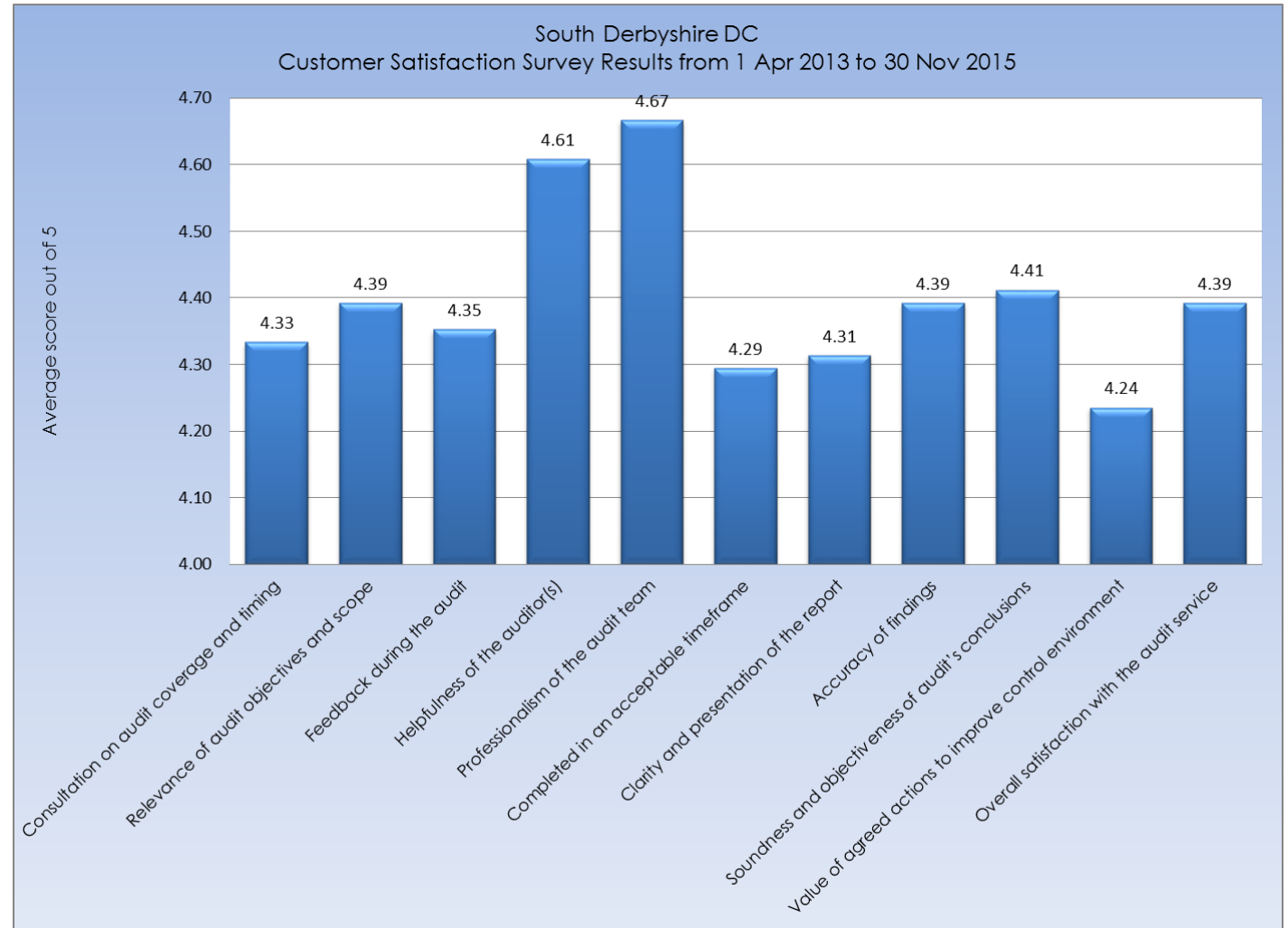
All 7 of the control issues raised within this report were accepted and positive actions were agreed to address 3 of these by 1st January 2016, 1 by 1st February 2016 and the remaining 3 by 1st June 2016.

South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 51 responses received between 1st April 2013 and 30th November 2015. The overall average score from the surveys was 48.4 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 4 occasions.



South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

Since 1st April 2013, we have sent 75 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 75 sent we have received 51 responses.

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

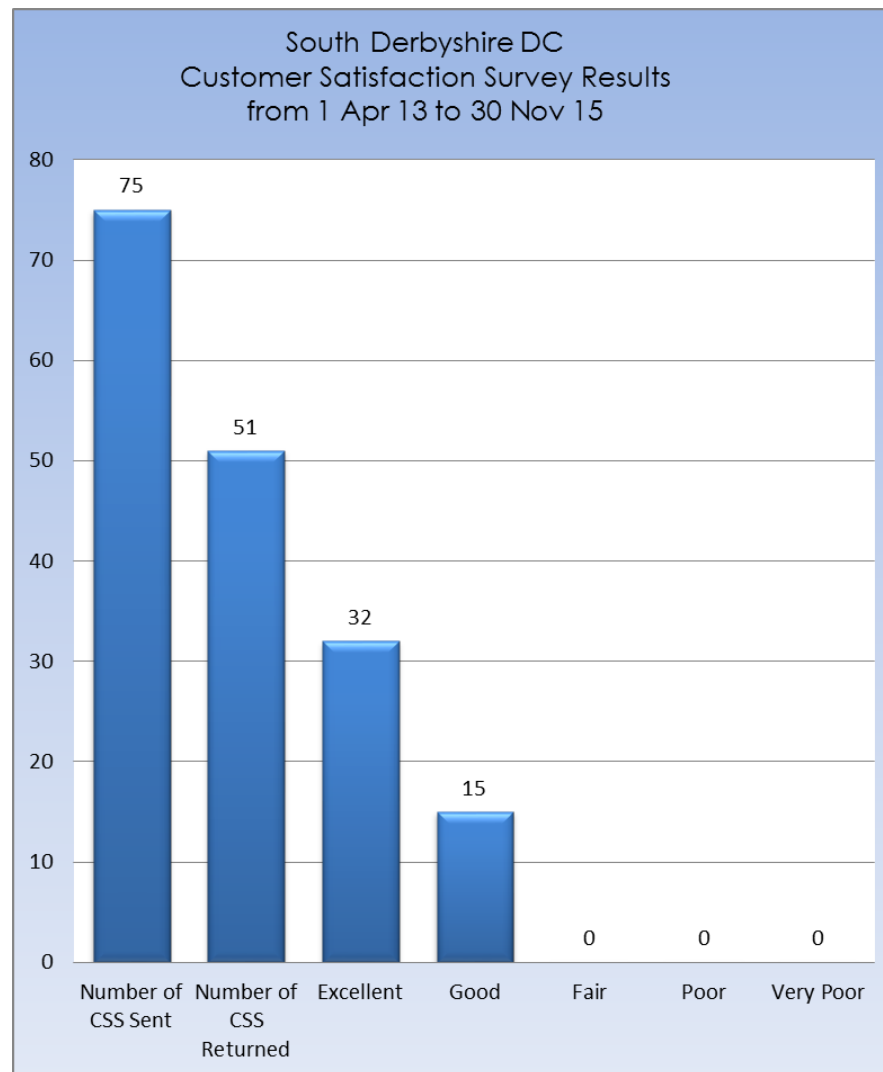
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
People Management	24-Sep-15	Director of Finance & Corporate Services
Declarations of Interest	13-Oct-15	Head of Legal & Democratic Service and Monitoring Officer
Income & Tenancy Management	06-Nov-15	Housing Operations Manager

The overall responses are graded as either:

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

Overall 36 of 51 responses categorised the audit service they received as excellent, another 15 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



South Derbyshire District Council – Internal Audit Progress Report

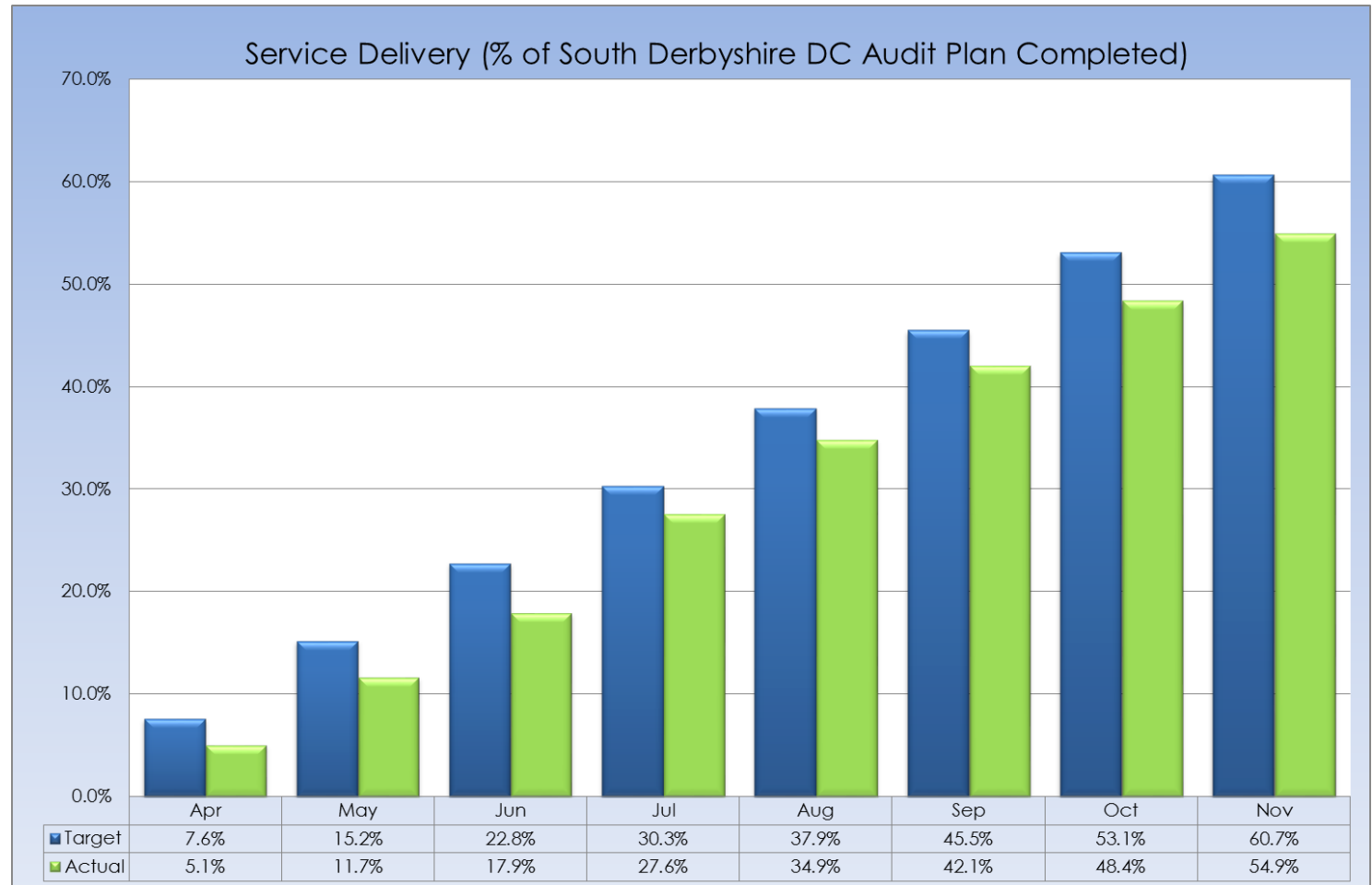
Audit Performance

Service Delivery (% of Audit Plan Completed)

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

Shown across is the estimated percentage complete for South Derbyshire's 2015-16 Audit Plan (including incomplete jobs brought forward) after 8 months of the Audit Plan year.

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



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Follow-up Process

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

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

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

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

Implementation Status Details

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

	Implemented	Being implemented	Risk Accepted	Superseded	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	334	34	9	6	2	46	431
Moderate Risk	75	5	1	4	1	10	96
Significant Risk	7	0	0	0	0	0	7
Critical Risk	0	0	0	0	0	0	0
	416	39	10	10	3	56	534

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

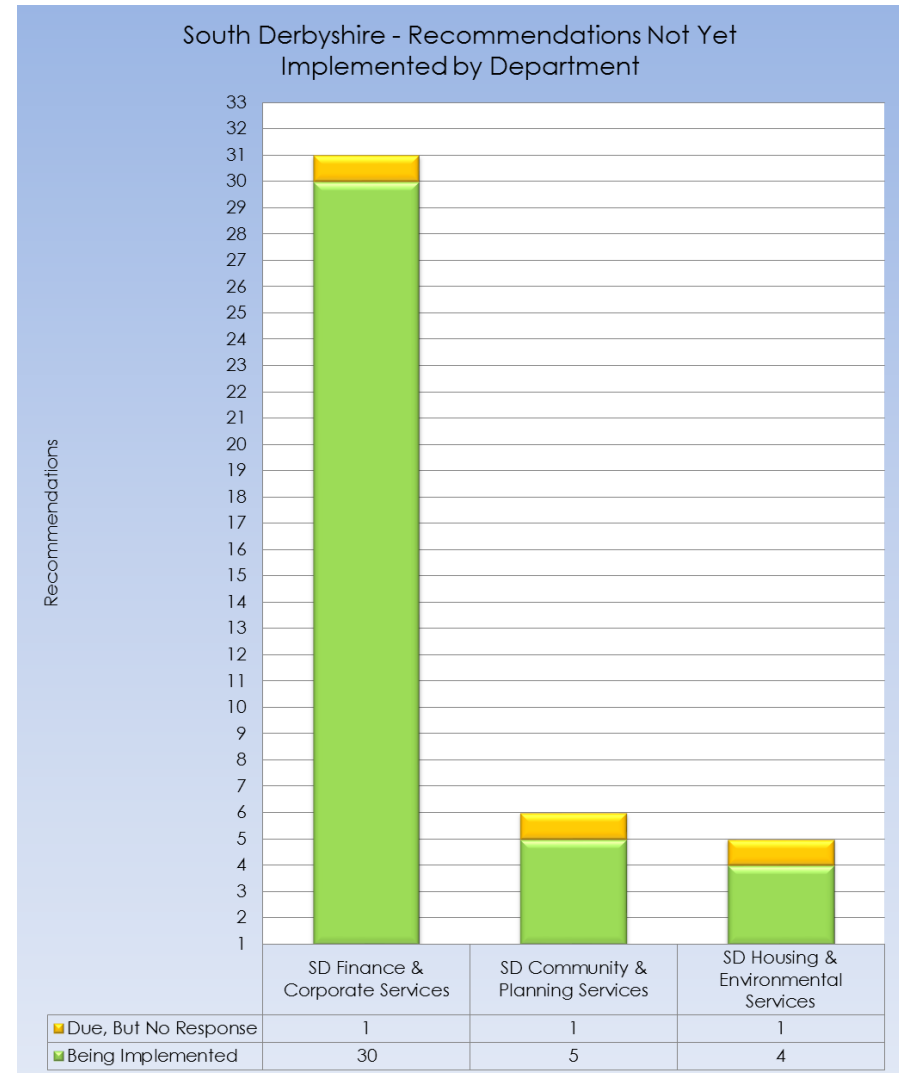
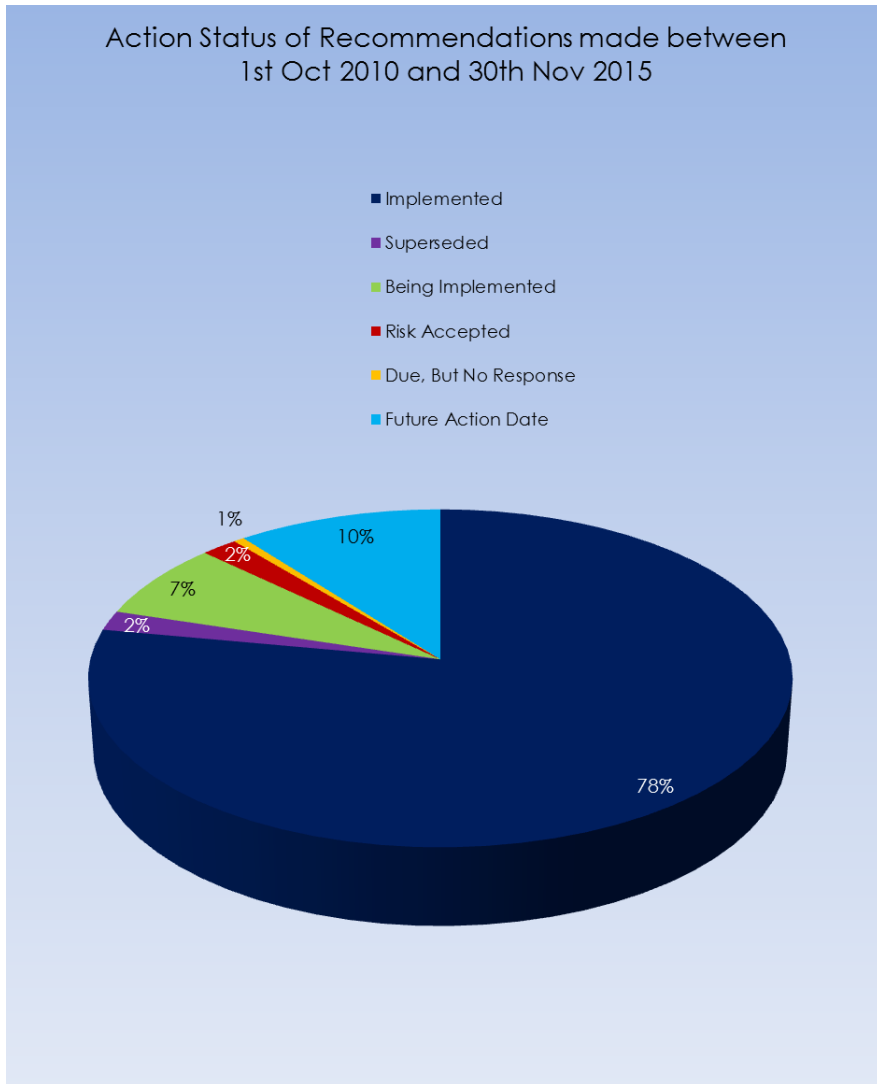
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being Implemented	30	5	4	39
Due, but unable to obtain progress information	1	1	1	3
	31	6	5	42

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. As stated earlier in this report, we will now only provide full details of each moderate, significant or critical risk issue where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). The moderate and 8 of the low risk accepted issues shown above have already been reported to this Committee. The additional risk accepted issue is in relation to the Declarations of Interest report summarised earlier in this report.

South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Recommendations Not Yet Implemented

With the current number of outstanding recommendations (43), we no longer propose to bring every one in detail to this Committee. Instead we have sought to highlight those which we believe deserve Committee's attention, either through the level of risk associated with the control issue or the length of the delay in implementing agreed actions or our inability to obtain satisfactory progress information from Management. Accordingly, the following are detailed for Committee's scrutiny:

Corporate Services

Car Allowances

Control Issue 4 - A neighbouring Authority has revised its car user allowance scheme and introduced a new scheme which has removed the essential user lump sum and pays one mileage rate to both types of user. This will enable the Authority to make significant savings in future years.

Risk Rating – Low Risk

Status Update - This will be considered as part of the pay and grading review in 2016/17.

Original Action Date 30 Jun 11 **Revised Action Date** 1 Apr 16

Corporate Governance

Control Issue 2 – The Member and Officer Relations protocol document did not include the responsibility of officers to provide training and development to Members and to respond in a timely manner to queries raised by Members. The document had not been reviewed since 2003.

Risk Rating – Low Risk

Status Update – This will be included in a wider review of the whole Constitution to bring it up to date. It was envisaged that this document would be brought up to date in advance of the May 2015 elections. However, this window was missed and the Monitoring Officer expects that this will be completed once the next committee cycle commences. Date to be confirmed.

Original Action Date 1 Feb 14 **Revised Action Date** 30 Sep 15

Council Tax / NNDR / Cashiering 2013-14

Control Issue 3 – The error reports and zero liability bills highlighted by the Council Tax billing runs had not been corrected.

Risk Rating – Low Risk

Status Update – This action is due to be completed at the end of the calendar year. The exercise is being treated as data cleansing from the implementation of Academy, and will be a task allocated to apprentices.

Original Action Date 31 Dec 14 **Revised Action Date** 31 Dec 15

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Capacity Management

Control Issue 3 – There were a number of virtual and host servers with dangerous storage utilisation and memory utilisation statistics. Allowing production systems to exceed high risk capacity thresholds without following capacity plans can lead to performance, availability and reliability issues for business critical IT services.

Risk Rating – Moderate Risk

Status Update – Some work has been undertaken, some identified machines are due for migration and decommission - however this is unlikely to be complete until end April 2016.

Original Action Date 30 Oct 15 **Revised Action Date** 30 Apr 16

Partnership Governance

Control Issue 7 – Key financial rules and procedures documents had not been issued to Aurora.

Risk Rating – Low Risk

Status Update – Will be on agenda for the next Executive Meeting but this won't be until towards year end.

Original Action Date 31 Mar 15 **Revised Action Date** 10 Jan 16

CRM Security Assessment

Control Issue 1 – The CRM databases were housed on a SQL Server 2005 SP2 system. Support for SQL Server 2005 SP2 ended in 2007. Unsupported database software is exposed to newly discovered security vulnerabilities or functionality bugs, which could be exploited to jeopardise the confidentiality, availability and integrity of the CRM user data.

Risk Rating – Low Risk

Status Update – To be followed up at the end of March, as implementation of this recommendation is subject to 'upgrade and migration - there is a kickoff meeting on this planned for 30th Nov 2015.

Original Action Date 30 Apr 15 **Revised Action Date** 31 Mar 16

Control Issue 3 – There were a number of configurations and maintenance issues exposing the SQL Server to serious performance and reliability issues. This could ultimately impact on the performance and availability of the Councils CRM application which would affect service delivery.

Risk Rating – Moderate Risk

Status Update – To be followed up at the end of March, as implementation of this recommendation is subject to 'upgrade and migration - there is a kickoff meeting on this planned for 30th Nov 2015..

Original Action Date 31 Aug 15 **Revised Action Date** 31 Mar 16

Procurement - Transparency Code

Control Issue 4 - The contractual information required by the Code was not being published for contracts and other legally enforceable agreements in line with the data publishing requirements.

Risk Rating – Low Risk

Status Update - System now in place, 1st set of data to be published Jan 16.

Original Action Date 01-Apr-15 **Revised Action Date** 1 Feb 16

Control Issue 2 - The Council were not publishing the required data for the contracts where invitations to tender had been invited in the previous quarter, as required by the Local Government Transparency Code 2014.

Risk Rating – Low Risk

Status Update - System now in place, 1st set of data to be published Jan 16.

Original Action Date 01-Apr-15 **Revised Action Date** 1 Feb 16

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Data Protection & Freedom of Information

Control Issue 4 – The Council's mobility assets (i.e. smartphones and tablets) were not all centrally managed by a mobile device management application. This can lead to unsecure devices being in operation processing personal and sensitive data, which could become vulnerable to unauthorised disclosure if lost or stolen.

Risk Rating – Moderate Risk

Status Update – No Response Received

Original Action Date 29 Oct 15 **Revised Action Date** n/a

Business Continuity

Control Issue 9 – Contrary to the SLA, the Business Continuity Management Team had not received regular refresher training and a training log was not being maintained to enable gaps in training needs to be identified.

Risk Rating – Low Risk

Status Update – Training element including in a BC exercise held on 21/7/15. At RLG meetings, invited speakers give a short presentation. To date it has included the Met Office on severe weather warnings etc and the CCA risk assessment process in Derbyshire.

Original Action Date 30 Apr 15 **Revised Action Date** 31 Dec 15

Control Issue 11 – The Business Impact Assessment had received no recent formal update. There was no documentation to support any updates in recent years.

Risk Rating – Moderate Risk

Status Update – The update is awaiting finalisation of the BIA template.

Original Action Date 30 Sep 15 **Revised Action Date** 30 Apr 16

Creditors / Debtors 2013-14

Control Issue 1 – As the Sundry Debtor Credit Control policy and procedure wasn't dated or subject to version control, we could not determine whether it had been subject to annual review. Also, we were unable to determine whether the minimum amount on which court action is taken and the minimum invoice amount had been subject to annual review.

Risk Rating – Low Risk

Status Update – It is intended to have an updated version in place by 31 December 2015. This will cover the various issues that have been raised. The plan is to pull together the various 'recovery' policies and have a single document.

Original Action Date 1 Apr 15 **Revised Action Date** 31 Dec 15

PCI Compliance

Control Issue 4 – Reporting lines and responsibilities for ensuring PCI DSS compliance had not been defined within the Council.

Risk Rating – Low Risk

Status Update – In June 2015, the Council approved resources for the Client Unit to enable, in principle, the appointment of a new Compliance and Data Policy Officer. The details of this will be reported to the Finance Committee in October 2015. Following the transfer of the Council's Fraud and Assurance Manager to the DWP in December 2015, 2 new posts will be created to cover Corporate Fraud, Data and IT Security, together with Compliance.

Original Action Date 31 Mar 15 **Revised Action Date** 31 Mar 16

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Control Issue 1 – The consequences of non-compliance with the PCI DSS had not been considered as part of the Council's risk management process.

Risk Rating – Low Risk

Status Update – In June 2015, the Council approved resources for the Client Unit to enable, in principle, the appointment of a new Compliance and Data Policy Officer. The details of this will be reported to the Finance Committee in October 2015. Following the transfer of the Council's Fraud and Assurance Manager to the DWP in December 2015, 2 new posts will be created to cover Corporate Fraud, Data and IT Security, together with Compliance.

Original Action Date 31 Mar 15 **Revised Action Date** 31 Mar 16

Control Issue 3 – The Council had not received any correspondence from the Third Party Service Providers – Global Pay or Capita Business Services confirming responsibilities for PCI compliance.

Risk Rating – Low Risk

Status Update – In June 2015, the Council approved resources for the Client Unit to enable, in principle, the appointment of a new Compliance and Data Policy Officer. The details of this will be reported to the Finance Committee in October 2015. Following the transfer of the Council's Fraud and Assurance Manager to the DWP in December 2015, 2 new posts will be created to cover Corporate Fraud, Data and IT Security, together with Compliance.

Original Action Date 31 Jan 15 **Revised Action Date** 31 Mar 16

Housing & Environmental Services

Tenants Arrears

Control Issue 1 – The Council did not have a formal rent arrears policy.

Risk Rating – Low Risk

Status Update – It is intended to have an updated version in place by 31 December 2015. This will cover the various issues that have been raised.

The plan is to pull together the various 'recovery' policies and have a single document.

Original Action Date 31 Dec 14 **Revised Action Date** 31 Dec 15

Vehicles, Plant & Equipment

Control Issue 3 – There was not an adequate information management system in place that provided up-to-date and accurate vehicle, plant and equipment data. The management information system in use was essentially the inventory record that audit testing revealed had not been appropriately updated.

Risk Rating – Moderate Risk

Status Update – The spreadsheet has been significantly improved but the view is to acquire a tracking system with fleet management functionality, revised target date to end of March. Due to changing priorities, workload and staffing issues a new action date has been agreed with the Director of Housing and Environmental Services. The new plan is for a draft strategy to be completed by 1st July 2015, to be taken to Committee on 12th August 2015. Due to start procurement once strategy approved (Dec 2015), this will be one of the tasks for the temporary transport project manager.

Original Action Date 30 Nov 14 **Revised Action Date** 1 Mar 16

Community & Planning Services

Leisure Centres

Control Issue 1 – The Leisure Management Contract was in draft form, despite Active Nation being in the third year of service delivery.

Risk Rating – Moderate Risk

Status Update Contract remains unsigned. SDDC and Active Nation are at an impasse regarding the status of the bond attached to the contract. The issue is being discussed at Senior Management Team level.

Original Action Date 25 Oct 13 **Revised Action Date** 31 Jan 16

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Planning & Building Control Fees

Control Issue 3 – Income received via the planning portal was not readily identifiable within the Council's Financial Information system.

Risk Rating – Low Risk

Status Update – No Response Received.

Original Action Date 31 Jul 15 **Revised Action Date**

Section 106 Agreements

Control Issue 2 – Periodic reconciliations were not being done between the Land Charges records and the Planning Team's Section 106 agreement records to ensure that all agreements had been correctly registered as charges against the relevant land.

Risk Rating – Low Risk

Status Update – Some progress made on this recommendation but completion of the reconciliation programme not yet complete, due to staffing changes in both teams and a new software implementation for Section 106's taking priority.

Original Action Date 1 Apr 15 **Revised Action Date** 31 Jan 16

Bereavement Services

Control Issue 1 – Although there were some procedural guidelines and checklists in place, the documents were fragmented and the checklists were not always being properly completed.

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations. The updating and pulling together of procedures is currently having to fit around day to day tasks and additional priorities so it is envisaged completion will be by 31st March 2016.

Original Action Date 31 Mar 15 **Revised Action Date** 31 Mar 15

Control Issue 2 – The Council's website did offer the option of extending the exclusive rights of burial for a further 25 years at the end of a 50 year term, but it was not clear as to what the procedure or cost would be should the request be made.

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations. A policy decision from members would be required as to a charge being set as not one currently listed in the Fees & Charges structure. We will include a charge in this year's budget setting, website has been updated and policy and charges will be updated once formalised.

Original Action Date 31 Mar 15 **Revised Action Date** 31 Mar 16

Control Issue 6 – The Interment and memorial application forms and the Council's burial webpage did not clearly advice customers on the methods available to them for making a payment.

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations. Currently systematically working our way through updating the Cultural Services webpages which includes all pages relating to cemeteries and burials. Details on how to make payments will be added as part of this exercise.

Original Action Date 31 Mar 15 **Revised Action Date** 31 Mar 16
