

Please ask for Democratic Services

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Our Ref

Your Ref

Date: 8th March 2022

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held at **Council Chamber**, Civic Offices, Civic Way, Swadlincote on **Wednesday, 16 March 2022** at **16:00**. You are requested to attend.

Yours faithfully,



Chief Executive

Labour Group

Councillor Dunn (Chair) and Councillor Shepherd (Vice-Chair).

Conservative Group

Councillors Atkin and Ford.

Independent

Councillor Angliss

AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Apologies | |
| 2 | To receive the Open Minutes of the following Meetings: | |
| | 28th June 2021 | 4 - 7 |
| | 8th September 2021 | 8 - 10 |
| | 8th December 2021 | 11 - 14 |
| 3 | To note any declarations of interest arising from any items on the Agenda | |
| 4 | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| 5 | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| 6 | INTERNAL AUDIT PROGRESS REPORT | 15 - 38 |
| 7 | INTERNAL AUDIT PLAN 2022-23 AND AUDIT CHARTER | 39 - 54 |
| 8 | EXTERNAL AUDIT FEE 2019-20 | 55 - 60 |
| 9 | COMMITTEE WORK PROGRAMME | 61 - 63 |

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.

Details

AUDIT SUB-COMMITTEE (SPECIAL)

28th June 2021

PRESENT:-

Labour Group

Councillor Dunn (Chair) and Councillor Shepherd (Vice Chair).

Conservative Group

Councillors Atkin and Ford.

Independent Group

Councillor MacPherson

AS/01 **APOLOGIES**

The Sub-Committee was informed that no Members had submitted apologies.

AS/02 **DECLARATIONS OF INTEREST**

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

AS/03 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/04 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED

AS/05 **AUDIT PLANNING REPORT FOR THE YEAR ENDING 31 MARCH 2021**

The External Auditor presented the report to the Sub-Committee highlighting the key points and delivered a high level summary of the key risks that would be audited as part of their final accounts work. It was noted that a new code for Value for Money meant that it would be looked into in greater detail and any concerns would be raised immediately and not left until the end of the Audit.

RESOLVED:

That the Audit Plan for the year ending 31 March 2021 was considered and approved.

AS/06 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor presented the report to the Sub-Committee summarising the progress during the period since the last meeting and highlighted salient points from the Audit Dashboard.

Members raised queries regarding the revised dates for the payroll recommendations and the Grounds Maintenance Strategy. The Strategic Director (Corporate Resources) informed the Sub-Committee that the Finance and Management Committee had agreed that the Payroll service was to be contracted out which was expected to happen in April 2022 and that the Strategic Director (Service Delivery) was working on the resources needed to assist with delivery of the Grounds Maintenance Strategy.

RESOLVED:

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

AS/07 **INTERNAL AUDIT ANNUAL REPORT**

The Internal Auditor presented the report to the Sub-Committee that contained a summary of all the work carried out throughout the year. The Internal Auditor gave an overview of the information contained within the report and highlighted the Housing and Repairs Audit that was due to be brought to the next Sub-Committee meeting.

RESOLVED:

That the Sub-Committee considered and noted the Annual Internal Audit Opinion for 2020/21.

AS/08 **LOCAL CODE OF CORPORATE GOVERNANCE REVIEW**

The Strategic Director (Corporate Resources) presented the 6 monthly update report to the Sub-Committee, noting that proposals were being considered and staff being consulted in relation to the future working arrangements.

RESOLVED:-

- 1.1 That the updated Local Code of Corporate Governance as detailed in Appendix 1 of the report was approved for publication in the Annual Governance Statement 2020/21.***
- 1.2 That progress regarding on-going work to maintain sound governance as detailed in the report was approved.***

AS/09 DRAFT ANNUAL GOVERNANCE STATEMENT 2020-21

The Strategic Director (Corporate Resources) presented the draft statement and informed the Sub-Committee that another iteration would be brought later in the year and would not be published until it had been audited. The Strategic Director summarised the key points within the report that included the impact of Covid-19.

Members raised queries regarding the engagement of stakeholders and the staff survey. The Strategic Director (Corporate Resources) confirmed that in the previous report Principle 2 set out communication with stakeholders that included media briefs, a number of different consultation groups and Area Forums. The Sub-Committee was informed that the staff survey would be accessible via the Council's Intranet and hard copies made available to those who did not have access.

RESOLVED:

The Draft Annual Governance Statement for 2020/21 was approved for Audit.

AS/10 ANTI-FRAUD AND CORRUPTION POLICY

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee, which following an Audit recommendation would ensure that the Council had a policy that demonstrated a zero tolerance to fraud and corruption.

RESOLVED:

That the updated Anti-Fraud and Corruption Policy as appended to the report was approved.

AS/11 RISK MANAGEMENT

The Strategic Director (Corporate Resources) delivered the report to the Sub-Committee, that would ensure that the Council had a good system in place to

manage and review risks. The Strategic Director (Corporate Resources) highlighted the main changes regarding the risk registers and the reporting of risks.

RESOLVED:

That the Risk Management Framework as detailed in Appendix A of the report was approved.

AS/12 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the Committee Work Programme to Members.

RESOLVED:

The Committee considered and approved the updated work programme.

AS/13 **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.

AS/14 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

The Meeting terminated at 5:20 PM.

COUNCILLOR DUNN

CHAIR

AUDIT SUB-COMMITTEE

8th September 2021

PRESENT:-

Labour Group

Councillor Dunn (Chair) and Councillor Shepherd (Vice Chair).

Conservative Group

Councillors Ford.

Independent Group

Councillor MacPherson

AS/15 **APOLOGIES**

The Sub-Committee was informed that apologies had been submitted by Councillor Atkin (Conservative Group)..

AS/16 **DECLARATIONS OF INTEREST**

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

AS/17 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/18 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED

AS/19 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor presented the report informing Members of the Council's progress during the period since the last meeting and highlighted salient points from the Audit Dashboard. The Sub-Committee was updated on outstanding recommendations and the Housing and Repairs Audit.

Councillor Mulgrew raised a query regarding completed jobs that could not be located. The Head of Housing explained that these related to completed tickets that had not been returned by trade's people and that an electronic system was being considered to prevent this problem in the future.

Councillor Shepherd raised queries regarding the expenses recommendation raised in 2018 and Waste Management Health and Safety training. The Strategic Director (Corporate Resources) advised the Sub-Committee that the expenses issue would need to be addressed as part of a review of pay and conditions and that the main Health and Safety Training had been carried out.

RESOLVED:-

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

AS/20 **2021-22 ANTI-FRAUD AND CORRUPTION PLAN AND COUNTER FRAUD PARTNERSHIP PERFORMANCE UPDATE AND AGREEMENT**

The Head of Customer Services presented the report to the Sub-Committee which related to partnership working with Derby City Council and it was noted that with the new Corporate Training Officer along with the report, fraud awareness had been embedded within the Council

RESOLVED:-

- 1.1 The Committee noted the performance of the Counter Fraud Partnership with Derby City Council (see Appendix 1) and the cashable and value for money savings that had been delivered in 2020-2021.***
- 1.2 The Committee approved the Counter Fraud Partnership be continued for 2021-2022 and approved the Council's proposed Anti-Fraud and Corruption Action Plan (see Appendix 2) that directs the work of the partnership.***

AS/21 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the Committee Work Programme to Members.

RESOLVED:-

The Committee considered and approved the updated work programme.

AS/22 **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.

AS/23 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

The Meeting terminated at 4:40 PM.

COUNCILLOR DUNN

CHAIR

AUDIT SUB-COMMITTEE

8th December 2021

PRESENT:-

Labour Group

Councillor Dunn (Chair) and Councillor Shepherd (Vice Chair).

Conservative Group

Councillors Ford.

AS/24 **APOLOGIES**

The Sub-Committee was informed that an apology had been received from Councillor Atkin (Conservative Group).

AS/25 **TO RECEIVE THE OPEN MINUTES**

The Open Minutes for Sub-Committee Meetings held on 13th July 2020; 29th July 2020; 16th September 2020; 9th December 2020 and 24th March 2021 were taken as read, approved and signed by the Chair.

AS/26 **DECLARATIONS OF INTEREST**

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

AS/27 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/28 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED**AS/29 INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor presented the report informing the Sub-Committee of progress during the period since the last meeting and highlighted salient points from the Audit Dashboard and noted the open recommendations and those recommendations that had exceeded the original action dates.

The Internal Auditor brought to the Sub-Committee's attention the Financial Management Standards Audit and a concern raised regarding the budget approval process which Management had explained that the process was in accordance with the Council's Constitution.

Members raised concerns regarding training of the Depot staff and staff compliance with Mandatory training.

The Strategic Director (Corporate Resources) confirmed that over the last 12 months 13 training sessions had taken place but noted that attendance was a concern and that alternative forms of training delivery were being considered, It was also confirmed that the ROSPA accreditation meant that the Council had demonstrated that training was being carried out.

The Strategic Director (Corporate Resources) shared the Sub-Committee's concern that some employees had not undertaken some mandatory training but clarified that HR would chase this up with Managers and individuals and that lapsed training would also be picked up.

RESOLVED:

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

AS/30 LOCAL CODE OF CORPORATE GOVERNANCE REVIEW

The Head of Legal and Democratic Services presented the report to the Sub-Committee and sought approval for the recommendations.

RESOLVED:

1.1 That the updated Local Code of Corporate Governance as detailed in Appendix 1 of the report was approved.

1.2 That progress regarding on-going work to maintain sound governance as detailed in the report was approved.

AS/31 DRAFT ANNUAL GOVERNANCE STATEMENT 2020-21: UPDATE

The Head of Legal and Democratic Services presented the report to the Sub-Committee and noted that the yellow highlights within the report were to be updated once the Statement of Accounts had been agreed.

RESOLVED:

That the Draft Annual Governance Statement (updated) for 2020/21 was approved for Audit.

AS/32 APPOINTMENT OF EXTERNAL AUDITOR 2023-23 TO 2027-28

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee recommending that the Council opts into the national procurement process. It was noted that although there was an inherent problem within the external audit market and that the Council's Audit for 2020/21 would not be reported until March 2022 the recommendation to opt-in was still considered to be the best option for the Council.

Members raised queries regarding the risks if the Council did not opt in. The Strategic Director (Corporate Resources) advised the Sub-Committee that additional costs would likely be incurred through an independent panel and contract management if the Council was not part of the national procurement framework.

RESOLVED:-

The Sub-Committee approved that the Council opts into the national procurement framework for the appointment of its External Auditor from the financial year 2023/24 and that it be recommended to Full Council on 13 January 2022.

AS/34 DATA QUALITY & PERFORMANCE MANAGEMENT

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee and sought approval for the recommendations.

RESOLVED:-

1.1 That Members noted the Data Quality and Performance Management Audit report provided at Appendix A of the report which was carried out in October 2021.

1.2 Members noted the completed Action Plan for 2020/21 following the audit undertaken in June 2019 as per Appendix B of the report.

1.3 Members approved that risk CR15 Quality of Performance Data be removed from the Corporate Risk register as all recommendations had been actioned and no further recommendations had been made following the recent audit. This was no longer considered a risk.

AS/35 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the Committee Work Programme to Members.

RESOLVED:-

The Committee considered and approved the updated work programme.

AS/36 **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.

AS/37 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

The Meeting terminated at 16:50 PM.

COUNCILLOR DUNN

CHAIRMAN

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	16 MARCH 2022	CATEGORY: RECOMMENDED
REPORT FROM:	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 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 as at 28 February 2022.

3.0 Detail

- 3.1 The detailed progress 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: 16th March 2022



South Derbyshire
District Council



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Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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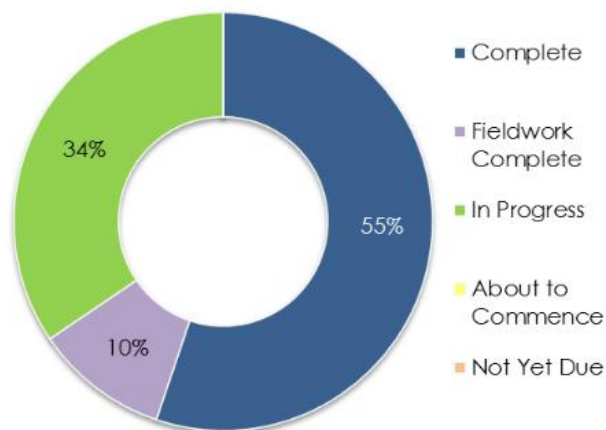
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South Derbyshire District Council – Audit Progress Report

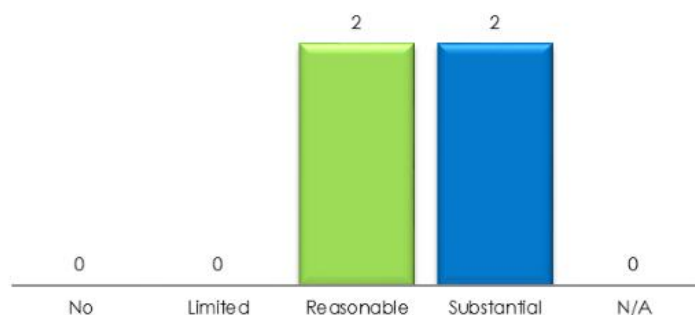
AUDIT DASHBOARD

Plan Progress



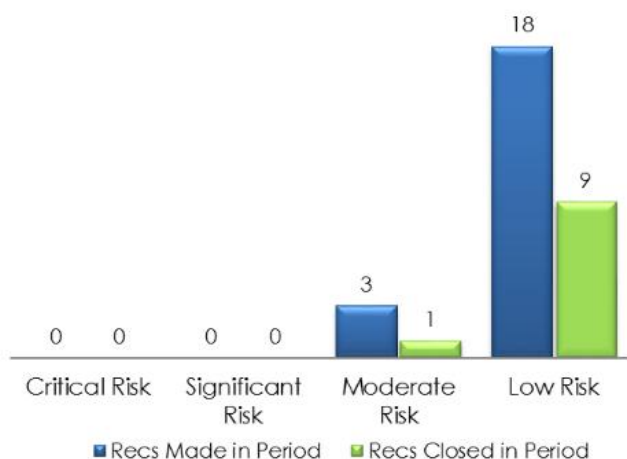
Jobs Completed in Period

Control Assurance Ratings During Period



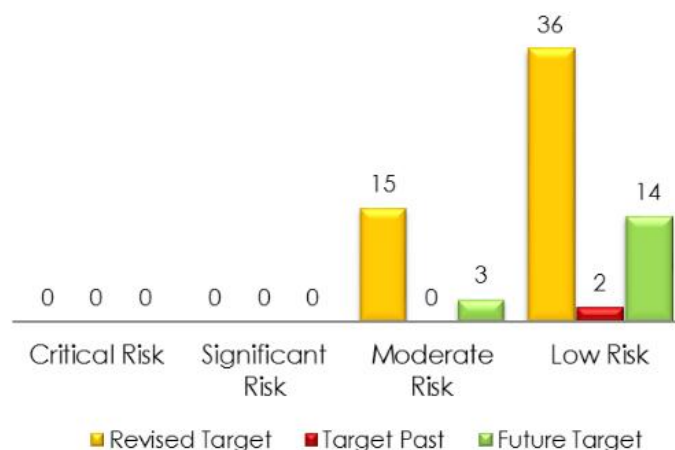
Recommendations

Movement During Period



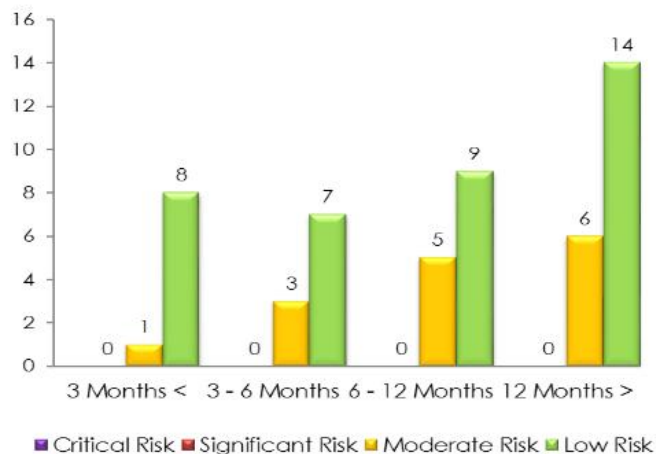
Recommendations

Recommendations Currently Open



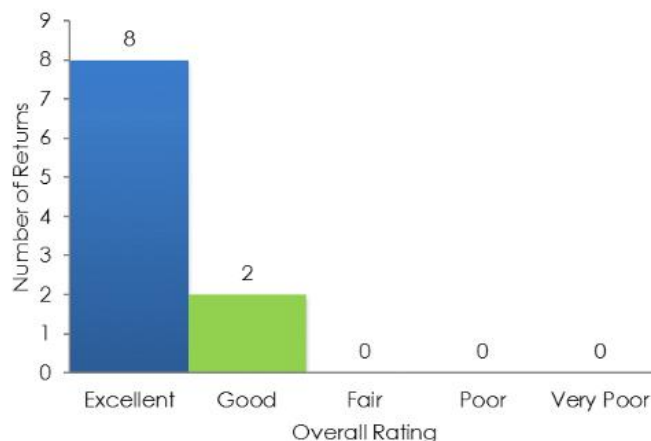
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Between Feb 21 & Feb 22



South Derbyshire District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following tables provide Audit Sub-Committee with information on how audit assignments were progressing as at 28th February 2022.

2021-22 Jobs	Status	% Complete	Assurance Rating
Data Protection & FOI 2021-22	Final Report	100%	Reasonable
Procurement 2021-22	In Progress	70%	
Income Streams 2021-22	In Progress	55%	
Financial Management Standards 2021-22	Final Report	100%	Reasonable
Insurance 2021-22	Final Report	100%	Substantial
Taxation 2021-22	Final Report	100%	Substantial
Payroll Probity 2021-22	In Progress	25%	
Creditors 2021-22	In Progress	50%	
Asset Management 2021-22	Final Report	100%	Reasonable
Revenues Systems 2021-22	In Progress	65%	
Cashiering 2021-22	Final Report	100%	Substantial
Housing System IT Upgrades	In Progress	45%	
IT Infrastructure 2021-22	Cancelled		
Project Management 2021-22	Final Report	100%	Reasonable
People Management 2021-22	In Progress	65%	
Data Quality & Performance Management	Final Report	100%	Substantial
Development Management 2021-22	Deferred		
Climate Change 2021-22	Final Report	100%	Substantial
Affordable Housing 2021-22	Final Report	100%	N/A
Homelessness 2021-22	In Progress	30%	
Rent Accounting 2021-22	Draft Report	95%	
Corporate Governance 2021-22	Draft Report	95%	
B/Fwd Jobs	Status	% Complete	Assurance Rating
Business Continuity & Emergency Planning	Final Report	100%	Reasonable
Procurement 2020-21	Final Report	100%	Reasonable
Housing Benefit & Council Tax Support	Draft Report	95%	
Microsoft 365 Platform	Final Report	100%	Reasonable
Financial Reporting - Impact of Covid19	Final Report	100%	Substantial
Leisure Centres 2020-21	In Progress	50%	
Housing Repairs 2020-21	Final Report	100%	Limited
Waste Contract - Pre-Procurement Stage	Final Report	100%	Reasonable
Electoral Services 2020-21	In Progress	35%	

Plan Changes

During the period it has been agreed that the IT Audit coverage for 2021-22 will focus solely on the IT upgrades to the Council's Housing system. Given the work pressures on the Development Management team, it has been decided to defer the planned audit until the 2022-23 Audit Plan year.

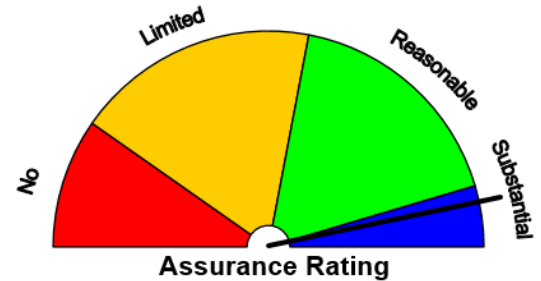
South Derbyshire District Council – Audit Progress Report

AUDIT COVERAGE

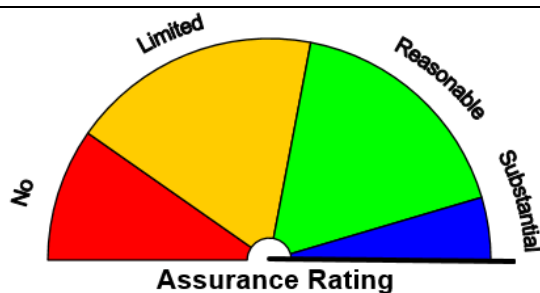
Completed Audit Assignments

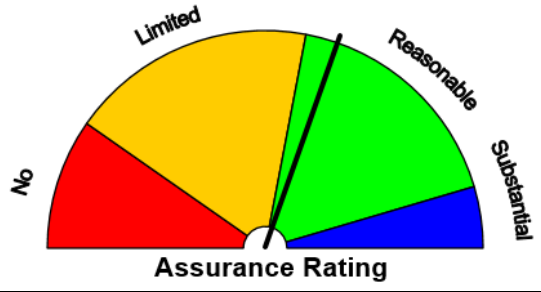
Between 30th November 2021 and 4th March 2022, the following audit assignments have been finalised.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Climate Change 2021-22	Substantial				4	0%
Cashiering 2021-22	Substantial					n/a
Asset Management 2021-22	Reasonable			3	8	36%
Project Management 2021-22	Reasonable				6	0%

Climate Change 2021-22					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
There is a framework of policies, strategies and structures in place to enable an effective response to climate change	13	10	3	0	
The Council has a robust action plan to address climate change, which is subject to monitoring and review	9	8	1	0	
TOTALS	22	18	4	0	
Summary of Weakness		Risk Rating	Agreed Action Date		
Environmental Sustainability was not a standard item on the committee report template provided by Democratic Services, and recent committee reports did not always consider Environmental Sustainability.		Low Risk	01/05/2022 Future Action		
There was a low uptake of Climate and Environment training for Councillors, and we were unable to establish whether there was a lead Council Member for Climate and Environment.		Low Risk	01/09/2022 Future Action		
The Terms of Reference for the Corporate Environmental Sustainability Group was last updated in 2018 and therefore did not reflect the current membership of the group or provide an up-to-date list of priorities relating to the Climate and Environment Strategy, Action Plan 2021-2030 or the Council's Corporate Plan aims.		Low Risk	01/02/2023 Future Action		
We identified a number of formulae errors in the Council's Carbon and Energy Data spreadsheet, the master document used to calculate and monitor carbon usage.		Low Risk	01/03/2022 Action Due		

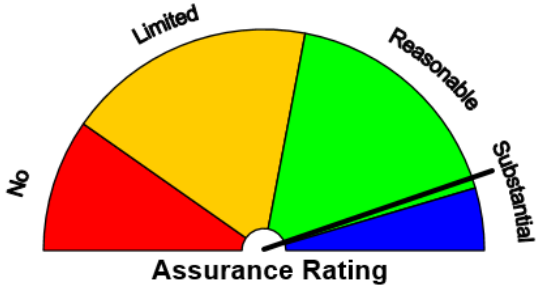
South Derbyshire District Council – Audit Progress Report

Cashiering 2021-22				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The AIM system reports are checked to ensure accuracy and any errors are investigated and cleared in a timely manner.	6	6	0	0
The cheque process is adequately documented and processed in a timely manner.	5	5	0	0
The decision to stop taking cash has been adequately assessed and reported with outsourcing being documented and monitored.	5	5	0	0
TOTALS	16	16	0	0
Summary of Weakness		Risk Rating	Agreed Action Date	
This report contains no recommendations, as no key control weaknesses were identified by the audit review.				

Asset Management 2021-22				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust processes and controls are in place to ensure the effective operation of the cleaning and caretaking function.	14	7	1	6
The recommendations made and accepted in the Maintenance of Public Buildings audit, dated August 2019, have been acted upon and are becoming embedded.	8	4	4	0
TOTALS	22	9	7	6
Detailed cleaning procedures and frequency of tasks to be performed had been produced for the Civic Office, but not for other sites. Also, there was no formal monitoring of cleaning to ensure that defined requirements had been met.				
		Low Risk	Implemented	
There was no current contract in place for the provision of cleaning materials.		Moderate Risk	30/06/2022 Future Action	
Stock records were not maintained and there were no stocktakes taking place.		Low Risk	Implemented	
Training provided to cleaning and caretaking staff did not cover all relevant health and safety aspects of the role.		Low Risk	30/04/2022 Future Action	
The respective responsibilities and requirements of Corporate Property and Cultural Services for the caretaking service had not been clearly set out.		Low Risk	30/06/2022 Future Action	

South Derbyshire District Council – Audit Progress Report

Appropriate records of key holders were not maintained, and there were a number of unidentifiable keys held.	Moderate Risk	31/03/2022 Future Action
Routine fire alarm tests were not taking place at the Community Centres.	Low Risk	28/02/2022 Action Due
Lifespan was not being updated with planned maintenance work completed.	Low Risk	30/04/2022 Future Action
There was no system in use ensuring that statutory compliance activities were being undertaken on an ongoing basis.	Moderate Risk	30/04/2022 Future Action
Procurement information was not always stored on the Council's shared 'S' drive as intended.	Low Risk	Implemented
Evidence of waivers granting exemption from Contract Procedure Rules could not always be located in testing.	Low Risk	Implemented

Project Management 2021-22	 <p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust governance arrangements are in place in relation to the Booking System Project to ensure a regime of rigorous monitoring on project progress and delivery is being performed throughout its entirety.	14	9	3	2
Robust governance arrangements are in place in relation to the FME Project to ensure a regime of rigorous monitoring on project progress and delivery is being performed throughout its entirety	11	8	1	2
TOTALS	25	17	4	4
Documentation was not always subject to robust version control or logically filed.		Low Risk	31/03/2022 Future Action	
There was no clear record of approval of the Business Case for the Booking System or FME project, and the Project Toolkit was unclear on approval requirements.		Low Risk	31/03/2022 Future Action	
Project risk registers were not fully aligned with the Council's Risk Management Framework and RAID logs did not fully capture risks, issues and actions identified.		Low Risk	31/03/2022 Future Action	
There was no provision made for officers to declare financial or personal interests when attending project meetings.		Low Risk	31/03/2022 Future Action	
A comprehensive project plan had not been created for the Booking System project.		Low Risk	31/03/2022 Future Action	
The Project End Report for the FME project did not contain an assessment against the planned cost or time schedule.		Low Risk	31/03/2022 Future Action	

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RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
23-Feb-22	Climate Change	Substantial	1		3
17-Jan-22	Asset Management 2021-22	Reasonable	1		6
01-Feb-22	Project Management 2021-22	Reasonable			6
06-Sep-21	Data Protection & Freedom of Information	Reasonable		6	
15-Sep-21	Insurance	Substantial			1
27-Sep-21	Business Continuity & Emergency Planning	Reasonable		1	
06-Jan-21	Tenancy Management	Substantial		1	
27-Jan-21	Housing Safety Inspections 2020-21	Reasonable		3	
03-Feb-21	Waste Management (Trade Waste)	Reasonable		3	
16-Jun-21	Housing Repairs 2020-21	Limited		8	
21-Dec-20	Safeguarding 2020-21	Reasonable		1	
26-Mar-21	Revenues Systems 2020-21	Substantial		3	
17-Aug-21	Financial Reporting - Impact of Covid19	Substantial		1	
25-Nov-20	Payroll 2019-20	Reasonable		1	
06-Aug-20	Bereavement Services 2019-20	Reasonable		3	
22-Oct-20	Grounds Maintenance 2019-20	Reasonable		6	1
03-Mar-20	Improvement Grants 2019-20	Reasonable		1	
26-Mar-19	Fleet Management	Reasonable		2	
23-Jul-19	Payroll 2018-19	Reasonable		1	
29-Aug-19	Corporate Governance 2018-19	Reasonable		1	
13-Nov-19	Development Management 2018-19	Reasonable		1	
12-Feb-19	PCI Compliance 2018-19	Reasonable		3	
14-Feb-19	Allocations & Homelessness 2018-19	Reasonable		1	
25-Jan-19	Section 106 Agreements 2018-19	Reasonable		1	
13-Nov-17	Officers Expenses & Allowances	Reasonable		1	
07-Aug-17	Parks & Open Spaces	Reasonable		2	
		TOTALS	2	51	17

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.

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Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Climate Change			1			
Asset Management 2021-22			1			
Data Protection & Freedom of Information					1	5
Business Continuity & Emergency Planning						1
Tenancy Management						1
Housing Safety Inspections 2020-21					2	1
Waste Management (Trade Waste)					1	2
Housing Repairs 2020-21					4	4
Safeguarding 2020-21						1
Revenues Systems 2020-21						3
Financial Reporting - Impact of Covid19						1
Payroll 2019-20						1
Bereavement Services 2019-20					1	2
Grounds Maintenance 2019-20					2	4
Improvement Grants 2019-20					1	
Fleet Management						2
Payroll 2018-19					1	
Corporate Governance 2018-19						1
Development Management 2018-19						1
PCI Compliance 2018-19					1	2
Allocations & Homelessness 2018-19						1
Section 106 Agreements 2018-19						1
Officers Expenses & Allowances					1	
Parks & Open Spaces						2
TOTALS			2		15	36

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HIGHLIGHTED RECOMMENDATIONS

Being Implemented – Significant or Moderate Risk Recommendations

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

PCI Compliance 2018-19	Rec No. 8
Summary of Weakness / Recommendation	Risk Rating
<p>The Council was not PCI Compliant and was paying non-compliance fees to a third party. Further management fees were being paid to the financial system provider for PCI and they were also charging the Council for a verbal assessment that no-one at the Council knew anything about.</p> <p>We recommend that the Council establishes a PCI Compliance Action Plan which should take account of the non-compliance fees being paid and should look to work with the third party to ensure that they are able to provide compliance to them and remove the non-compliance fee. The Council should also determine what benefits the Council receives for the PCI DSS Management Fee and verbal assessment.</p>	Moderate Risk
Management Response/Action Details	Action Date
This matter has been raised with Capita360 and there are several issues that have been raised previously about responsibility for the various elements of PCI DSS compliance and which appear to affect compliance. Following the meeting with Capita on 15 th February 2019 a compliance action plan will be drafted for agreement by each team.	01/04/2019
Status Update Comments	Revised Date
The Council has undertaken a comprehensive PCI audit with a specialist consultancy. Two key recommendations were made, namely the delivery of Call Secure Plus and P2PE, as well as the update of a few key policies and submission of the council's PCI accreditation. These projects and spend were approved by Finance & Management Committee in March 2021. Call Secure Plus project is ready to go, but is dependent on the delivery of SIP which is now being progressed. P2PE is dependent on the supplier (Capita) and is in the final stages of testing and delivery. The PCI questionnaires/ accreditation and updated policies are due to be approved/submitted by 31 December 2021 and annually thereafter.	31/12/2021 Action Due

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
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 th September 2019.	30/09/2018
Status Update Comments	Revised Date
The payments are contractual for employees and therefore formal consultation will	31/03/2022

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need to be undertaken. A wider review of employment terms and conditions is to be completed as part of the post-Covid actions and this will be considered further as part of this work.	Future Action
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Payroll 2018-19	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>There was no process in place to check that all changes made on the Resource Link Payroll system were valid and supported by appropriate documentation.</p> <p>We recommend that a standard report should be setup on the Resource Link system that produces a listing of all changes made to Payroll records by all users within the period. This should then be used to ensure that appropriate documentation is held to support all changes made, and that they have been accurately input. Furthermore, the Checked by column in the HR spreadsheet should be regularly completed to evidence each item listed has been checked.</p>	Moderate Risk
Management Response/Action Details	Action Date
A number of options are being explored to address this issue with the software provider and will subsequently eradicate the level of risk. There is already a report developed that can be used to run reports on all users from Resource Link. The process of running reports was agreed in the previous audit 2017/18. Subject to the implementation of a new reporting tool, reports will be run on all users to identify any new starters and changes made to the system. In addition, the previously agreed arrangements will continue and this will include the exchange of information between HR and payroll to clarify any other changes that impact on an employee's salary. This will include the completion of the checked by column.	01/10/2019
Status Update Comments	Revised Date
<p>Work has been completed to ensure that adequate separation of duties is in place and documented evidence provided.</p> <p>The monthly spreadsheet detailing changes will continue to be produced and exchanged by HR and Payroll.</p> <p>Work is to be progressed during 2021/22 in relation to the ongoing provision of the Payroll service and this will include the establishment of ongoing controls on this area.</p>	<p>01/04/2022</p> <p>Future Action</p>

Improvement Grants 2019-20	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>No performance targets had been set for the key stages of the DFG process, and there was no regular monitoring or reporting of performance to management.</p> <p>We recommend that appropriate targets are identified for the standard types of adaptation. Performance against these targets should be monitored and reported regularly to management.</p>	Moderate Risk
Management Response/Action Details	Action Date
This will need to be developed in collaboration with other local authorities within the Derbyshire county council area. To enable comparison and benchmarking	30/06/2020
Status Update Comments	Revised Date
Initial KPI's reviewed. To be implemented as part of the new Foundations software. Currently in test mode.	<p>31/03/2022</p> <p>Future Action</p>

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Bereavement Services 2019-20	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Contract opportunities for the provision of a grave digging service had not been advertised on the Contracts Finder website, in line with the requirements of the Public Contract Regulations 2015, and there was no current contract in place.</p> <p>We recommend that the Council pursues one of the following actions: A corporate contract may be required for the area of spend and as such a formal tender exercise should be undertaken. Engage the Council's DSO to provide the service at the rural cemeteries as well as the urban cemeteries. The area of spend may be relevant to an existing or new framework agreement/contract which should be used to formalise the process. If no competitive market is available this should be demonstrated and a formal exemption from the Contract Procedure Rule should be put in place.</p>	Moderate Risk
Management Response/Action Details	Action Date
All options will be assessed and taken forward after the Covid-19 pandemic is over as the risk of any changes to the service are too great at the present time.	01/01/2021
Status Update Comments	Revised Date
Delay in procurement due to COVID management requirements. Desire to minimise any potential risk to service continuity.	01/04/2022
	Future Action

Grounds Maintenance 2019-20	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The capacity of Operational Services for carrying out tree maintenance works was insufficient, limiting responsiveness.</p> <p>We recommend that appropriate funds are identified to ensure that the new Tree Strategy and Tree Policy can be adequately resourced and implemented.</p>	Moderate Risk
Management Response/Action Details	Action Date
Tree Strategy and Policy is planned to go to Committee February 2021	01/03/2021
Status Update Comments	Revised Date
<p>The draft Tree Strategy and Policy has been reviewed by the Council's insurers, Zurich to ascertain level of risk and to identify any required financial commitment.</p> <p>Following this review, external consultants have been brought to provide SME support and objective challenge in relation to the draft Tree Strategy and Policy, as well provide a review of the current status of trees management and recommend what appropriate resourcing will be required meaningfully address current identified issues/concerns. This is due to be completed by the end of 2021. This will be followed by soft-market testing, to inform how we strategically position trees management (& possibly part of/linked to grounds maintenance) moving forward.</p> <p>Tree Strategy and Policy is planned to go to Committee Spring/Summer 2022</p>	01/04/2022
	Future Action

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Grounds Maintenance 2019-20		Rec No. 6
Summary of Weakness / Recommendation		Risk Rating
<p>Reactive work requested and performed was not consistently recorded.</p> <p>We recommend that reactive work requests should be logged and the outcome recorded. This should include, as a minimum, the following details:</p> <ul style="list-style-type: none"> • Date and time issue was reported. • Location of work. • Details of issue. • Urgency. • Customer details. • Work completed date. • Time spent on work. • Operative name. • Outcome. <p>This information should be monitored to draw out the following:</p> <ul style="list-style-type: none"> • Time spent on reactive work vs planned work, to inform workforce planning. • Responsiveness to requests, to allow effectiveness to be determined. • Trends in the types of work requested, to inform planned maintenance. 		Moderate Risk
Management Response/Action Details		Action Date
Operational Services is currently undertaking a management restructure, a formal process will be developed and implemented following this restructure.		01/04/2021
Status Update Comments		Revised Date
Currently looking at how operationally this could be integrated and links to business transformation and digitalisation / increased use of IT.		01/06/2022
		Future Action

Housing Safety Inspections 2020-21		Rec No.5
Summary of Weakness / Recommendation		Risk Rating
<p>Fire Risk Assessments had not been reviewed at the required frequency for all relevant properties.</p> <p>We recommend that the intended procurement of a Fire Risk Assessment provider be prioritised and that all overdue Fire Risk Assessments are undertaken and documented as soon as practically possible.</p>		Moderate Risk
Management Response/Action Details		Action Date
Short term – requested to be completed by SDDC H&S and some urgent properties undertaken by MAGG. Operational responsibility is assigned to Repairs and Improvements Team Leader.		31/03/2021
Status Update Comments		Revised Date
All FRA's being carried out by WSG. Programme received and all to be completed by 31/03/2022.		31/03/2022
		Future Action

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Housing Safety Inspections 2020-21		Rec No. 6
Summary of Weakness / Recommendation		Risk Rating
<p>While action had been taken to address many of the action points identified in Fire Risk Assessments dating back to 2016 and 2017, issues had not yet been fully addressed.</p> <p>We recommend that the Council ensures the completion of all outstanding points from Fire Risk Assessments as soon as practically possible. A plan should also be put in place to ensure that there is sufficient capacity to address any further fire safety risks identified once FRAs are refreshed following completion of the works.</p>		Moderate Risk
Management Response/Action Details		Action Date
<p>From the compartmentalisation surveys commissioned via Aquilum (Ventre/OmniZone) a contract was generated. £235k of firestopping works were carried out. Overall number of tasks allocated: 888 tasks completed, 420 Fire doors to be complete. Fire doors to install by Novus. Unfortunately, initial contractor consistently underperformed and have had to source alternative provision for renewal of fire doors. Fitting of these has now commenced. Operational responsibility is assigned to Repairs and Improvements Team Leader.</p>		25/03/2021
Status Update Comments		Revised Date
<p>These will be picked up and actioned in the new FRA's.</p>		31/03/2022
		Future Action

Waste Management (Trade Waste)		Rec No.6
Summary of Weakness / Recommendation		Risk Rating
<p>Mandatory Health & Safety training had not been refreshed in line with the required 3-year timescale.</p> <p>We recommend that, whilst being mindful of the current Covid-19 restrictions, the delivery of mandatory Health & Safety training is pursued and delivered as a priority, when safe to do so. To bring the required training up-to-date, this should incorporate all members of the team and include all those Health & Safety training courses which are mandatory. Whilst training delivery continues to be problematic due to the Covid-19 pandemic, toolbox talks should continue in an effort to keep Health & Safety awareness at the forefront of everyone's mind.</p>		Moderate Risk
Management Response/Action Details		Action Date
<p>Mandatory training, including but not limited to Health & Safety, for all Operational Services employees, without access to Myview, has now been organised. The training will be delivered over the following dates to ensure Covid safety measures are followed during delivery of the training. 3rd February, 23rd February, 10th March, 11th March, 23rd March, 25th March and 1st April</p>		01/04/2021
Status Update Comments		Revised Date
<p>Due to capacity within the Trade Waste and Fleet Management service and the absence of a permanent Head of Service, this recommendation will be held-over until September 2022, to allow time for this position to have been filled and for action to have either been taken or at least commenced</p>		01/09/2022
		Future Action

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Data Protection & Freedom of Information 2021-22	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>Not all staff had completed the annual mandatory GDPR refresher training and not all Members had attended and completed GDPR training.</p> <p>We recommend that training on GDPR is included as annual refresher training for Members as well as it being included as part of their induction training when newly elected to the Council. The progressive completion of mandatory GDPR refresher training for staff should be monitored on a regular basis to ensure that there is a high percentage rate of completion. Non-compliance with mandatory training should be identified and appropriate action to address non-compliance should be considered and acted on as a priority.</p>	Moderate Risk
Management Response/Action Details	Action Date
GDPR training is mandatory part of induction, and an annual refresh is required. Non-compliance will be escalated to the relevant Strategic Directors.	31/12/2021
Status Update Comments	Revised Date
Reports will be escalated to Heads of Service.	31/03/2022
	Future Action

Housing Repairs 2020-21	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>There was a high degree of manual input in scheduling repair jobs and the system in place to record repairs was heavily reliant on paper job tickets, resulting in inefficiencies and possible inaccuracies. We were unable to locate a job ticket for 10 of the 19 completed repair jobs selected for testing.</p> <p>We recommend that the Council considers the procurement of dynamic scheduling software. In the interim we recommend that:</p> <ul style="list-style-type: none"> Clear guidelines are provided to operatives on the information required to be completed on job tickets and timesheets, to improve the quality of data subsequently entered into Orchard, the Council's Housing Management System. The possibility of sending job tickets directly from Orchard to operative's smartphones (or scanning and emailing them) is investigated. The capability of the smartphones issued is reviewed to establish whether job tickets can be viewed and edited or whether other hardware /software is required to do this. Training requirements for operatives are considered to allow implementation of the above and further training be undertaken, where required. 	Moderate Risk
Management Response/Action Details	Action Date
As part of the Council's Transformation Project, the renewed Orchard Contract package includes the option for the future purchase of dynamic scheduling/mobile working software. Written instruction for the completion of job tickets will be provided for operatives by the Interim Team Leader (by 30/07/2021). A possible interim solution for the electronic transmission of job tickets has been identified and is being tested. This will require new devices to be provided to operatives. The use of smartphone for this process has been tested and found to be not viable. Once testing of the process and new devices is complete this will be implemented across the team with the appropriate training.	01/10/2021
Status Update Comments	Revised Date
The piloting of the electronic allocation and distribution of work tickets via Sharepoint is completing the pilot testing stage and will be implemented within Q4 2021/22.	31/03/2022
	Future Action

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Housing Repairs 2020-21	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>Orchard, the Councils Housing Management System, did not contain a full record of materials used on a job and there was consequently no tracking of materials purchased over the counter to confirm their usage.</p> <p>We recommend that all materials used on a job should be recorded on the job ticket used to populate Orchard. This will ensure full data is available for the purposes of costing and post inspections. Operatives should be provided with clear instruction and</p>	Moderate Risk
Management Response/Action Details	Action Date
Written instruction for the completion of job tickets will be provided for operatives by the Interim Team Leader.	30/07/2021
Status Update Comments	Revised Date
The functionality of materials management within Orchard is not available and is to be considered within the procurement and implementation of a Mobile working platform in a project that is currently being scoped.	31/10/2022 Future Action

Housing Repairs 2020-21	Rec No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>Van stocks were not being tightly controlled, as annual audits only consisted of a count and valuation and did not track the usage of materials.</p> <p>The Council should consider how the van stock audit regime might be strengthened to prevent the possible theft of materials. This should include an annual audit based on an inventory of van materials, taking into account materials purchased and materials used over the period to identify possible discrepancies, along with in-year spot checks.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>A quarterly audit of van stock will be implemented by the new Repair Manager once appointed.</p> <p>An electronic method of managing materials and van stocks is being investigated with the current materials provider.</p>	01/10/2021
Status Update Comments	Revised Date
<p>Until mobile dynamic work scheduling system is in place a manual system is being introduced that records van stocks, replenishment alerts and purchasing history.</p> <p>The implementation of a materials supply/van stocks system is being explored through the registered supplier to enable stock availability, receipt and use of stock to be recorded.</p>	01/04/2022 Future Action

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Housing Repairs 2020-21		Rec No. 8
Summary of Weakness / Recommendation		Risk Rating
<p>Management information requirements had not been set out for the repairs service and only minimal management information was being extracted and reviewed from Orchard, the Council's Housing Management System.</p> <p>We recommend that an exercise should be undertaken to identify what information would be useful to inform management's understanding of the repairs service and its performance; including who should be responsible for collating and analysing the data and who should be responsible for reviewing the information. Consideration should be given to the reporting capability of Orchard and whether the ability to record and retrieve the information requires additional technical support to be engaged.</p> <p>Examples of information management may consider useful are as follows:</p> <ul style="list-style-type: none"> • Most common types of repair works. • Proportion of emergency /urgent /non-urgent repairs. • % completion of jobs within target date. • Operative productivity. • Recurring repairs. • Cost per job. • Time per job compared to National Housing Maintenance Forum Schedule of Rates. <p>We note that some of this information is not currently available within the Orchard as highlighted separately within this report.</p>		Moderate Risk
Management Response/Action Details		Action Date
<p>The Government's Housing White Paper was presented to the Housing and Community Services Committee on 28/1/21. This suggests a wider range of performance indicators and management information that should be collected by Housing Providers. Consequently, a new suite of indicators /management information has been included within the Service Plan for 2021/22.</p> <p>These additional reporting requirements will be investigated by the newly appointed Repair Manager and Housing Policy and Research Officer once in post.</p>		01/11/2021
Status Update Comments		Revised Date
<p>A review of the existing suite of management information and reports is ongoing through Business Objects linked to Orchard. This will provide specific and regular reports to assist in monitoring activity and performance</p>		31/03/2022 Future Action

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Being Implemented - Low Risk Recommendations Over 12 Months

The following low risk rated recommendations, that have not yet been implemented and have exceeded their original action date by more than 12 months, are also detailed for Committee's scrutiny.

Parks & Open Spaces	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
Files and documentation confirming compliance with safety standards was not held centrally, but rather in separate project files in the Cultural Services Department. We recommend that the documentation held by the Council in respect of play equipment and playground surfacing which demonstrates compliance with the relevant safety standards, should be held centrally. Ideally, the relevant documents confirming compliance for each play area should be scanned and stored on separate electronic files, headed up for each play area. Access to the files should be allowed for both the Open Space and Facilities Development Manager and the Street Scene Manager. This would allow all officers involved in the process to access the information as necessary (i.e. for ordering parts) and would serve to ensure that the information was complete and easily accessible.	Low Risk
Management Response/Action Details	Action Date
Central folder to be set up for all Play Equipment paperwork on S Drive. Scan in all relevant documents.	31/03/2018
Status Update Comments	Revised Date
Demonstrations on potential IT solutions being undertaken on 28/01/2022.	31/03/2022
	Future Action

Parks & Open Spaces	Rec No. 7
Summary of Weakness / Recommendation	Risk Rating
Signs at play areas did not clearly identify the site operator, relying instead on a display of the Council's emblem, not necessarily identifiable with all users of the play areas. In addition, out of hours contact details differed on one sign compared to the other three we viewed. We recommend that the signs displayed at the children's play areas across the district clearly display, the name of the site operator, i.e. the district council or parish council as appropriate. This would allow users of the play areas to clearly identify the site operators in the event of accident or equipment failure. In addition, all the signs situated in the play areas should display the correct contact numbers, both in and out of office hours.	Low Risk
Management Response/Action Details	Action Date
Review of signage to be undertaken. New signage to be designed and approved. New signs to be installed on all Council operated play areas – NOTE: subject to budget/cost constraints	31/03/2018
Status Update Comments	Revised Date
Designer chosen to create "brand" for new signage.	30/06/2022
	Future Action

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PCI Compliance 2018-19	Rec. No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not maintained an inventory of hardware and software components relating to equipment used to take card payments.</p> <p>We recommend that the Council either introduces an inventory of hardware and software components relating to equipment used to take card payments or these devices are removed in favour of alternative methods the Council uses to receive card payments.</p>	Low Risk
Management Response/Action Details	Action Date
We are in the process of removing the android chip and pin devices and replacing with a single digit device. The kiosks will be replaced by December 2019 as not PCI DSS compliant beyond that date Our understanding is that firmware is incorporated with the machines	01/01/2020
Status Update Comments	Revised Date
The Council has undertaken a comprehensive PCI audit with a specialist consultancy. The Council no longer has active card payment hardware to collect payments at its Civic Offices and all old devices have been returned, apart from the new kiosk, which is currently out of action due to COVID and will be reviewed at the end of the six-month face-to-face trial that has been approved by Finance & Management Committee (review will take place by end of May 2022). The only site active hardware is at Rosliston and this is documented in the PCI questionnaire/accreditation documentation.	31/05/2022 Future Action

PCI Compliance 2018-19	Rec. No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>The document which outlined duties and responsibilities in terms of PCI Standards contained out-of-date references.</p> <p>We recommend that the document outlining duties and responsibilities in terms of PCI Standards is updated to reflect the Council's current structure.</p>	Low Risk
Management Response/Action Details	Action Date
Procedural policies updates including communication and training to staff will be updated by Customer Services.	01/04/2019
Status Update Comments	Revised Date
The Council has undertaken a comprehensive PCI audit with a specialist consultancy. The resulting PCI questionnaires/accreditation and updated policies are due to be approved/submitted by 31 December 2021 and annually thereafter.	31/12/2021 Action Due

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Section 106 Agreements 2018-19	Rec. No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>The Section 106 Agreements version 8 - A guide for Developers document had not been reviewed since April 2010 and contained out-of-date information.</p> <p>We recommend that the Section 106 Agreements version 8 - A guide for Developers document should be subject to a full review and update. Going forward, this document should be subject to regular review and update.</p>	Low Risk
Management Response/Action Details	Action Date
Review to be undertaken in 2019/2020 - to produce formal supplementary planning document (statutory process) - then reviewed as part of the Local Plan process.	01/04/2019
Status Update Comments	Revised Date
This is included as a target in the Service Delivery Plan for 2021-22.	31/03/2022
	Future Action

Allocations & Homelessness 2018-19	Rec. No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>There were no formal procedure notes detailing the allocation process</p> <p>We recommend that, once a revised Allocations Policy is in place, a formal procedure note is produced detailing the allocations process.</p>	Low Risk
Management Response/Action Details	Action Date
Procedure notes to be completed after the implementation of new Housing Allocations Policy.	30/07/2019
Status Update Comments	Revised Date
The New "Jigsaw" Choice Based Lettings system is in test. Once complete and implemented procedure notes will be completed	31/03/2022
	Future Action

Fleet Management	Rec. No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>A number of policies and procedures related to vehicle management and driving were inconsistent with the current regulations, out-of-date or drafted but not formally approved.</p> <p>We recommend that the set of policies / procedures supporting the Vehicle Management Strategy are reviewed and updated to provide staff with clear instructions on the latest working practices.</p>	Low Risk
Management Response/Action Details	Action Date
All Direct Services employees have had a driving licence check and signed a declaration of fitness to drive. A briefing will be submitted to the Leadership Team to establish the preferred option for checking all employees' driving licences.	31/03/2020
Status Update Comments	Revised Date
Due to capacity within the Trade Waste and Fleet Management service and the absence of a permanent Head of Service, this recommendation will be held-over until September 2022, to allow time for this position to have been filled and for action to have either been taken or at least commenced	01/09/2022
	Future Action

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Fleet Management	Rec. No. 6
Summary of Weakness / Recommendation	Risk Rating
There was no centralised record of the drivers employed by the Council, and no centralised checks were undertaken for validity of driving licences. We recommend that a centralised record of all drivers operating the Council's vehicles should be maintained. This record should evidence regular checks for drivers licence information and other relevant details.	Low Risk
Management Response/Action Details	Action Date
All Direct Services employees have had a driving licence check and signed a declaration of fitness to drive. A briefing will be submitted to the Leadership Team to establish the preferred option for checking all employees' driving licences.	30/06/2019
Status Update Comments	Revised Date
This is now being dealt with by the Human Resources Manager, following agreement that it is a corporate responsibility and the Head of Operational Services does not have the required access to all drivers personal details. A provider has been identified and contract arrangements agreed, this was due to be launched before Christmas but has been delayed for implementation in February.	01/03/2022 Future Action

Development Management 2018-19	Rec. No. 2
Summary of Weakness / Recommendation	Risk Rating
Responses to consultations and notifications were not always effectively recorded in the planning software. We recommend that the use of tags within the document management facility in the new planning software, to allow consultation responses to be automatically linked to consultations sent, is implemented and tested to ensure a full audit trail is maintained.	Low Risk
Management Response/Action Details	Action Date
Agree that this is an ideal remedy but implementation rests on further development of software to allow for consultees, etc. to upload responses directly to the system. Training and dialogue with third parties also necessary in advance of implementation.	01/09/2020
Status Update Comments	Revised Date
This requires upgrade to the software and testing.	01/11/2021 Action Due

Bereavement Services 2019-20	Rec. No. 5
Summary of Weakness / Recommendation	Risk Rating
Historic graves and burials information had not been fully digitised. The Council should consider making resource available to digitise historic graves and burials information to minimise the risk of data loss.	Low Risk
Management Response/Action Details	Action Date
Report being drafted to Leadership Team and Housing and Communities Committee.	30/11/2020
Status Update Comments	Revised Date
Exploring options and obtaining quotations on the best way for this to be achieved.	30/06/2022 Future Action

South Derbyshire District Council – Audit Progress Report

Bereavement Services 2019-20	Rec. No. 9
Summary of Weakness / Recommendation	Risk Rating
Memorials inspections due in 2019 had not yet taken place. We recommend that the procurement of memorial safety inspections is expedited and outstanding inspections are completed promptly.	Low Risk
Management Response/Action Details	Action Date
Memorial Inspection Policy being updated, and programme put in place for inspections following Covid-19 pandemic and risk assessments. Draft policy April 2020. To Committee September 2020.	01/10/2020
Status Update Comments	Revised Date
Quotations being sought and hope to commence testing in March /April 2022.	30/06/2022
	Future Action

Grounds Maintenance 2019-20	Rec. No. 1
Summary of Weakness / Recommendation	Risk Rating
Arrangements for ensuring the updated GIS system remains accurate and up-to-date had not been confirmed. We recommend that a corporate decision is secured on where the responsibility lies for ensuring the GIS system is accurately maintained and up-to-date, and that this decision is effectively communicated and resourced.	Low Risk
Management Response/Action Details	Action Date
A project to map all environmental assets on the Corporate GIS system has been concluded. A report to E&DS and F&M Committees has allocated resources to Operational Services to maintain the data on GIS. A further process is being developed to ensure all departments provide the required data to Operational Services in order to accurately maintain the Environmental Assets layer on GIS.	01/01/2021
Status Update Comments	Revised Date
New Head of Service to be appointed and date extended to Dec 2022.	31/12/2022
	Future Action

Corporate Governance 2018-19	Rec. No. 2
Summary of Weakness / Recommendation	Risk Rating
The Members' Code of Conduct had not been reviewed since 2014, and was found to be out-of-date. We recommend that the Council review and update the Members' Code of Conduct as soon as practically possible. A review schedule and version control should also be incorporated into the code to ensure that future reviews are conducted on a timely basis.	Low Risk
Management Response/Action Details	Action Date
The Members' Code of Conduct is compliant with current standards legislation. A review of the Code will be carried out in due course.	31/12/2020
Status Update Comments	Revised Date
The LGA has issued a revised Code of Conduct. Their next step is to prepare a number of guidance documents to assist with the Code. Once these have been received,	01/06/2022

South Derbyshire District Council – Audit Progress Report

now expected in Autumn 2021, an amended Code of Conduct will be put before Members to determine. In the meantime, the Derbyshire Monitoring Officers have been meeting and are keen to have an agreed Code for Derbyshire. This will be finalised at the meeting of Annual Council in May 2022.	Future Action
---	---------------

Tenancy Management (Interventions and Support)		Rec. No. 1
Summary of Weakness / Recommendation		Risk Rating
<p>Tenants on Universal Credit (UC) did not have independent access to their details and rental account, specifically rent due dates and any accrued arrears.</p> <p>We recommend that Housing Services consider adding the self-service module to Orchard Housing System, to allow tenants on UC to access their details and manage their rental account remotely. This would ensure that tenants are fully in control of their funds.</p>		Low Risk
Management Response/Action Details		Action Date
SDDC are considering the purchase and implementation of this module as part of the wider procurement of the Housing Management Software. A decision will be made by the end of February 2021		28/02/2021
Status Update Comments		Revised Date
Orchard Digital (customer portal) has been procured which will allow tenants to sign in and review their tenancy account. The implementation of the portal will follow the migration of the HMS to SaaS and is expected to complete by the end Q2 2022/3.		01/09/2022 Future Action

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	16 MARCH 2022	CATEGORY: DELEGATED
REPORT FROM:	AUDIT MANAGER	OPEN
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD (01332 643281) Adrian.manifold@centralmidlandsaudit.com	DOC: u/KS/audit/internal audit/annual plans/covering report
SUBJECT:	INTERNAL AUDIT PLAN 2022-23 AND AUDIT CHARTER	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

- 1.1 That the proposed Internal Audit Plan for 2022/23 is considered and approved for implementation, subject to any changes agreed by the Committee.

2.0 Purpose of Report

- 2.1 To consider the proposed Internal Audit Plan for 2022/23. This is in accordance with the Public Sector Internal Audit Standards (PSIAS) which requires Internal Audit to develop a risk-based plan to direct their work in the forthcoming financial year.

3.0 Detail

- 3.1 The Plan has been drawn up by the Audit Manager. This follows consultation with the Council's Leadership Team and Senior Managers representing all service areas. The Plan details where audit are proposing to allocate their resources over the financial year 2022/23.
- 3.2 This includes an assessment of the Council's risk areas which helps to inform how audit will allocate resources. The allocation is also based on regulatory requirements to review key financial systems each year.
- 3.3 The Plan also details the audit approach and coverage that the Council can expect from the Internal Audit Service. The Audit Sub Committee is requested to consider priorities and the proposed allocation of audit resources for 2022/23.

4.0 Financial Implications

- 4.1 The Plan will be delivered within the budget allocated for Internal Audit.

5.0 Corporate Implications

Employment Implications

5.1 None

Legal Implications

5.2 None

Corporate Plan Implications

5.3 None directly

Risk Impact

5.4 None

6.0 Community Impact

Consultation

6.1 None required

Equality and Diversity Impact

6.2 None directly

Social Value Impact

6.3 None directly

Environmental Sustainability

6.4 None directly

7.0 Background Papers

7.1 None

South Derbyshire District Council – Internal Audit Plan 2022-23 & Audit Charter

Audit Sub-Committee: 16th March 2022



South Derbyshire
District Council



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Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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Introduction

Purpose of Report

The purpose of this report is for the Board to approve the Internal Audit Charter and Annual Internal Audit Plan for 2022-23.

Role of Internal Audit

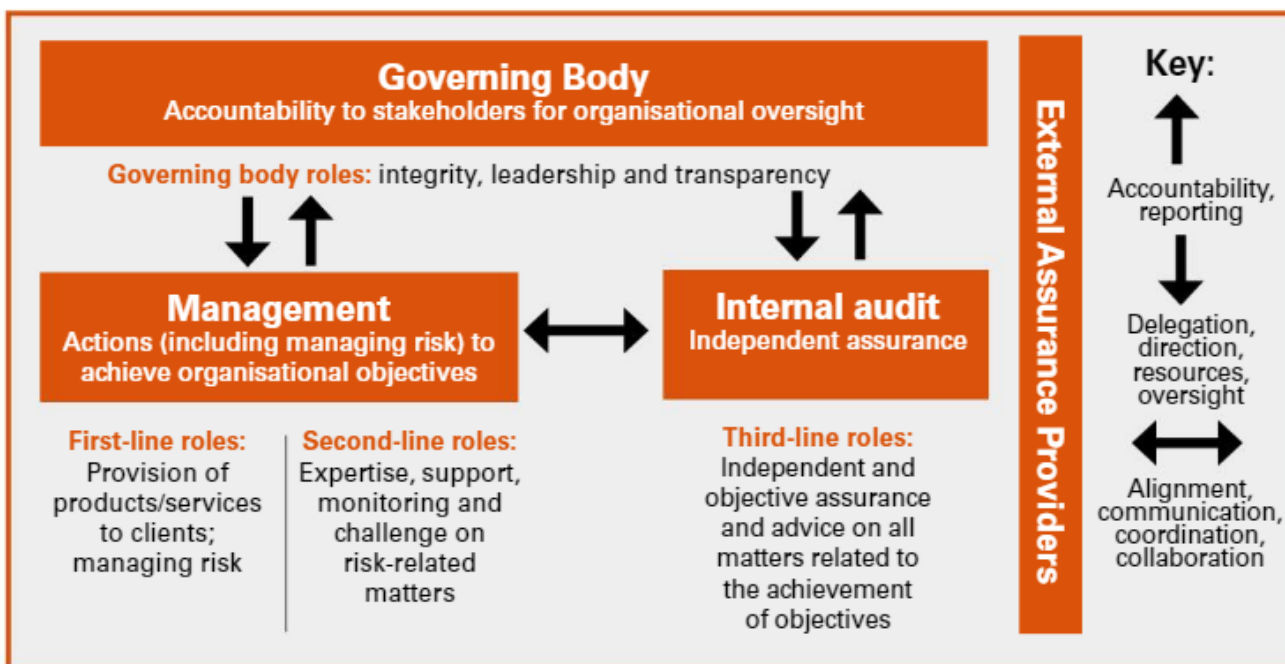
All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015.

The Council's Internal Audit service is provided by Central Midlands Audit Partnership (CMAP). The Partnership was formed as a Joint Board under section 101 of the Local Government Act 1972. It currently serves 6 public sector organisations and Derby City Council is the host authority. The current legal agreement between the Partners runs until 31st March 2025.

Internal Audit provides the Audit Sub-Committee and senior management with objective assurance on the Council's overall control environment, comprising the systems of governance, risk management, and internal control and highlights control weaknesses together with recommendations for improvement. This helps senior management demonstrate that they are managing the Council effectively. Internal Audit's work significantly contributes to the Council's statutory Annual Governance Statement (AGS).

Internal Audit is part of the Council's governance framework which can be summarised in the three lines model shown below.

IIA Global's Three Lines Model:



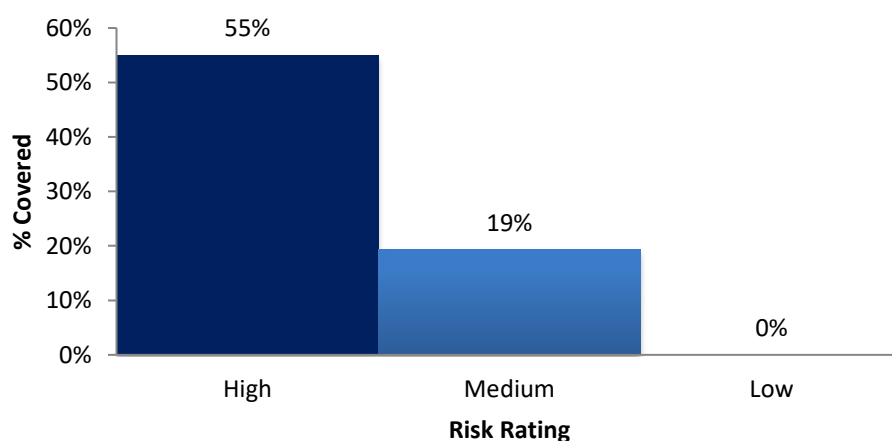
Internal Audit Plan

The Public Sector Internal Audit Standards (PSIAS) state that annually the Chief Audit Executive is responsible for developing a risk-based plan. In this instance, the Chief Audit Executive is Adrian Manifold, Audit Manager.

The annual Audit Plan sets out proposals on how this will be achieved in the year ahead. It is a flexible Plan that allows Internal Audit to respond to emerging and changing risks during the year.

The Audit Plan must incorporate sufficient work to enable the Chief Audit Executive to give an opinion on the adequacy of the Council's overall control environment. Equally Internal Audit must be adequately resourced with the necessary level of skilled and experienced staff to deliver the Audit Plan.

2022-23 Coverage of Auditable Areas by Risk Rating Category



Progress in completing the audit plan, will be submitted to the Audit Sub-Committee as part of regular Internal Audit Progress reports.

Internal Audit Charter

An Internal Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organisation. The Internal Audit Charter describes how internal audit will provide value to the Council, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the Council achieve its objectives.

Having an Internal Audit Charter also establishes the internal audit activity's position within the Council, including reporting lines, authorising access to records, personnel, and physical properties relevant to the performance of engagements; also defining the scope of internal audit activities. A copy of the current Internal Audit Charter is attached at [Appendix B](#). It is the role of the Audit Sub-Committee to review and approve the 'Internal Audit Charter' on an Annual basis.

Approach to Audit Planning

Internal Audit takes into account the Council's risk management framework, including using risk appetite levels set by management for the different activities or parts of the Council. If a framework does not exist, Internal Audit must determine its own judgment of risks following a thorough consultation process. We endeavour to consult with relevant managers to further understand the risk areas where internal audit assurance will be appropriate.

A risk based audit plan has been compiled in consultation with the Council's Management, using the Council's risk registers and CMAP's bespoke risk assessment model which considers the following 8 measures of risk

Impact	Materiality	Potentially, how much money could the Council lose if this area is not properly controlled?
	Criticality	How critical is this function to the effective running of the Council's core activities?
	Sensitivity	How important is this area in the opinion of senior management and the Board?
	Strategic Effect	How does this function affect the Council's long term aims and objectives?
Likelihood	Changes	What changes (staffing, procedural, IT, legislative) has this area been subject to?
	Complexity	How complex is the area under review?
	Review Process	How often is this area reviewed by audit and other agencies?
	Inherent Risks	How susceptible is this area to fraud and irregularity?

Once the scores for each of the 78 auditable areas identified have been input to the risk model, along with the date when the area was last audited, the risk model will automatically generate a plan of suggested audit coverage. Senior management are consulted on the proposed plan and their views are taken account of before producing the final, ranked list of areas to audit. This year's risk assessment identified 20 High risk areas, 57 Medium risk areas and 1 Low risk area.

Discussions are also undertaken with the Council's External Auditors to ensure that the proposed coverage, where possible, complements their work.

Types of Audit Work

Key Financial Systems Audit - Much of internal audit's assurance work comes from the review of the risks and controls associated with the Council's financial systems. External Audit will also review the work on the key financial systems to assist them when determining their opinion on Council's annual accounts.

Systems / Risk Based Audits - The auditor's prime role is to review the internal control systems developed by management to mitigate operational risks and report upon the adequacy of those controls (see below for control examples). A Council's overall internal control system is the product of all of those systems and processes that the Council has created to deliver its business objectives, both financial and non-financial.

Control categories with examples



Source: Chartered Institute of Internal Auditors – Resources – Control

IT Audit – Typically our IT auditing coverage focuses on the following:

- **Infrastructure** - Infrastructure audits cover perimeter defences, authentication, management and monitoring, and devices. Infrastructure audits help provide assurance that the organisation's private network is protected from internet attacks, unauthorised or inappropriate access via local or remote attacks, and also ensure the Council has the necessary monitoring and incident analysis to maintain and analyse the Network.
- **Applications** - Application audits cover thin and fat client applications, and both internal (Intranet) or external (Web) applications. Applications audits typically focus on CIAA (**C**onfidentiality, **I**ntegrity, **A**vailability and **A**ccountability risks) to ensure attackers cannot exploit vulnerabilities to gain unauthorised access to sensitive corporate data.

Governance/Ethics Reviews - The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. Internal Audit reviews corporate systems such as Risk Management, Health & Safety, Data Quality, Anti –Fraud and should consider organisational ethics, values and culture.

South Derbyshire District Council – Audit Plan 2022-23

Procurement/Contract Audit - Procurement involves the process of acquisition from third parties, and spans the whole life cycle from the initial concept (determining the need), through buying and delivery, to the end of a service contract. The audit approach to procurement should primarily concern the Council's corporate procurement strategy and associated management structures and processes, including contract procedure rules and detailed procurement guidance.

Client Support Work

To support the Council, time has also been set aside for the following:

Audit Management – There are certain management tasks that are specific to each Partner organisation, such as, reporting to Audit Committee, Audit Risk Assessment & Planning etc. These require a contingency of time to be planned.

Advice & Emerging Issues - On an ad-hoc basis, Audit is called upon to provide risk and control advice on issues throughout the Council. This consultancy work is a very important service and requests for Audit input are considered to be a good measure of the quality of the Audit service and of the satisfaction of our clients.

Anti-Fraud/Probity/Investigations - Internal audit has an important role to play in ensuring that management has effective systems in place to detect and prevent corrupt practices within the Council. Internal audit's role includes promoting anti-fraud best practice, testing and monitoring systems through probity work and advising on change where it is needed. Internal Audit also may be involved in the investigation of suspected internal fraud, theft or major irregularity (where there is some form of alleged financial irregularity, which may have resulted in financial loss to the Council).

Follow-up Audits - Internal Audit is committed towards ensuring that control improvements are achieved and all agreed actions are acted upon. We have developed a recommendation tracking database, which allows us to monitor, follow-up and report upon the status of all management's actions in respect of agreed audit recommendations.

Brought Forward Jobs - A number of incomplete audits from the 2021-22 Audit Plan will need to be concluded in 2022-23.



South Derbyshire District Council – Audit Plan 2022-23

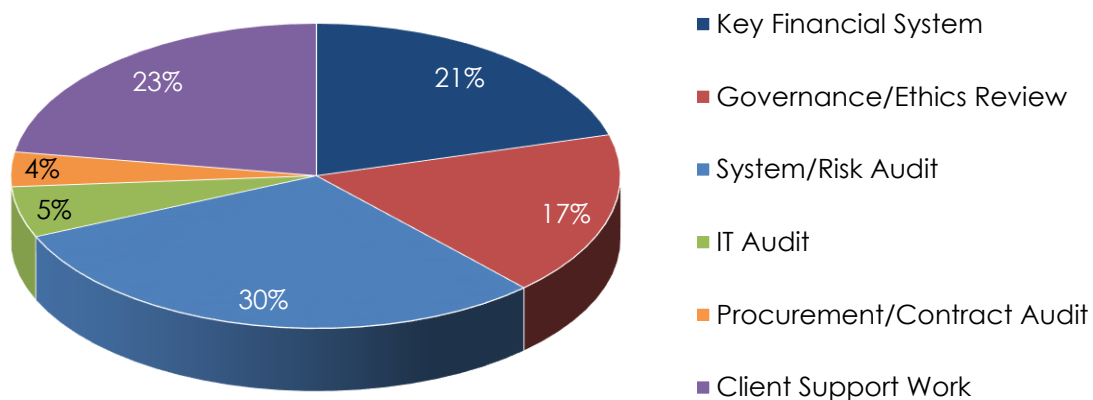
Appendix A - Audit Plan Detail

Our risk assessment of the Council's activities, in consultation with senior management, has concluded that the following audits will be undertaken in 2022-23:

Audit Plan Assignments	Risk Rating	Indicative Quarter
Key Financial Systems Reviews		
Main Accounting System / Budgetary Control / Bank Reconciliation	High	Q3
Treasury Management	High	Q2
Capital Programme	Medium	Q3
Banking Services	Medium	Q1
Officers Expenses & Allowances	Medium	Q1
Revenues Systems	High	Q3
Governance/Ethics Reviews		
Records Management	Medium	Q2
Risk Management	High	Q1
Safeguarding	High	Q3
Data Quality & Performance Management	High	Q1
Organisational Culture & Ethics	Medium	Q4
Procurement/Contract Reviews		
Procurement	High	Q4
System/Risk Reviews		
Waste Management (Collection, Trade, Recycling)	High	Q4
Street Cleansing	Medium	Q4
Development Management	Medium	Q2
Parks & Open Spaces	Medium	Q3
Rosliston Forestry Centre	High	Q2
Housing Safety Inspections	High	Q4
Sheltered Housing / Careline	Medium	Q2
Land Charges	Medium	Q2
Economic Development	Medium	Q3
IT Audit Reviews		
IT Key Controls	High	Q1

The detailed scopes of each audit assignment will be agreed with the relevant managers nearer the commencement of the audit. The cost of the Internal Audit Service for 2022-23 is £169,512.

Audit Plan 2022-23 per Type of Audit



Appendix B - Audit Charter

Purpose & Mission

The purpose of the Council's internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit service will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Chief Audit Executive will report periodically to **senior management**¹ and the **Board**² regarding the internal audit service's conformance to the Code of Ethics and the Standards.

Authority

The Chief Audit Executive will report functionally to the Audit Sub-Committee and administratively (i.e., day-to-day operations) to the Strategic Director (Corporate Resources). To establish, maintain, and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the Audit Sub-Committee will:

- Approve the internal audit service's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit service's budget and resource plan.
- Receive communications from the Chief Audit Executive on the internal audit service's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.
- The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Audit Sub-Committee, including in private meetings without management present.

¹ The PSIAS defines **senior management** as "Those responsible for the leadership and direction of the Council" which in this instance is the Council's **Senior Leadership Team**.

² The Standards require that Internal Audit report to the **Board**. CIPFA have via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that 'Board' may refer to an audit committee to which the governing body has delegated certain functions. In this instance this would be the **Audit Sub-Committee**.

The Audit Sub-Committee authorises the internal audit service to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Council, as well as other specialised services from within or outside the Council, in order to complete the engagement.

Independence & Objectivity

The Chief Audit Executive will ensure that the internal audit service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the Council or its affiliates.
- Initiating or approving transactions external to the internal audit service.
- Directing the activities of any Council employee not employed by the internal audit service, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Audit Sub-Committee, at least annually, the organisational independence of the internal audit service.

The Chief Audit Executive will disclose to the Audit Sub-Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Sub-Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Council. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, employees, and contractors are in compliance with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Executive will report periodically to senior management and the Audit Sub-Committee regarding:

- The internal audit service's purpose, authority, and responsibility.
- The internal audit service's plan and performance relative to its plan.
- The internal audit service's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Sub-Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

The Chief Audit Executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit service does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Chief Audit Executive has the responsibility to:

- Submit, at least annually, to senior management and the Audit Sub-Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit Sub-Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls.
- Communicate to senior management and the Audit Sub-Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Sub-Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the Council are considered and communicated to senior management and the Audit Sub-Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit service.
- Ensure adherence to the Council's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such

conflicts will be resolved or otherwise communicated to senior management and the Audit Sub-Committee.

- Ensure conformance of the internal audit service with the Standards, with the following qualifications:
 - If the internal audit service is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - When the Standards are used in conjunction with requirements issued by CIPFA, the Chief Audit Executive will ensure that the internal audit service conforms with the Standards, even if the internal audit service also conforms with the more restrictive requirements of CIPFA.

Quality Assurance & Improvement Programme (QAIP)

The internal audit service will maintain a quality assurance and improvement programme that covers all aspects of the internal audit service. The program will include an evaluation of the internal audit service's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit service and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Audit Sub-Committee on the internal audit service's quality assurance and improvement programme, including results of internal assessments (both on-going and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.



Central Midlands
Audit Partnership

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	16 MARCH 2022	CATEGORY:
		RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR CORPORATE RESOURCES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@southderbyshire.gov.uk	DOC: h/KS/audit/audit fee 2019 20/audit fee final
SUBJECT:	EXTERNAL AUDIT FEE 2019-20	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 01

1.0 Recommendations

- 1.1 That the final external audit fee for 2019/20, as directed by the Public Sector Auditor Appointments, of £56,052 is paid to Ernst and Young LLP.

2.0 Purpose of the Report

- 2.1 To consider the fee variation determined by the Public Sector Auditor Appointments (PSAA) for the Audit of the Council's Accounts and Financial Statements for the year 2019/20.

3.0 Detail

Background

- 3.1 In June 2020, the Committee considered a proposal from the Council's Auditors, Ernst and Young LLP (EY) to increase the fee payable to audit the Council's Accounts and Financial Statements for 2019/20.
- 3.2 The Council's scale fee for 2019/20 was set at £37,942. EY submitted proposals for the fee to be increased to £62,558. This was an increase of £24,616 and is detailed in the following table.

Additional Fee for Increase in Client Risk		£
1 additional significant risk present	1,953	Revenue/expenditure recognition (per Audit Plan)
4 additional other risk present	3,905	Valuation of PPE, Pensions, IFRS 16, Going Concern
1 additional VFM risk present	2,561	Financial Resilience (per Audit Plan)
		8,419
Additional Fee for Increase in Regulatory Compliance		
Increase in overheads	6,815	Includes the increase in the Levy
Additional property valuation requirement	7,265	Specialists to support audit of PPE - per asset base
Additional Pension requirements	1,251	Specialists to support audit of actuarial assumptions

	<u>15,331</u>
Additional fee for client readiness and tech	
Quality of working papers and response from team	<u>866</u>
Total Additional Fee (including additional levy)	
	<u>24,616</u>

- 3.3 In principle, the increases above are not just specific to the Council but are relevant across the sector due to an increase in and strengthening of, accounting standards.
- 3.4 Auditors have been keen to express that since the procurement exercise in 2017, the requirements on them have increased due to these standards, together with the changing landscape in local government.
- 3.5 This has meant additional testing to provide the relevant assurance, together with additional work on assessing the financial resilience of local authorities.
- 3.6 The Committee in June 2020, resolved not to pay any additional amounts to EY over and above the scale fee that was included in the Contract.
- 3.7 Consequently, as no compromise could be found between the Council and EY, EY submitted their claim to the PSAA, who are required to review EY's proposal and determine the final fee.

Revised Fee Submitted and Decision of the PSAA

- 3.8 Having completed the Audit, the revised fee submitted by EY to the PSAA amounted to £40,635. This was an increase from £24,616 which was reported to the Council in June 2020.
- 3.9 The reasons for this revision were reported by EY to Full Council in February 2021, in their Annual Audit Letter. This stated that:

We have performed additional work during 2019/20 as a result of Covid-19 and other one-off issues. These are noted below.

<i>Going Concern (including internal consultations and disclosure review/provisions)</i>	£6,388
<i>Prior Period Adjustment (including required consultations and disclosure review/provisions)</i>	£3,062
<i>Covid-19 risk assessment updates</i>	£3,246
<i>Use of valuation specialists to support the audit of property, plant and equipment</i>	£3,323
TOTAL	£16,019

- 3.10 The response and decision of the PSAA is appended to this report below.

- 3.11 This shows that the PSAA have determined that a variation in fee of £18,110 (£22,525 lower than EY submitted) is appropriate for 2019/20.
- 3.12 As the variation has been determined by the PSAA, the Council is required to meet the increased fee under Part 6 of the [Local Audit \(Appointing Person\) Regulations 2015](#).
- 3.13 These provisions give the PSAA, as the Appointing Person, the power to review and vary the final fee.

4.0 Financial Implications

- 4.1 The total fee payable for 2019/20 is now £56,052. The Council's Budget for Audit fees is the PSAA scale fee of £37,942. In recognition of the additional costs facing local authorities, the Government are providing additional funding to the sector for the financial years 2021/22 to 2024/25 inclusive.
- 4.2 The Council's allocation for 2021/22 is £19,599, which can be used to meet the cost (£18,110) of the fee variation. Allocations for future years are still to be determined.
- 4.3 It is anticipated that there will be a similar process to vary the scale fee for auditing the Accounts and Financial Statements for 2020/21.

5.0 Corporate Implications

Employment Implications

- 5.1 None

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 None

Risk Impact

- 5.4 None.

6.0 Community Impact

Consultation

- 6.1 None required

Equality and Diversity Impact

- 6.2 None

Social Value Impact

- 6.3 None

Environmental Sustainability

6.4 None

7.0 Background Papers

None

Kevin Stackhouse

From: FeeVariations <FeeVariations@psaa.co.uk>
Sent: 22 October 2021 14:42
To: Kevin Stackhouse
Subject: Fee Variation Statement 2019/20 for South Derbyshire District Council

Dear Mr Stackhouse,

We are writing to inform you that we have reviewed the fee variation proposal (£40,635) submitted by your auditor Ernst & Young LLP for South Derbyshire District Council for audit year 2019/20.

As you know we have a robust procedure to review and approve fee variations in accordance with the Local Audit (Appointing Person) Regulations. The auditor is required to discuss the proposal with the audited body before any matter is referred to PSAA. Auditors then provide us with the detail of the proposal and whether or not the proposal has been agreed (in full or in part) by the audited body. Once received PSAA considers each and every individual claim carefully, irrespective of whether or not there is local agreement. We have set out our process for assessing fee variation proposals on our website Fee variation process – PSAA, which includes considering their value and size relative to others that are similar.

Having carefully reviewed and considered all of the information provided to us, we have concluded that a variation of £18,110 is appropriate in your case (i.e. reducing the auditor's proposal by £22,525). A breakdown of the amounts approved is shown below.

Scale Fee	£37,942
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Fee Variations

Approved on	Category	Value
20/10/2021	PPE valuation	£2,300
20/10/2021	PPAs	£3,062
20/10/2021	COVID-19 impact on completion	£7,000
20/10/2021	Pension valuation	£2,100
20/10/2021	Quality or preparation issues	£848
20/10/2021	Increased FRC challenge	£2,800

Total Fee Variations	£18,110
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2019-2020 total fee including this variation	£56,052
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We appreciate that you may want to discuss this matter further, and if this is the case please contact us at feevariations@psaa.co.uk.

Kind regards

PSAA

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REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	16th MARCH 2022	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.Stackhouse@southderbyshire.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
Work Programme for the Municipal Year 2021/22**

Work Programme Area	Date of Committee Meeting	Contact Officer (Contact details)
External Audit Plan 2020/21	28 June 2021	Hhenshaw@uk.ey.co
Internal Audit Progress Report	28 June 2021	Adrian.manifold@centralmidlandsaudit.co.uk
Internal Audit Annual Report 2020/21	28 June 2021	Adrian.manifold@centralmidlandsaudit.co.uk
Local Code of Corporate Governance Review	28 June 2021	Ardip.kaur@southderbyshire.gov.uk
Draft Annual Governance Statement 2020/21	28 June 2021	Ardip.kaur@southderbyshire.gov.uk
Anti-Fraud and Corruption Policy	28 June 2021	Kevin.stackhouse@southderbyshire.gov.uk
Risk Management Framework	28 June 2021	Kevin.stackhouse@southderbyshire.gov.uk
Internal Audit Progress Report	8 September 2021	Adrian.manifold@centralmidlandsaudit.co.uk
Anti-Fraud and Corruption Performance and Annual Plan	8 September 2021	Elizabeth.barton@southderbyshire.gov.uk
Audit Results Report for the Year Ending 31 March 2021	8 December 2021	Hhenshaw@uk.ey.co
Internal Audit Progress Report	8 December 2021	Adrian.manifold@centralmidlandsaudit.co.uk
Local Code of Corporate Governance Review	8 December 2021	Ardip.sandhu@southderbyshire.gov.uk
Appointment of External Auditor 2023/24 to 2027/28	8 December 2021	KevinStackhouse@southderbyshire.gov.uk

Annexe A

Draft Annual Corporate Governance Review	8 December 2021	Ardip.sandhu@southderbyshire.gov.uk
Data Quality & Performance Management	8 December 2021	Kevin.stackhouse@southderbyshire.gov.uk
Internal Audit Progress Report	16 March 2022	Adrian.manifold@centralmidlandsaudit.co.uk
Internal Audit Plan and Charter 2022/23	16 March 2022	Adrian.manifold@centralmidlandsaudit.co.uk
External Audit Fee 2019/20	16 March 2022	Kevin.stackhouse@southderbyshire.gov.uk
External Audit Plan 2021/22	TBC	Hhenshaw@uk.ey.co