



Ardip Sandhu
Monitoring Officer
Executive Director – Law and People
South Derbyshire District Council,
Civic Offices, Civic Way,
Swadlincote, Derbyshire DE11 0AH.

www.southderbyshire.gov.uk

@SDDC on Twitter
@southderbyshiredc on Facebook

Please ask for Democratic Services
Phone (01283) 595722/ 595889
Democraticservices@southderbyshire.gov.uk

Date: 27 August 2024

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, 04 September 2024** at **16:00**. You are requested to attend.

Yours faithfully,

Monitoring Officer
Executive Director – Law and People

To: Labour Group (3)
Councillor J Carroll (Chair) and Councillor D Shepherd (Vice-Chair)
Councillor A Jones

Conservative Group (1)
Councillor N Atkin

Non-Grouped (1)
Councillor A Wheelton

AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Apologies | |
| 2 | To note any declarations of interest arising from any items on the Agenda | |
| 3 | To receive any questions by members of the public pursuant to Council Procedure Rule No. 10. | |
| 4 | To receive any questions by Members of the Council pursuant to Council Procedure Rule No. 11. | |
| 5 | INTERNAL AUDIT PROGRESS REPORT 2024-25 | 4 - 25 |
| 6 | AUDIT PROGRESS UPDATE 2021-22 AND 2022-23 | 26 - 27 |
| 7 | INDICATIVE EXTERNAL AUDIT PLAN 2023-24 | 28 - 49 |
| 8 | PROGRESS OF ACTIONS IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT 2023-24 | 50 - 56 |
| 9 | COMMITTEE WORK PROGRAMME | 57 - 59 |

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

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	4 SEPTEMBER 2024	CATEGORY: RECOMMENDED
REPORT FROM:	AUDIT MANAGER	OPEN
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD (01332 643281) Adrian.manifold@centralmidlandsaudit.gov.uk	DOC: h/CJ/governance/AGS/2022/AGS committee report
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT 2024/25	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

That the report of the Audit Manager (Appendix 1) 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 31st July 2024.

3.0 Detail

3.1 The report of the Audit Manager is detailed in a report which 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.



central midlands audit partnership

South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 4th September 2024



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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.

Contacts

Richard Boneham CPFA
Head of Internal Audit (DCC) &
Head of Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby, DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold CMIIA
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlandsaudit.co.uk

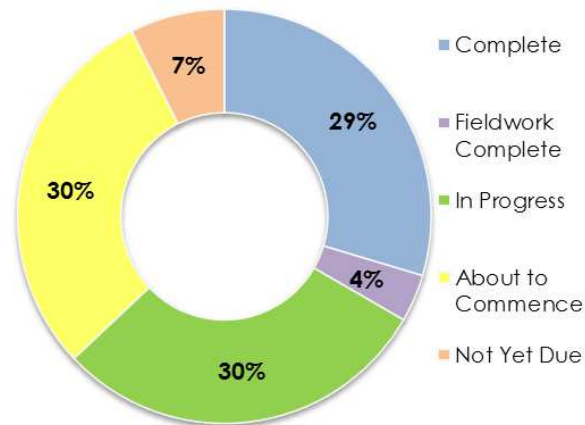
Mandy Marples CPFA, CCIP
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk

Linda Downes FCIIA ACMA
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 024 7637 6260
Linda.downes@centralmidlandsaudit.co.uk

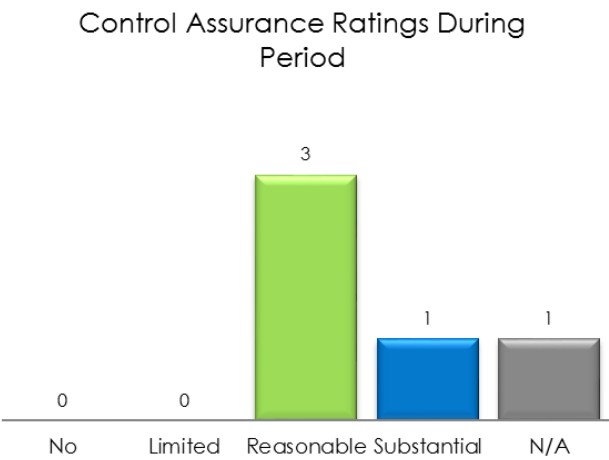


AUDIT DASHBOARD

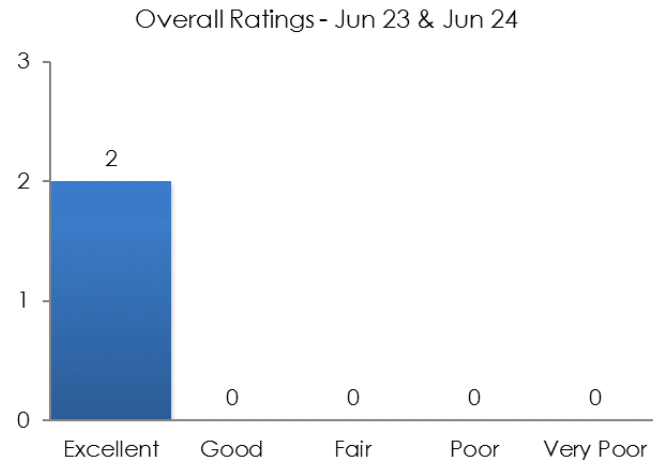
Plan Progress



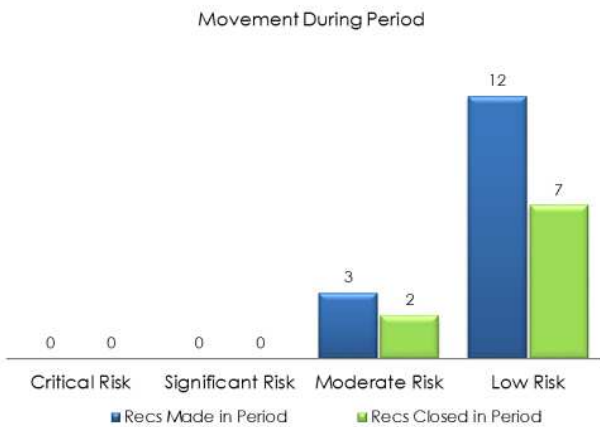
Jobs Completed in Period



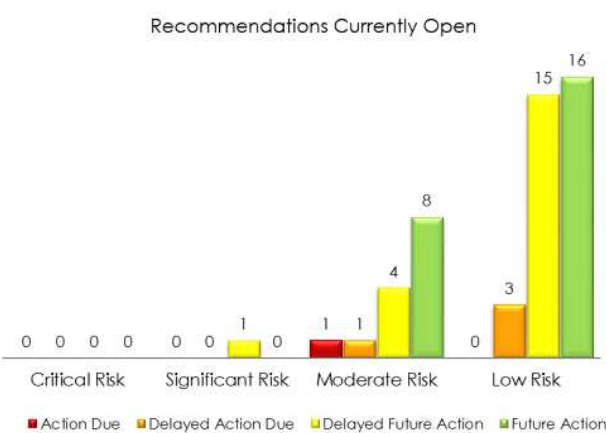
Customer Satisfaction



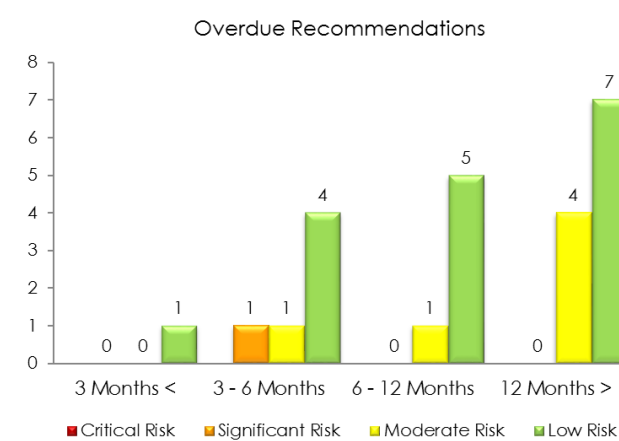
Recommendations Movement



Recommendations Open



Recommendations Overdue



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 31st July 2024.

2024-25 Assignments	Status	% Complete	Assurance Rating
Significant Contracts (Data Analytics)	Allocated	15%	
Strategic Transformation	In Progress	10%	
Grant Certification 2024-25	Allocated	15%	
Payroll	Allocated	0%	
Debit/Credit Cards	Final Report	100%	N/A
IT Infrastructure/Applications	Allocated	5%	
Business Change & Transformation	In Progress	15%	
Risk Management	Allocated	0%	
People Management (Policies)	In Progress	30%	
Pest Control	Not Allocated	0%	
Rosliston Forestry Centre 2024-25	Allocated	20%	
Rechargeable Repairs 2024-25	Allocated	20%	
Allocations & Homelessness	Allocated	20%	
Housing Consumer Standards	In Progress	70%	
Corporate Governance	Not Allocated	0%	

B/Fwd Assignments	Status	% Complete	Assurance Rating
Leisure Centre Management - Tender 2023-24	Final Report	100%	Reasonable
Revenue Systems 2023-24	Final Report	100%	Substantial
Housing Benefit & Council Tax Support 2023-24	Final Report	100%	Substantial
Health & Safety 2023-24	In Progress	70%	
Fleet Management 2023-24	In Progress	25%	
Trade Waste 2023-24	Final Report	100%	Reasonable
Planning & Building Control Fees 2023-24	Final Report	100%	Substantial
Climate Change 2023-24	Draft Report	95%	
Housing Repairs (Planned & Responsive Maintenance) 2023-24	Final Report	100%	Reasonable
Housing Safety Inspections 2023-24	In Progress	70%	
Improvement Grants 2023-24	In Progress	50%	
Visitor Centre	Final Report	100%	Reasonable

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Plan Changes

None.

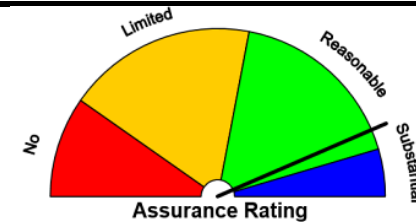
South Derbyshire District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

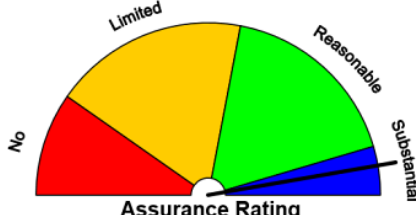
Between 1st June 2024 and 23th August 2024, the following audit assignments have been finalised.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Trade Waste 2023-24	Reasonable			1	2	33%
Planning & Building Control Fees 2023-24	Substantial				3	67%
Visitor Centre	Reasonable			1	3	25%
Leisure Centre Management - Tender 2023-24	Reasonable			1	4	0%
Debit/Credit Cards	N/A					n/a

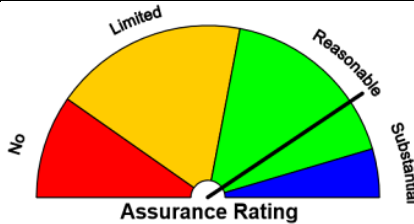
Trade Waste 2023-24					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust operational and financial controls are in place in support of the Council's arrangements to collect Trade Waste.		5	2	3	0
Robust processes and procedures are in place to deter bribery, theft and/or fraud.		6	6	0	0
TOTALS		11	8	3	0
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date
1	Controlled Waste Transfer Notes had not been completed by all customers in our sample and a significant number remained outstanding as per the Trade Data 2023-24 records.	Moderate Risk	01/09/2024	Future Action	

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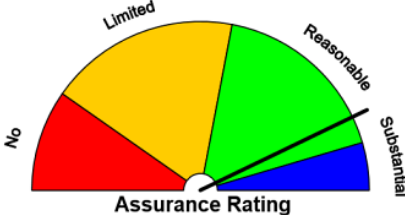
2	Trade Waste fees for 2023-24 had not been reported to the relevant Committee for approval, and the 2023-24 maximum charges, included for comparison purposes in the 2024-25 budget report, differed to the Council's internal Trade Data charge record.	Low Risk	19/08/2024	Risk Accepted	
3	An email to request that a Trade Waste invoice be raised and a direct debit set up had been sent to an external email address in error.	Low Risk	01/04/2025	Future Action	

Planning & Building Control Fees 2023-24					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Planning Application fees are collected and adequately processed, with a clear structure of fees and charges in operation.		7	4	3	0
TOTALS		7	4	3	0
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date
1	Outstanding balances due were not being removed from the Planning system when refunds or transfers of payments were processed.	Low Risk	30/06/2024	Implemented	
2	An instance of an incorrect fee being charged was identified in testing, which has resulted in financial loss to the Council.	Low Risk	30/09/2024	Implemented	
3	There was no process for identifying when an application had met the conditions required for a refund under the Planning Guarantee, which forms part of the Town and Country Planning Regulations.	Low Risk	31/12/2024	Future Action	

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Visitor Centre					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Adequate arrangements are in place to aid the effective and efficient running of the service provided by the Visitor Information Centre.		11	10	1	0
Card payments received by the Visitor Information Centre were reconciled and taken according to the relevant policies and procedures.		7	3	2	2
Future operations and services of the Visitor Information Centre are planned for, documented and communicated with the relevant parties.		4	2	0	2
TOTALS		22	15	3	4
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date
1	Team meetings held with the Visitor Information Centre team and the Economic team were not minuted.	Low Risk	30/06/2024	Implemented	
2	The reconciliation of the sales spreadsheets, total sales and payments to be made to third-party businesses were not being documented.	Low Risk	30/09/2024	Future Action	
3	There was no refund procedure available to Officers for the Visitor Information Centre.	Low Risk	30/09/2024	Future Action	
4	There was no mechanism in place to monitor the progress or performance of the Visitor Centre.	Moderate Risk	30/09/2024	Future Action	

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Leisure Centre Management - Tender 2023-24					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Adequate research and preparation had been undertaken pre-tender to provide for an effective procurement exercise.		8	5	0	3
The invitation of tenders has followed due process.		7	6	1	0
The receipt of tenders and tender opening was transparent and accountable.		5	5	0	0
Tenders had been suitably evaluated in line with the tender instructions.		7	5	2	0
The award of contract followed due process.		5	5	0	0
TOTALS		32	26	3	3
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date
1	Evidence was not supplied to confirm liaison with an appropriate Council officer had taken place to decide which tender process should be used in accordance with the Council's Contract Procedure Rules (CPR).	Moderate Risk	31/10/2024	Future Action	
2	The Council had not issued a Prior Information Notice to make their planned procurement intentions known.	Low Risk	31/10/2024	Future Action	
3	Incorrect contract start and end dates had been included in the advert published on the Government's Contracts Finder website.	Low Risk	31/10/2024	Future Action	
4	Arithmetic checks performed on compliant tenders had not been formally recorded.	Low Risk	31/10/2024	Future Action	
5	Documentary evidence in respect of checks on final evaluated scores was not supplied to Internal Audit.	Low Risk	31/10/2024	Future Action	

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Debit/Credit Cards		Assurance Rating: N/A
Scope		
Management had identified some concerns around controls over the use of corporate credit and debit cards and requested that Internal Audit undertake a consultancy review to identify potential areas of improvement.		
Potential Risk	Mitigating Actions	
If the Financial Procedure Rules do not include reference to procurement cards and debit cards and clearly set out the responsibilities of officers regarding such cards, there is a risk that accountability for the key control measures required to manage them is unclear.	We suggest that reference to procurement cards and debit cards is made within the Financial Procedure Rules. This should include setting out the responsibilities of Executive Directors and Chief Officers and reference to the relevant policy.	
If the policy covering procurement cards and debit cards is not clear and comprehensive, there is a risk of uncertainty, which may lead to incorrect card usage and potential financial loss and, since transactions are published, reputational damage to the Council.	We suggest that a standalone policy covering procurement cards and debit cards is produced. The terminology used within this policy should be clear and consistent. Consideration should be given to the aspects listed above when developing this policy.	
If expenditure data is not published in line with the Local Government Transparency Code 2015 there is a risk that the Council is not complying with transparency best practise, which may lead to reputational damage.	We suggest that procedures are amended to ensure that data on debit card expenditure is published on the Council's website, alongside procurement card expenditure.	
If the total monthly credit limit across all cards exceeds the maximum limit set in the Credit/Debit Card Security Policy and Procedure, there is a risk that the Council is exposed to a greater level of financial risk than it is prepared to accept, which may result in financial loss to the Council.	We suggest that the Credit/Debit Card Security Policy and Procedure is reviewed to ensure that the maximum credit limit across all cards remains appropriate.	
If sequential transactions are used to circumvent individual transaction limits, there is a risk that unauthorised expenditure is being incurred, which may result in reduced value for money or reduced accountability.	<p>We suggest that cardholders are reminded that splitting a single purchase over more than one transaction, to avoid exceeding their single transaction limit, is specifically prohibited under the Procurement Card Guidelines and Responsibilities.</p> <p>Alongside this, the single transaction limits set for cards should be reviewed to ensure they remain appropriate.</p> <p>We further suggest that the Council may wish to consider removing cards from officers who have made transactions which are clearly in contravention of the Procurement Card Guidelines and Responsibilities and/or taking disciplinary action accordingly.</p>	

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If transactions involving cash are taking place, there is a risk that cash could be lost or misappropriated, leading to financial loss to the Council.	We suggest that alternatives to the physical topping up of gas and electricity meters by procurement card or debit card are explored, for example use of a void energy management service. This would improve the audit trail and cash controls, together with releasing officer time.
If the debit card is surplus to requirements, the Council is unnecessarily open to the risk of cash withdrawals and subsequent loss or misappropriation of cash, leading to financial loss to the Council.	We suggest that Accountancy establishes whether there is an operational requirement for the debit card currently in issue. The card should be cancelled if it is no longer required.
If the Accountants Procurement Card Process does not include all the checks required on the monthly reconciliations and queries on transactions are not consistently recorded, there is a risk that the Council is unable to demonstrate robust checking of transactions taking place. Since procurement card transactions are published on the Council's website this could lead to challenge over the validity of transactions and reputational damage.	We suggest that the Accountants Procurement Card Process should be updated to reflect that validity checks are taking place. Where Accountancy have challenged the validity of a transaction, we suggest that the monthly reconciliation is annotated accordingly and any related emails are stored with the reconciliation documents on the shared S drive, to ensure an audit trail is retained.
If cardholders are making purchases not in adherence with the Credit/Debit Card Security Policy and Procedure or Procurement Card Guidelines and Responsibilities, there is a risk of financial loss to the Council and of reputational damage, since procurement card transactions are published on the Council's website.	<p>We suggest that a reminder of valid card usage is sent by Accountancy to all cardholders. This could include a copy of the Debit/Credit Card Policy and Procurement Card Guidelines and Procedures together with anonymised examples of improper practise. Cardholders could also be required to read and sign the Procurement Card Guidelines and Responsibilities annually.</p> <p>Consideration could also be given to restricting cardholder expenditure to specific merchant category codes.</p> <p>We further suggest that the Council may wish to consider removing cards from officers who have made transactions clearly in contravention of the Procurement Card Guidelines and Responsibilities and/or taking disciplinary action accordingly.</p>
If cardholders are making purchases for items which would normally be claimed back under the Expenses Policy, there is a risk that this bypasses the usual expenses approval process, which could lead to reduced value for money or reduced accountability.	We suggest that the Procurement Card Guidelines and Procedures should be revised to include a statement that procurement cards are not to be used as an alternative to claiming back expenses under the Expenses Policy.
If purchases are being made by card when there is an existing procurement route available, there is a risk that the Council will be in breach of procurement legislation and its own internal procurement rules and regulations, which may lead to reduced value for money or reduced accountability.	We suggest that when cards are issued, cardholders are provided with a copy of the contract register and supplier list to ensure they are aware of existing procurement routes which may be utilised. Cardholders should also be reminded of the existence of the corporate Amazon account.
If there is no central record of officers utilising cards, and all card users are not aware of the Credit/Debit Card Security Policy and Procedure or the Procurement Card Guidelines and Responsibilities, there is a risk that cards cannot be effectively controlled and officers may not be aware of their responsibilities while using cards. This could lead to incorrect use or handling of cards, resulting in reduced value for money or reduced accountability.	We suggest that, where cardholders allow use of their procurement card by other officers, this is documented on a central register and all card users are asked to read and agree to the Credit/Debit Card Security Policy and Procedure and the Procurement Card Guidelines and Responsibilities to ensure they are clear on their responsibilities for using and securing the card while in their possession.
If a full audit trail is not maintained for payments made by card, there is a risk that purchases may not be in line with the Credit/Debit Card Security Policy and Procedure and the Procurement	We suggest that departments are asked to submit a Barclaycard Payment Request Form to Accountancy in support of each transaction made. This would act two-fold to ensure that:

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Card Guidelines and Responsibilities. This could lead to reduced value for money or reduced accountability.	<div>1. Full consideration is given by the card user as to whether this is the most appropriate method of procurement.</div> <div>2. Accountancy can take an informed view over the validity of the transaction and offer appropriate advice where necessary.</div> <div>Guidance and procedure documents should be updated to ensure this requirement is clear.</div>
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RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open			
			Action Due	Delayed Action Due	Delayed Future Action	Future Action
19-Aug-24	Trade Waste 2023-24	Reasonable				2
14-Aug-24	Planning & Building Control Fees 2023-24	Substantial				1
05-Aug-24	Leisure Centre Management - Tender 2023-24	Reasonable				5
10-Apr-24	Housing Repairs (Planned & Responsive Maintenance)	Reasonable			1	2
14-Dec-23	Rent Accounting 2023-24	Reasonable	1			
25-Mar-24	Bank House-Sabines Yard Project	Limited				6
21-Mar-24	Community Safety Enforcement 2023-24	Substantial			1	
07-Jun-24	Visitor Centre	Reasonable				3
09-Feb-24	IT Key Controls 2023-24	Reasonable		1	1	
17-Aug-23	Street Cleansing 2022-23	Substantial			1	2
23-Aug-23	Procurement 2022-23	Limited			1	
02-Aug-23	Organisational Culture & Ethics 2022-23	Reasonable			1	
18-Aug-23	Revenue Systems 2022-23	Substantial			1	
22-Nov-23	Land Charges 2022-23	Reasonable			1	2
22-Nov-23	Development Management 2022-23	Substantial		1	2	
14-Aug-23	Parks & Open Spaces 2022-23	Reasonable			1	
31-Oct-22	Rosliston Forestry Centre 2022-23	Reasonable		1		
24-Oct-22	Officers Expenses & Allowances 2022-23	Reasonable			2	
02-Aug-22	Income Streams	Reasonable			1	
22-Aug-22	Homelessness 2021-22	Substantial			1	
10-Mar-22	Rent Accounting 2021-22	Reasonable			3	
15-Sep-21	Insurance	Substantial				1
08-Mar-23	Electoral Services 2020-21	Reasonable		1		
06-Aug-20	Bereavement Services 2019-20	Reasonable			1	
22-Oct-20	Grounds Maintenance 2019-20	Reasonable			1	
		TOTALS	1	4	20	24

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

Delayed Action Due = The original action date has now passed and Internal Audit has obtained status update comments from the responsible officer and a revised action date. This revised action date has now passed, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

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Delayed Future Action = The original action date has now passed and Internal Audit has obtained status update comments from the responsible officer and a revised action date which is in the future.

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

Audit Assignments with Recommendations Due	Action Due				Delayed Action Due				Delayed Future Action			
	Critical Risk	Significant Risk	Moderate Risk	Low Risk	Critical Risk	Significant Risk	Moderate Risk	Low Risk	Critical Risk	Significant Risk	Moderate Risk	Low Risk
Housing Repairs (Planned & Responsive Maintenance) 2023-24												1
Rent Accounting 2023-24			1									
Community Safety Enforcement 2023-24												1
IT Key Controls 2023-24								1				1
Street Cleansing 2022-23												1
Procurement 2022-23										1		
Organisational Culture & Ethics 2022-23												1
Revenue Systems 2022-23												1
Land Charges 2022-23											1	
Development Management 2022-23								1				2
Parks & Open Spaces 2022-23												1
Rosliston Forestry Centre 2022-23								1				
Officers Expenses & Allowances 2022-23											1	1
Income Streams												1
Homelessness 2021-22												1
Rent Accounting 2021-22											1	2
Electoral Services 2020-21							1					
Bereavement Services 2019-20											1	
Grounds Maintenance 2019-20												1
TOTALS			1				1	3		1	4	15

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HIGHLIGHTED RECOMMENDATIONS

Critical, Significant or Moderate Risk Recommendations Past Original Action Date

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

Job Name	Procurement 2022-23	Original Action Date	01/03/2024
Risk Rating	Significant Risk	Revised Action Date	01/10/2024
Recommendation Number	4	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
It could not be demonstrated that the contract with the Procurement Service Provider provided an effective procurement function, which sought genuine competition.	We recommend that the contract is evaluated by management and compared with other options available for service delivery. The most effective procurement function for the Council should be selected, that not only ensures compliance with relevant laws and regulations but saves the authority both time and money in the long term, through seeking genuine competition from procurement activities. Any decision taken should be clearly documented and follow the correct governance process, as per the Council's Constitution.	The current contractual arrangements ended on 31/03/2023 and a 12-month extension was agreed by the previous Strategic Director (Corporate Resources) to 31/03/2024. Alongside the need to undertake a competitive process to ensure the future procurement solution represents value for money, a review of the organisational requirements in respect of procurement support will be undertaken.	Due to some issues with the engagement of temporary resource which prevented the implementation of the procurement timetable. As a result, the current contract is extended on a rolling basis to 30 September 2024. Re-procurement is now planned to commence in June, via a formal tender route.

Job Name	Bereavement Services 2019-20	Original Action Date	01/01/2021
Risk Rating	Moderate Risk	Revised Action Date	01/04/2025
Recommendation Number	2	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
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>We recommend that the Council pursues one of the following actions:</p> <ul style="list-style-type: none"> 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. 	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.	Contract provision has been reviewed. Issues with compliance identified. Proposal to create an additional post. Report be taken to E&DS & F&M in November 2024. If approved new role will be advertised and recruited to.

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Job Name	Rent Accounting 2021-22	Original Action Date	31/03/2022
Risk Rating	Moderate Risk	Revised Action Date	31/12/2024
Recommendation Number	7	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
Energy costs paid by the Council for individual properties were not consistently recharged to tenants and there was a large outstanding debt relating to this.	We recommend that the Council writes off outstanding ground source heating debts where there is insufficient legal basis to pursue recovery. Furthermore, for existing tenants, appropriate action should be taken to obtain agreement to future energy cost charges, which should be invoiced as soon as possible to prevent further financial loss to the Council.	<p>Agreed, the Former Tenant Arrears Officer will prepare the documentation for write off where recovery cannot be pursued against former / current tenants for ground source heating charges at Brook Street, Hartshorne. A third-party agent is currently being procured to take meter readings and prepare figures for consumption costs to the responsible tenant for payment. At this point it is the Councils intention for the third-party agent to read meters and invoice tenants, however this may change in so far as Business Support may invoice tenants and collect the payments which are due.</p> <ul style="list-style-type: none"> Once procured, all existing tenants will be required to re-sign a contract indicating their agreement to be responsible for and pay their ground source heating charges to the Council. All new tenants will sign a separate contract/letter when they sign their new Tenancy Agreement indicating their agreement to be responsible for and pay their ground source heating charges. The Former Tenant Arrears Officer and the Tenancy Services Manager will have operational responsibility for implementing this recommendation. 	Outstanding debts have now been written off. Housing Review in place and new Head of Housing to be recruited. Process for heating costs to be recharged monthly at Carnegie House and Brook Street. Meter readings for Carnegie House are now being taken and billed monthly. Service Charge which includes energy costs for those under licence agreement in temporary accommodation. Still issues at Brook Street that the Asset team are working on with Raleigh Instruments. Hoping to resolve 12/02/2024.

Job Name	Land Charges 2022-23	Original Action Date	30/11/2023
Risk Rating	Moderate Risk	Revised Action Date	30/09/2024
Recommendation Number	6	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
There was no current signed agreement in place with Lichfield District Council for the provision of a Land Charges service.	We recommend that the Council determines the preferred option for future provision of the Land Charges service and enters into a formal agreement to reflect this.	The agreement was with the service provider for approval. A recent signed copy has been received for completion.	We have finally managed to set up a meeting with our partner in this matter, that is taking place on 22/08/2024. It is hoped we can progress signature of the agreement after that date.

South Derbyshire District Council – Audit Progress Report

Job Name	Electoral Services 2020-21	Original Action Date	31/03/2023
Risk Rating	Moderate Risk	Revised Action Date	31/03/2024
Recommendation Number	4	Recommendation Status	Delayed Action Due
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
There was no current contract in place for the provision of election printing services.	<p>We recommend that the Council pursues one of the following actions:</p> <ul style="list-style-type: none"> A corporate contract may be required for the area of spend and as such a formal procurement exercise should be undertaken. The area of spend may be relevant to an existing or new framework agreement/contract which should be used to formalise the process. Where a tender exercise would not be beneficial to the Council or where the particular organisation is required for a specific reason, a formal exemption from the Contract Procedure Rules should be sought. 	<p>A tender exercise may not be suitable due to the specialist nature of this contract.</p> <p>A formal exemption under the Contract Procedure Rules will be explored.</p>	This matter is currently with NHS Chesterfield to make a direct award from a framework

Job Name	Officers Expenses & Allowances 2022-23	Original Action Date	31/07/2023
Risk Rating	Moderate Risk	Revised Action Date	31/03/2025
Recommendation Number	2	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Council's expenses policy did not support the Council's Staff Travel Plan, adopted to reduce the environmental impact of the journeys made by Council employees, and the mileage expenses paid were considered to be uneconomic and did not offer efficiency or value for money for the residents in the District.	We recommend that the Council considers the savings that could be made by adopting the HMRCs (or a hybrid) scheme for paying mileages expenses. Pool cars could also be considered to reduce the need for paying lump sums for essential users (electric ones would also contribute to the Council's Staff Travel Plan.)	An options appraisal will be undertaken as part of the Council's recruitment and retention package.	Following on from work at recommendation 1, further work on an options appraisal will form part of the workstreams to be progressed under the People Strategy, which has been rescheduled and is being reported to Finance and Management Committee in September 2024.

South Derbyshire District Council – Audit Progress Report

Job Name	Rent Accounting 2023-24	Original Action Date	31/03/2024
Risk Rating	Moderate Risk	Revised Action Date	
Recommendation Number	2	Recommendation Status	Action Due
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The reconciliation of housing benefits report was not being reviewed and authorised by a senior officer and discrepancies were not being fully explained when identified.	We recommend that discrepancies identified through the housing benefits reconciliation are fully investigated with a reason provided and recorded for the discrepancy. Where possible, action should be taken to prevent future reoccurrence of any issues identified. The reconciliation should then be reviewed and formally authorised by a senior experienced officer. This could be formally recorded on the reconciliation spreadsheet or by exchange of emails between officers to evidence this process.	Procedure to be written. Any discrepancies between Agresso and Orchard are noted and queried with Housing Benefits (Elaine Garnham) by the Business Support Team, ensuring the issue is investigated and a response received from Benefits. If no response received from Benefits. If no response received the issue is to be escalated to a Senior Manager.	

South Derbyshire District Council – Audit Progress Report

Low Risk Recommendations Over 12 Months Past Original Action Date

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.

Job Name	Homelessness 2021-22	Original Action Date	31/12/2022
Risk Rating	Low Risk	Revised Action Date	16/11/2024
Recommendation Number	1	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Homelessness and Rough Sleeping Strategy 2020-2025 had not been formally published on the Council's website in its final version and the current draft did not have a version control log or a record of responsible officers for actions detailed in the action plan.	We recommend that the Homelessness and Rough Sleeper Strategy 2020-25 is updated to include a version control log and that the action plan within is updated to include the responsible officers for each action. The final version should then be made available on the Council's website in accordance with the Homelessness Act 2002.	A version control log will be added to the Strategy. Responsible officers will be assigned to the actions in the action plan further to the start-up of the Homelessness & Rough Sleeper Strategy Working Group. Housing to liaise with the Communications Team around the final version being published on the website.	Consulting with Policy to see if the Strategy can be formatted to a SDDC Policy Document with a Version Control and whether a photograph & signature needs adding to the Leaders Strategy foreword. The responsible officers are already included in internal action plans. Clarifying with Policy whether responsible officers needs to be published. The Strategy will then be uploaded to the SDDC website. The Countywide Strategy is already uploaded to the SDDC website.

Job Name	Officers Expenses & Allowances 2022-23	Original Action Date	01/04/2023
Risk Rating	Low Risk	Revised Action Date	31/10/2024
Recommendation Number	1	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Expenses Policy was considered to be out-of-date, and no longer provided a comprehensive guide for claiming expenses.	We recommend that the Expenses Policy should be reviewed and updated, to ensure it includes: <ul style="list-style-type: none"> The Councils policy on using environmentally friendly modes of transports. Guidance for claiming expenses for staff using electric vehicles. Clarification of where to find mileage rates payable. Payment of expenses to volunteer staff. Also, the Pay Policy Statement should clearly define what mileage rates are payable for employees using electric vehicles.	Policy to be reviewed as recommended.	The Expenses Policy has been reviewed to consider introducing allowances different modes of transport using HMRC rates. This is subject to consideration by Leadership Team.

South Derbyshire District Council – Audit Progress Report

Job Name	Rent Accounting 2021-22	Original Action Date	31/03/2023
Risk Rating	Low Risk	Revised Action Date	31/12/2024
Recommendation Number	3	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Council did not have a Rent Setting Policy in place.	We recommend that a Rent Setting Policy is established to ensure that rent is set with due consideration to the relevant legislation.	A rent policy will be compiled and reviewed in line with the Rent Standard 2020. Consultation and Member input will be required therefore a longer time frame to implement. The Head of Housing and the Head of Finance will be responsible for implementing this recommendation.	External expert being sought to assist with the preparation of a Rent Setting Policy.

Job Name	Rent Accounting 2021-22	Original Action Date	31/03/2023
Risk Rating	Low Risk	Revised Action Date	31/12/2024
Recommendation Number	5	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Council did not have a Service Charges Policy in place.	We recommend that a Service Charges Policy is established. In producing this policy, careful consideration should be given to the equitability of the approach, and how it might best align with the financial risks facing the Council.	A service charge policy will be compiled and reviewed in line with the Rent Standard 2020. Consultation and Member input will be required therefore a longer time frame to implement. The Head of Housing and the Head of Finance will be responsible for implementing this recommendation.	Initial review of possible items that are eligible for service charges complete. Further legal advice required as to the nature of any policy around service charges.

Job Name	Rosliston Forestry Centre 2022-23	Original Action Date	01/04/2023
Risk Rating	Low Risk	Revised Action Date	30/06/2024
Recommendation Number	3	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The lodge booking system was not intuitive, did not make costs clear and relied on manual intervention to collect payment.	We recommend that alternative booking systems are explored and considered by management to provide a better booking experience for the customer. Ideally, any such system should clearly identify the availability of lodges by date and should secure payment at the point of booking. Alternatively, the use of third-party sites to manage bookings on the Council's behalf should also be considered and evaluated in a cost-benefit analysis.	The Council are looking at new booking systems.	A new lease has been agreed with Forestry England for 30 years. A 'Revitalising Rosliston' consultation has started which will help create the future vision for the site and identify where investment is best placed.

South Derbyshire District Council – Audit Progress Report

Job Name	Grounds Maintenance 2019-20	Original Action Date	01/10/2021
Risk Rating	Low Risk	Revised Action Date	31/10/2025
Recommendation Number	2	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The specification and associated bills of quantities were out-of-date, having not been updated since 2011.	We recommend that resources should be identified to review and update the specification and associated bills of quantity to reflect the current situation, to ensure better clarity over the areas covered within the 'contract' and the detailed requirements.	Previous detailed specification to be reviewed for Housing land and Cultural and Community Service land. Timing will depend on when restructures are in place. Officers with operational responsibility are the Parks and Green Space Manager and the Housing Improvement and Asset Manager.	Permission has been granted by Council for the procurement of a grounds maintenance management IT system. This system will form part of a broader digitisation program for Operational Services with the introduction of a waste collection and trade waste IT systems during 24/25 and the street cleansing and grounds maintenance IT systems commencing from April 2025. The bills of quantities information/data that was available already was transferred to the Operational Services GIS system during 2023. For the commissioning of the new IT system, the grounds paper-based processes will be migrated into a digitised system. This will create a revised specification, schedule of frequencies and bills of quantities for the grounds service, work will begin on the transfer to a digitised systems during the end of 2024.

Job Name	Income Streams	Original Action Date	28/02/2023
Risk Rating	Low Risk	Revised Action Date	16/11/2024
Recommendation Number	3	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
There had been no use of the guest bedrooms located at the Council's supported housing sites for several years, but the charge continued to remain within the approved Fees and Charges schedule.	We recommend that management consider a review of the use of the guest bedrooms located at the Council's supported housing sites in order to determine whether these facilities can be put to an alternative use which can be of some benefit to the residents and the Council.	Review of the use of the rooms to consider alternative use.	Consulting with Finance to see if the guest bedroom charge can be removed from the Housing Fees & Charges for 25/26 as it is no longer utilised. Future usage will be considered post stock condition survey.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	04 SEPTEMBER 2024	CATEGORY:
REPORT FROM:	TRACY BINGHAM, EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION	OPEN
MEMBERS' CONTACT POINT:	HAYLEY CLARK HClark3@uk.ey.com	DOC:
SUBJECT:	AUDIT PROGRESS UPDATE 2021-22 AND 2022-23	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS01

1.0 Recommendations

- 1.1 That the Committee receive an update from the External Auditor as to the progress on the audit of the accounts for 2021/22 and 2022/23.

2.0 Purpose of the Report

- 1.2 To update the Committee on the progress on the audit of the accounts for 2021/22 and 2022/23.

3.0 Introduction

- 3.1 Ernst and Young LLP are the council's appointed auditors for 2021/22 and 2022/23.
- 3.2 Hayley Clark, Partner, will be present at the meeting to present the report.

4.0 Financial Implications

- 4.1 The scale fees paid Forvis Mazars LLP are prescribed by the PSAA (Public Sector Audit Appointments) and are included in the Council's budget.

5.0 Corporate Implications

Employment Implications

- 5.1 There are no employment implications arising because of this report.

Legal Implications

- 5.2 There are no legal implications arising because of this report.

Corporate Plan Implications

- 5.3 There are no direct implications, however effective governance, risk management and control arrangements ensure the achievement of the Council Plan.

Risk Impact

- 5.4 Effective governance, risk management and control arrangements rely heavily on the assurances of an independent external auditor.

7.0 Community Impact

Consultation

- 7.1 There are no consultation matters to be considered.

Equality and Diversity Impact

- 7.2 There are no equality and diversity impact matters to be considered.

Social Value Impact

- 7.3 There are no social value impact matters to be considered.

Environmental Sustainability

- 7.4 There are no environmental sustainability matters to be considered.

8.0 Background papers

- 8.1 None.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	04 SEPTEMBER 2024	CATEGORY: 7
REPORT FROM:	TRACY BINGHAM, EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION	OPEN
MEMBERS' CONTACT POINT:	MARK SURRIDGE, Mark.Surridge@mazars.co.uk	DOC:
SUBJECT:	INDICATIVE EXTERNAL AUDIT PLAN 2023-24	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS01

1.0 Recommendations

- 1.1 That the Committee note the indicative External Audit Plan as set out in Appendix A.

2.0 Purpose of the Report

- 2.1 The accompanying report has been issued by the Council's auditors for 2023/24 and beyond, Forvis Mazars LLP.

3.0 Introduction

- 3.1 Forvis Mazars LLP are the council's appointed auditors from 2023/24.
- 3.2 Mark Surridge, Partner, will be present at the meeting to present the report.

4.0 Financial Implications

- 4.1 The scale fees paid Forvis Mazars LLP are prescribed by the PSAA (Public Sector Audit Appointments) and are included in the Council's budget.

5.0 Corporate Implications

Employment Implications

- 5.1 There are no employment implications arising because of this report.

Legal Implications

- 5.2 There are no legal implications arising because of this report.

Corporate Plan Implications

- 5.3 There are no direct implications, however effective governance, risk management and control arrangements ensure the achievement of the Council Plan.

Risk Impact

- 5.4 Effective governance, risk management and control arrangements rely heavily on the assurances of an independent external auditor.

7.0 Community Impact

Consultation

- 7.1 There are no consultation matters to be considered.

Equality and Diversity Impact

- 7.2 There are no equality and diversity impact matters to be considered.

Social Value Impact

- 7.3 There are no social value impact matters to be considered.

Environmental Sustainability

- 7.4 There are no environmental sustainability matters to be considered.

8.0 Background papers

- 8.1 None.



Indicative External Audit Plan **South Derbyshire District Council – Year ending 31 March 2024**

August 2024

forv/s
mazars

Contents

- 01 Engagement and responsibilities summary
- 02 Your audit engagement team
- 03 Audit scope, approach and timeline
- 04 Emerging areas of focus for the audit
- 05 Value for money arrangements

This document is to be regarded as confidential to South Derbyshire District Council. It has been prepared for the sole use of Audit-Sub Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Engagement and responsibilities summary

01

Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of South Derbyshire District Council (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of preparing our Indicative External Audit Plan, there are a series of active consultations in place that could impact upon both the Council's financial statements and the work we are required to undertake, these include;

- Changes to the Code of Audit Practice (<https://www.nao.org.uk/code-of-audit-practice-consultation/>)
- Ministry of Housing, Communities and Local Government approach to audit delays (<https://www.gov.uk/government/news/significant-measures-to-tackle-worsening-backlog-in-local-audit>)

We will refine our audit approach as the outcome of these consultations become clearer and provide further information to the Sub Committee in due course.

Engagement and responsibilities summary

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Audit-Sub Committee, as Those Charged With Governance, of their responsibilities.

The Strategic Director (Corporate Resources) is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Strategic Director's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management [include Internal audit, other key individuals where relevant] as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Derbyshire District Council's internal control.

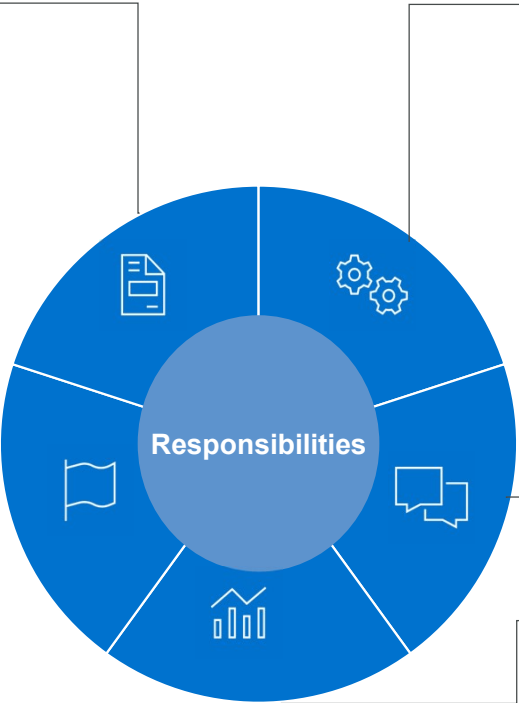
Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Your audit engagement team

02

Your audit team

Mark Surridge
Partner

Mark.Surridge@Mazars.co.uk

Ellie West
Manager

Ellie.West@Mazars.co.uk

Emily Reynolds
Assistant Manager

Emily.Reynolds@Mazars.co.uk



Audit scope, approach, and timeline

03

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

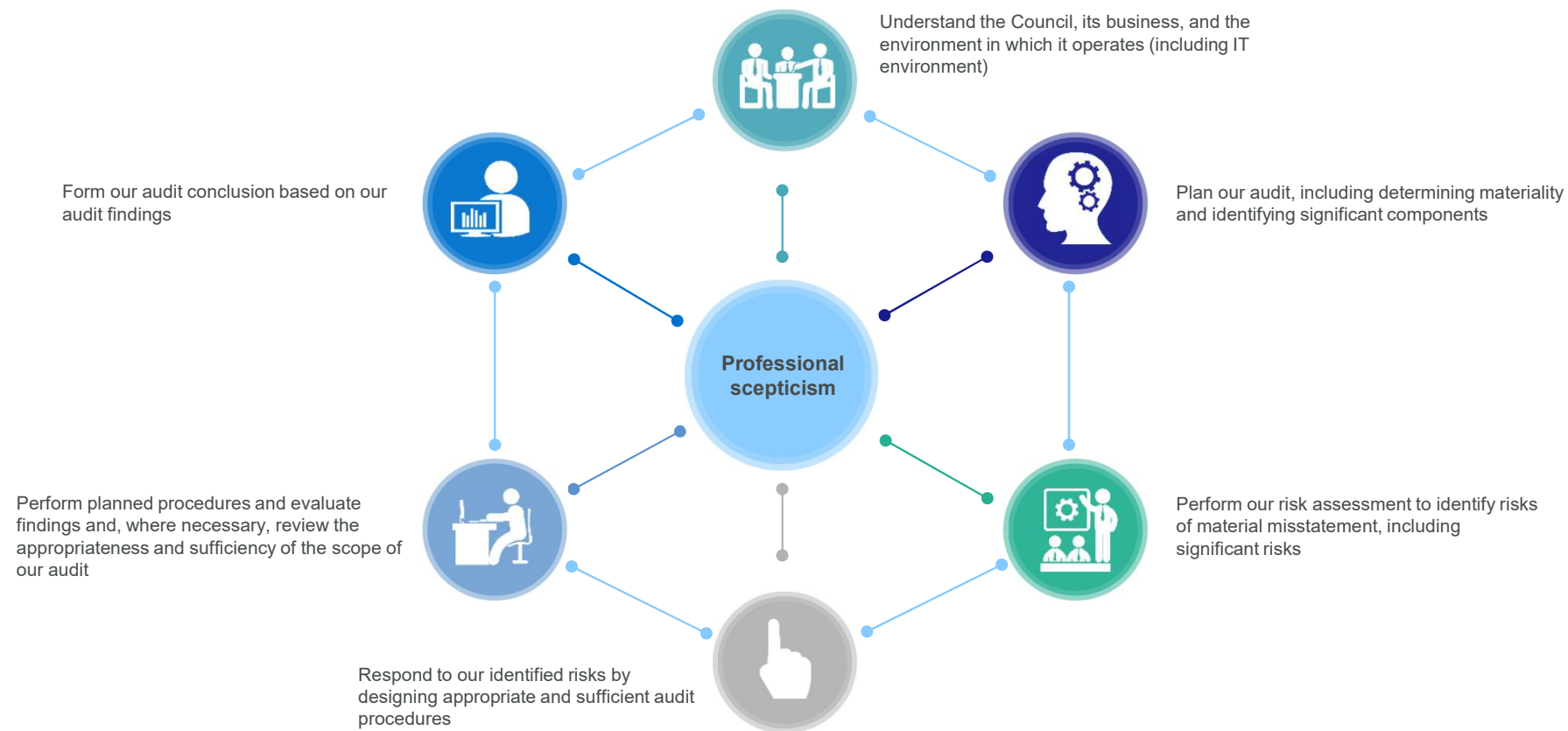
If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

Audit scope, approach, and timeline

Risk-based approach



Audit scope, approach, and timeline

Audit timeline



Emerging areas of focus for the audit

04

Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

Based on the work performed to date, these are the emerging areas of audit focus. Note an audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit-Sub Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	●	●	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of the Net Defined Benefit Pension Asset/Liability</p> <p>Fair value of scheme liabilities £97.6m (2022/23 £97.4m) Fair value of scheme assets £105.7m (2022/23 £97.8m)</p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	●	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> • Obtaining and understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary; • Obtaining confirmation from the auditors of Derbyshire Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • Evaluating and challenging the work performed by the Derbyshire Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets; • Reviewing the actuarial allocation of Pension Fund assets to the Council including comparing the Council's share of the assets to other corroborative information; • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges and utilising information by the consulting actuary engaged by the National Audit Office. • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; and • Reviewing and challenging the Council's assessment, under the requirements of IFRIC14, of its Pension surplus and confirming that the accounting treatment is appropriate and reasonable

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of Land & Buildings, Council Dwellings and Investment Property.</p> <p>Council Dwellings £148.2m (2022/23 £147.8m) Land & Buildings £21.5m (2022/23 £19.2m) Investment Property £6.6m (2022/23 £6.0m)</p> <p>Land and buildings assets are a significant balance on the Council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	●	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> critically assessing the scope of work, qualifications, objectivity and independence of the Council's valuer to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; testing a sample of valuations carried out in the year to confirm they have been carried out on the correct basis and that the underlying judgements are based on relevant inputs and are reasonable; assessing whether valuation movements are in line with market expectations by considering valuation trends; and critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2023/24 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers.

Significant risks and other key judgement areas

Other areas of focus

Description	Planned response
<p>Opening balances</p> <p>There is currently a backlog in publication of audited accounts in local bodies in England. This has been deemed unacceptable by the Government who have proposed a 'reset' to the system in order to clear the backlog.</p> <p>A statement was made by the Minister of State for Local Government and English Devolution on 30 July 2024 which proposes putting a date in law (the "backstop" date) by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23. This date has been stipulated as December 2024.</p>	<p>The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. If this were to occur on the Council's accounts then Forvis Mazars will be unable to rely on balances brought forwards and further work would be required to gain assurance over the balances.</p> <p>As the date for 2023/24 financial statements to be finalised or 'back-stopped' has been brought forward to February 2024, there is less time available for us to gain the assurance required over those unaudited years.</p> <p>Once final guidance is published, we will consider the impact on our audit approach, agree the approach with Officers and update Members.</p>

MSC

Slide 16

MSO

Can you check the highlighted bit please

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Value for money arrangements

05

Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Our risk assessment is ongoing and will be updated as and when the work on 2022/23 and earlier years is completed.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include: <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions with officers and Members.
Additional risk-based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Contact

Forvis Mazars

Mark Surridge

Partner

Tel: +44 (0)121 232 9600

Mark.Surridge@mazars.com

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REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	04 SEPTEMBER 2024	CATEGORY
REPORT FROM:	EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION	OPEN
MEMBERS’ CONTACT POINT:	TRACY BINGHAM tracy.bingham@southderbyshire.gov.uk	DOC:
SUBJECT:	PROGRESS OF ACTIONS IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT 2023- 24	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS04

1.0 Recommendations

- 1.1 That the Audit Sub-Committee note the report.

2.0 Purpose of the Report

- 2.1 The Terms of Reference for the Audit Sub-Committee include the consideration of the Council’s arrangements for corporate governance and to agree any necessary actions to ensure compliance with best practice.
- 2.2 This report is intended to update the Audit Sub-Committee on the progress of improvement actions identified through the annual assurance review undertaken in the drafting of the Annual Governance Statement (AGS) for 2023/24, pending final approval of the AGS once the audit for 2023/24 is complete.

3.0 Detail

Background

- 3.1 An AGS is a requisite part of the annual review of corporate governance and is published alongside the statement of accounts but considered in its own right.
- 3.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issue joint annual guidance on corporate governance, which encourages Local Authorities in going beyond consideration of the internal control environment to look at wider arrangements for supporting sound corporate governance.
- 3.3 The CIPFA/SOLACE guidance outlines seven core principles for good governance, with a number of supporting principles. These seven principles are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - D. Determining the interventions necessary to optimise the
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it achievement of the intended outcomes
 - F. Managing risks and performance through robust internal control and strong public financial management
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 1.4 The Council's duty in respect of the Annual Governance Statement is to undertake an annual review of its governance arrangements, which includes the effectiveness of its system of internal control and produce a statement regarding its overall level of governance.

The Council's Annual Governance Statement for 2023/24

- 3.4 The AGS was shared with the Committee to note at its meeting in June 2024, following publication on the Council's website on 31 May 2024 alongside the draft accounts (see background papers listed below).
- 3.5 Once the audit of the 2023/24 year is complete, the Committee will be asked to approve the final AGS. The timescales for this remain to be confirmed, as the conclusion of the 2023/24 audit by external auditors Forvis Mazars LLP is dependent upon the timetable for completion of the audit backlog for 2021/22 and 2022/23 which will be carried out by EY LLP.
- 3.6 As reported to the Audit Sub-Committee in June 2024, three areas of the Council's corporate governance arrangements in respect of complying with relevant laws and regulations and internal policies and procedures were identified as not meeting an acceptable level during 2023/24 and requiring significant improvement. Along with several other areas identified to be require improvement, these actions are being progressed by the Leadership Team.

Areas of improvement identified, and progress made to date

- 3.7 In total, there are 23 improvements recognised in the AGS. Of these, four are complete. Target dates for completion/conclusion have been set by the relevant Executive Director/Chief Executive.
- 3.8 A progress update against each action is set out in **Appendix A**.
- 3.9 Members can expect a further update at the Audit Sub-Committee meeting in March 2025.

4.0 Financial Implications

- 4.1 There are no financial implications arising directly from this report.

5.0 Corporate Implications

Employment Implications

5.1 There are no employment implications arising directly from this report.

Legal Implications

5.2 Strong and effective governance arrangements promote lawful decision making. The AGS improvements, as detailed in this Report, improve and strengthen the governance and decision-making processes.

Council Plan Implications

5.3 Good corporate governance affects the whole authority and as part of the process, all members of senior management have been consulted and made aware of its contents. Generally, senior managers are briefed at corporate meetings in respect of governance generally, together with the AGS.

5.4 Maintaining good governance underpins delivery of the priorities contained in the Council Plan.

Risk Impact

5.3 Effective governance, risk management and control arrangements rely heavily on the Council's internal governance framework, as set out in the AGS.

6.0 Community Impact

Consultation

6.1 There are no consultation matters to be considered.

Equality and Diversity Impact

6.2 There are no equality and diversity impact matters to be considered.

Social Value Impact

6.3 There are no social value impact matters to be considered.

Environmental Sustainability

6.4 There are no environmental sustainability matters to be considered.

7.0 Background papers

7.1 [Draft Annual Governance Statement 2023-24, Audit Cub-Committee, 19 June 2024](#)

Annual Governance Statement 2023-2024 – Areas for Improvement

CIPFA/SOLACE - Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Ref & Improvement	Owner	Target Completion	Status Update August 2024
AGS24-1 Embed new Council Values into and enhance the Council's employee performance management framework (1/1, PDR)	E/D – Law and People	April 2025	A review of the employee performance management (PDR) framework has been completed to reflect the new Council values. These are being used in the current round of PDRs that are due to be completed by the end of August 2024. 1/1 template has been developed and enhanced. Communication Plan to be developed to raise awareness of the new Council Values by the end of April 2025.
AGS24-2 Develop Behaviours and Skills Framework and integrate into employee cycle as part of People Strategy	E/D – Law and People	April 2026	This is to be progressed under the People Strategy, subject to approval.
AGS24-3 Implement actions to meet compliance with the Housing Consumer Standards and findings of internal Housing Services review.	E/D – Place and Prosperity	1 April 2025	Works underway to meet compliance with the Housing Consumer Standards. Compliance tracker has been populated and the team meet weekly to review. This has been shared with the Regulator for Social Housing. Housing Service review still in progress.
AGS24-4 Implement actions to address non-compliant spend on temporary staffing, including any further fundings of the internal or external auditor on this matter.	E/D – Resources and Transformation	December 2024	Action plan partially complete. Strategy for exit of non-compliant arrangements that were still in play May 2024 has been developed and in the process of being implemented. Measures to ensure compliance on an interim basis taken to ensure service continuity for Operation Services. All other actions complete, except for refresher training session for Heads of Service and other procuring officers, this will be taken forward before the end of the calendar year.
AGS24-5 Implement findings of Planning review.	E/D – Place and Prosperity	March 2025	Findings of review presented to Environmental and Develop Services and awaiting sign off of additional financial resources by Finance and Management Committee which is due September 2024.
AGS24-6 Develop internal process for dealing with governance failures.	E/D – Resources and Transformation	December 2024	Internal process developed which will now be documented and shared with Internal and External Audit for comment.
AGS24-7 Complete review of DPO resource and implement outcome	E/D – Resources and Transformation	October 2024	Review underway with outcome of review scheduled on the Finance and Management Committee Work Programme for October 2024.

CIPFA/SOLACE Principle B. Ensuring openness and comprehensive stakeholder engagement			
Ref & Improvement	Owner	Target Completion	Status Update August 2024
AGS24-8 Develop and implement Communications and Engagement Strategy	E/D – Law and People	April 2025	This is to be progressed from September 2024 when additional resources are available in the Team.
AGS24-9 Develop organisational approach to customer satisfaction surveys	E/D – Resources and Transformation	March 2025	This work will commence in the next quarter.
CIPFA/SOLACE Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits.			
Ref & Improvement	Owner	Target Completion	Status Update August 2024
AGS24-10 Fully implement new performance management framework.	E/D – Resources and Transformation	Complete	The Performance Management Framework was approved by Finance and Management Committee on the 20 June 2024.
AGS24-11 Fully implement new risk management framework.	E/D – Resources and Transformation	Complete	The Risk Management Framework was approved by the Finance and Management Committee following consultation with the Audit Sub Committee in June 2024 The Council's risk appetite is under development and is due to be finalised and included in the revised Framework, following agreement with the Chair of the Finance and Management Committee under delegations, by the end of Quarter 3.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

Ref & Improvement	Owner	Target Completion	Status Update August 2024
AGS24-12 Implement new approach to tenant engagement in Housing as part of Housing Service Working Group action plan	E/D – Place and Prosperity	1 April 2025	Ongoing. Additional Community Engagement Officer post agreed and being recruited too. Tenants’ Voice Group have restarted and will be chaired by the Head of Housing.
AGS24-13 Review of Constitution	E/D – Law and People	30 April 2025	The brief to instruct a consultant to review part of the Constitution is ready to be issued. Heads of Service have been asked to review the Scheme of Delegation. The Planning Code of Good Practice is ready for Member Consultation. The Procurement Officer is reviewing the Contract Procedure Rules. Independent members are being sought for the IRP.
AGS24-14 Review corporate information management systems and develop and commence implementation of modernisation / digitisation action plan	E/D – Resources and Transformation	March 2025	This work commenced in part with the launch of the Customer and Digital roadmap and a new council-wide systems group. Further scoping is due to commence in the next quarter.

CIPFA/SOLACE Principle E – Developing the entity’s capacity including the capability of its leadership and the individuals within it

Ref & Improvement	Owner	Target Completion	Status Update August 2024
AGS24-15 Develop organisational requirements for benchmarking of services.	E/D – Resources and Transformation	March 2025	The collation of benchmarking information has been incorporated into the Council Plan 2024-2028, performance management templates, including the Performance Dashboard and performance exception report. Where benchmarking information is available, the information is shared with the Leadership Team and Members on a quarterly basis. Further work is required to scope parameters for organisation in making consistent and effective use of benchmarking data.
AGS24-16 Develop People Strategy	E/D – Law and People	October 2024	The People Strategy has been drafted and will now be subject to consultation with leadership team and the trade unions before being presented to Finance and Management Committee in October for approval.

AGS24-17 Define scope and timetable for future Corporate Peer Challenge	Chief Executive	December 2024	Work to define scope underway, with review of progress against previous CPC recommendations undertaken. Dialogue with the LGA has commenced with regards to forthcoming CPC, and timetable and scope expected to be agreed by end of Q3.
AGS24-18 Review Council benefits package and need for Employee Assistance Programme as part of People Strategy	E/D – Law and People	April 2026	This is to be progressed under the People Strategy, subject to approval.
CIPFA/SOLACE Principle F – Managing risks and performance through robust internal control and strong public management			
Ref & Improvement	Owner	Target Completion	Status Update August 2024
AGS24-19 Internally publish service business continuity plans.	E/D – Environment and Communities	March 2025	A Derbyshire wide template is being developed by DCC to be agreed for use by service areas within South Derbyshire. This is to be shared with HoS in the Autumn to be completed and implemented by the end of March 2025.
AGS24-20 Develop enhanced Overview and Scrutiny Committee Work Programme	E/D – Resources and Transformation	Complete	A new approach to developing the Overview and Scrutiny Committee Work Programme was implemented ahead of developing the 2024/25 Work Programme. The new approach has provided an enhanced level of information surrounding scrutiny requests, which enabled elected members to debate and discuss the objectives and timing of forthcoming reports.
AGS24-21 Present findings of Audit Sub-Committee CIPFA self-assessment exercise	E/D – Resources and Transformation	Complete	The findings of the Audit Sub-Committee CIPFA self-assessment exercise were presented to the Audit Sub-Committee and Finance and Management Committee in June 2024. As part of these reports, an action plan was approved which is now in the process of being implemented, with some areas of the review being fed into a wider Governance Review being led by the Executive Director – Law and People.
AGS24-22 Implement all actions to fully comply with CIPFA Financial Management Code	E/D – Resources and Transformation	September 2025	Action plan developed following assessment of the Council's compliance with the Finance Management Code and identification of some areas where arrangements are to be enhanced.
AGS24-23 Review finance team	E/D – Resources and Transformation	December 2024	Review of team underway. Anticipated report to Finance and Management Committee October 2024.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	04 SEPTEMBER 2024	CATEGORY: DELEGATED
REPORT FROM:	EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION	OPEN
MEMBERS' CONTACT POINT:	TRACY BINGHAM (01283 595811) tracy.bingham@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 2024/25

Work Programme Area	Date of Committee Meeting	Contact Officer (Contact details)
Internal Audit Annual Report 2023-24	19 June 2024	Adrian.manifold@centralmidlandsaudit.co.uk
Internal Audit Progress Report 2024/25	19 June 2024	Adrian.manifold@centralmidlandsaudit.co.uk
Annual Governance Statement 2023/24	19 June 2024	Tracy Bingham Executive Director – Resources and Transformation Tracy.bingham@southderbyshire.gov.uk
Audit Sub-Committee Self-Assessment against CIPFA Guidance	19 June 2024	Charlotte Jackson Head of Finance and Performance Charlotte.jackson@southderbyshire.gov.uk
Risk Management Framework	19 June 2024	Clare Booth Clare.booth@southderbyshire.gov.uk
External Audit Progress Report 2021/22 and 2022/23	19 June 2024	Hayley Clark, Audit Partner EY LLP HClark3@uk.ey.com
Internal Audit Progress Report 2024-25	04 September 2024	Adrian.manifold@centralmidlandsaudit.co.uk
External Audit Progress Report 2021/22 and 2022/23 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	04 September 2024	Hayley Clark, Audit Partner EY LLP HClark3@uk.ey.com
Progress of actions identified in the Annual Governance Statement 2023/24	04 September 2024	Tracy Bingham Executive Director – Resources and Transformation Tracy.bingham@southderbyshire.gov.uk

External Audit Plan 2023/24 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	16 October 2024	Mark Surridge, Partner, Mazars LLP mark.surridge@mazars.co.uk
Internal Audit Progress Report 2024-25	04 December 2024	Adrian.manifold@centralmidlandsaudit.co.uk
External Audit Progress Report 2023/24 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	04 December 2024	Mark Surridge, Partner, Mazars LLP mark.surridge@mazars.co.uk
Accounting Policies and Materiality 2024/25	05 March 2025	Charlotte Jackson Head of Finance and Performance Charlotte.jackson@southderbyshire.gov.uk
Progress of actions identified in the Annual Governance Statement 2023/24	05 March 2025	Tracy Bingham Executive Director – Resources and Transformation Tracy.bingham@southderbyshire.gov.uk
External Audit Progress Report 2023/24 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	05 March 2025	Mark Surridge, Partner, Mazars LLP mark.surridge@mazars.co.uk
Internal Audit Progress Report 2024-25	05 March 2025	Adrian.manifold@centralmidlandsaudit.co.uk
Internal Audit Plan 2025-26 and Audit Charter	05 March 2025	Adrian.manifold@centralmidlandsaudit.co.uk