



F B McArdle
Chief Executive
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/ 595848
Typetalk 18001
DX 23912 Swadlincote
Democraticservices@southderbyshire.gov.uk

Our Ref
Your Ref

Date: 1 December 2020

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be a **Virtual Committee**, via Microsoft Teams on **Wednesday, 09 December 2020 at 16:00**. You are requested to attend.

Yours faithfully,

A handwritten signature in black ink that reads "Frank McArdle".

Chief Executive

Conservative Group

Councillor Atkin (Chairman), Councillor Churchill Vice-Chairman) and Councillor Mrs. Wheelton

Labour Group

Councillors Dunn and Shepherd



AGENDA

Open to Public and Press

- 1 Apologies and to note any Substitutes appointed for the Meeting.
- 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 AUDIT RESULTS REPORT FOR THE YEAR ENDING 31 MARCH 2020 **4 - 55**
- 6 INTERNAL AUDIT PROGRESS REPORT **56 - 77**
- 7 LOCAL CODE OF CORPORATE GOVERNANCE REVIEW **78 - 89**
- 8 RISK MANAGEMENT **90 - 102**
- 9 DATA QUALITY & PERFORMANCE MANAGEMENT **103 - 113**
- 10 COMMITTEE WORK PROGRAMME **114 - 118**

Exclusion of the Public and Press:

- 11 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.
- 12 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	9th DECEMBER 2020	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR CORPORATE RESOURCES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: h/KS/accounts/final accounts 1920/ISA 260 Report 2019 20
SUBJECT:	AUDIT RESULTS REPORT FOR THE YEAR ENDING 31 MARCH 2020	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 05

1.0 Recommendations

1.1 That the report of the External Auditor is considered and noted.

2.0 Purpose of Report

2.1 For Ernst and Young (EY) as the Council's appointed auditors, to present their statutory annual report on the Council's Accounts and Financial Statements for the financial year 2019/20. This is in accordance with their duty to report their findings to management and those charged with governance under International Auditing Standard (ISA) 260.

3.0 Detail

3.1 The Auditor's report is contained in a separate document. Audit Managers of EY will attend the meeting and present their report to the Committee.

3.2 In summary, the report provides details on, together with any issues arising from, the Audit of the Council's Accounts, Financial Statements, and its governance arrangements for 2019/20.

3.3 The report provides an opinion on the Council's Accounts. Subject to any issues remaining unresolved and after consideration by the Committee, the Accounts and Financial Statements themselves will be presented to the Finance and Management Committee on 7 January 2021 for formal adoption and publication.

Value for Money

3.4 In addition, the Auditor is also required to consider whether the Council has put in place "proper arrangements to secure economy, efficiency and effectiveness on its use of resources", known as the value for money conclusion.

Letter of Representation

- 3.5 At the end of the Audit, the Council is required to provide a Letter of Representation. This is included in the Auditor's report. It requires the Council's Chief Finance (Section 151) Officer to provide assurances about the status of the accounts and financial statements.
- 3.6 It also confirms that the appropriate law, regulations, and codes of practice have been complied with and that no irregularities exist that could have a material effect on the financial statements.
- 3.7 Essentially, it confirms that there are no material issues or transactions known, other than those already reported and disclosed that could materially affect the accounts for 2019/20.
- 3.8 Following this and subject to any issues raised, the Section 151 Officer will officially sign the letter to finalise the Audit work for the year.

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

None

**South Derbyshire District
Council**

Draft Audit results report

Year ended 31 March 2020

25 November 2020

Private and Confidential

25 November 2020

Dear Audit Sub-Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Sub-Committee. This report summarises our preliminary audit conclusion in relation to the audit of South Derbyshire District Council for 2019/20.

We have substantially completed our audit of South Derbyshire District Council for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Sub-Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Sub-Committee meeting on 9 December 2020.

Yours faithfully

Helen Henshaw

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Scope update

In our updated audit planning report tabled at the 16 September 2020 Audit Sub-Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes in materiality

In our Audit Sub-Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £970k, with performance materiality, at 75% of overall materiality, of £730k, and a threshold for reporting misstatements of £48k.

The basis of our assessment has remained consistent with prior years at 2% of gross operating expenditure.

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross operating expenditure we have updated our overall materiality assessment to £988k (Audit Planning Report – £970k). This results in updated performance materiality, at 75% of overall materiality, of £741k, and an updated threshold for reporting misstatements of £50k.

We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences remain appropriate.

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We discuss the impact on our audit fee on page 32.

Executive Summary

Status of the audit

We have substantially completed our audit of South Derbyshire District Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding matters set out in Appendix B we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

There are two unadjusted audit differences arising from our audit to date. These are detailed in section 4. The impact on the reported outturn for the year is £110k credit to the Comprehensive income and expenditure statement.

Management has also made a small number of adjustments to the draft financial statements based on our feedback and findings. The most significant of these are reported in section 4. These had no impact on reported outturn for the year.

Objections

We have received no objections to the 2019/20 accounts from members of the public.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of South Derbyshire District Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Sub-Committee.

Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. We have followed up the findings of the previous audit and this is reported in section 7.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risk:

Securing financial resilience

Review of the updated of the medium term financial strategy (MTFS) reported to Finance and Management Committee on 13 February 2020, outlines that the Council has forecasted budget deficits from 2020/21 to 2024/25, ranging from £0.76m to £1.4m, respectively. These gaps will require the Council to draw upon its general fund reserves. The impact is the general fund reserve will fall from £8.5m to 2.1m, over that period but remaining above the Council's minimum level threshold of £1m.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of South Derbyshire District Council. We have no matters to report as a result of this work.

We are still in the process of performing the very limited procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will orally update the Audit Sub-Committee with the results of our work.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What judgements are we focused on?

We focused on the following risk areas:

- ▶ Inappropriate capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement; and
- ▶ Inappropriate cut-off of revenue expenditure and non-grant income at the year-end date resulting in transactions being recorded in the wrong financial period.

What did we do?

In order to address this risk we carried out the following procedures:

- ▶ Reviewed the appropriateness of expenditure recognition and capitalisation accounting policies;
- ▶ Tested the year end cut-off of expenditure and non-grant income to ensure that transactions have been recorded in the appropriate financial period;
- ▶ Using our data analytics tool to identified and tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that move expenditure to PPE balance sheet general ledger codes; and
- ▶ Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

We tested a sample of 22 additions to Property, Plant and Equipment in the year. No issues were noted in respect of inappropriate capitalisation of expenditure.

We have reviewed receivable (income) and payable (expenditure) transactions for the one month prior to the year end and five months after the year end, examining evidence in support of all transactions over a threshold determined by our risk assessment. We have found no instances of transactions being recorded in the wrong financial period.

Prior to preparation of the draft financial statements Management identified an error in the previous years' financial statements meaning that Housing Benefit Overpayment receivables being recovered from former claimants (and the associated bad debt provision) had been excluded from the financial statements. This resulted in a prior period adjustment being recorded in the 2019/20 draft financial statements. This effectively reflects income which has not been recognised in previous years. We have performed audit procedures to gain assurance that the prior period adjustment is supportable, and have been through our internal consultation processes in respect of the adequacy of the disclosures made in the financial statements. We are satisfied that the adjustment is appropriate and complete.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.
We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business



Areas of Audit Focus

Significant risk

Valuation of Property, Plant and Equipment (PPE)

What is the risk?

The fair value of other land and buildings represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

The Council engaged an external expert valuer who will apply a number of complex assumptions to these assets. They performed a full revaluation of the asset base for 2019/20. Annually assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.

What judgements are we focused on?

We have identified a risk to reported asset valuations due to material judgemental inputs and estimation techniques applied.

We consider the risk applies to valuation of PPE and could result in a misstatement of the asset valuations reported in the balance sheet.

Additionally, the Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty, specifically to assets valued on a market or fair value basis.

What did we do?

- ▶ Documented our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- ▶ Evaluated the competence, capabilities and objectivity of management's specialist;
- ▶ Reviewed the terms of engagement or instructions issued to the valuer to ensure these are consistent with accounting standards. And assess if the instruction includes a specific instruction from the council to the valuer relating to an assessment on the unvalued population;
- ▶ Considered the work performed by the Council's external valuer, including the adequacy and scope of the work performed;
- ▶ Performed a sample test the asset data used by the valuer over the completeness and appropriateness of information provided to the valuer in performing their valuations (e.g. floor plans to support valuations based on a price attributed to area measurements);
- ▶ Reviewed the classification of assets and ensure the correct valuation methodology has been applied.
- ▶ Considered changes to useful economic lives as a result of the most recent valuation;
- ▶ Tested the accounting entries have been correctly processed and recorded in the financial statements;
- ▶ Reviewed any assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- ▶ Engaged our internal specialist valuation team to review a sample of the Council's re-assessment of valuations carried out pre-Covid-19 outbreak to assess the material accuracy of the values reported as at the 31/03/2020; and
- ▶ Challenged the appropriateness of disclosures have been made in the accounts concerning the material uncertainty.



Areas of Audit Focus

Significant risk - Valuation of Property, Plant and Equipment (PPE), continued.



What are our conclusions?

Our work in this area is not yet complete. We have received a draft report from specialists in our EY Real Estates team who have looked in detail at the valuation of a sample of 5 assets revalued in the year. There is some additional work required to verify the inputs used in the valuation calculations before we can conclude on their reasonableness.



Areas of Audit Focus

Significant risk

Going Concern Disclosures

What is the risk?

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

We consider the unpredictability of the current environment to give rise to a risk that the Council will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.

What judgements are we focused on?

We consider the risk applies to going concern and post balance sheet disclosures.

What did we do?

In order to address this risk we carried out the following procedures:

- Obtained managements going concern assessment and review for any evidence of bias and consistency with the accounts;
- Reviewed the financial modelling and forecasts prepared by the Council. This will consider key assumptions, stress testing applied to those assumptions and consider the risk to cashflow up to the date of 12 months after the signing date of the accounts and opinion;
- Ensured that an appropriate going concern disclosure has been made within the financial statements;
- Reviewed the Council's approach to identifying and disclosing events after the balance sheet date; and
- Considered the impact on our audit report and complied with EY consultation requirements.

Page 18 of 118

What are our conclusions?

The Council's level of usable reserves totals £53m as at 31 March 2020. This includes unallocated contingencies and specific reserves.

The Government has provided un-ringfenced funding of £1.4m to the Council to meet additional costs due to Covid-19. It is currently estimated that the aggregated loss of income and additional costs highlighted above, will total no higher than £0.5m. This leaves some contingency before the Council needs to use its own reserves

We have reviewed the Council's cash flow forecast out to the end of February 2022. Over that period the lowest cash balance is £29.2m.

We have complied with EY internal consultation requirements and are satisfied with the disclosures made in the financial statements. No modification will be required to our audit report in respect of going concern.



Areas of Audit Focus

Other areas of audit focus



Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require extensive disclosures within the financial statements regarding membership of the Local Government Pension Scheme administered by Derbyshire County Council.

The information disclosed is based on the IAS 19 report issued to the Council by the actuaries to the County Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

At 31 March 2020 the net liability totals £27.6m.

Management obtained revised actuarial reports to reflect the recent McCloud remedy consultation which resulted in a revised liability figure of £27.4m (a reduction of £249k). Due to the immaterial size, management have chosen not to amend the financial statements. This has been reported in section 4.

We have recently received an assurance letter from the auditors of the Derbyshire Pension Fund on the results of their procedures. This letter alerts us to the fact that the auditors of the Fund will be including an Emphasis of Matter in their audit opinion in respect of Material Uncertainty clauses included in a number of property fund valuation reports in which the Pension fund invests.

We are currently consulting internally on the implications of this for our own audit opinion and any additional procedures which we need to perform.

Until this work is complete we are unable to conclude.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH DERBYSHIRE DISTRICT COUNCIL

Opinion

We have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and
- the related notes 1 to 36.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 10.
- Collection Fund and the related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements: give a true and fair view of the financial position of South Derbyshire District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2019/20 set out on pages 1 to 94, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014 *Arrangements to secure economy, efficiency and effectiveness in the use of resources*

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.



Audit Report (continued)

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 13, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether South Derbyshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Derbyshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, South Derbyshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Audit Report (continued)

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of South Derbyshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of South Derbyshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Henshaw (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
Date



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £741k which have been corrected by management that were identified during the course of our audit:

- ▶ Pension disclosure notes - The Fair Value of Plan assets incorrectly states Cash & Cash Equivalent figure of £7,450k but should be £5,008k (misstatement of £2,442k) - misstatement is disclosure only

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Sub-Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2020 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase			
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors					
Known differences:					
▶ Amendment to pension liability to reflect McCloud remedy	(249)				249
▶ Housing Benefit Expenditure overclaimed	139				(139)



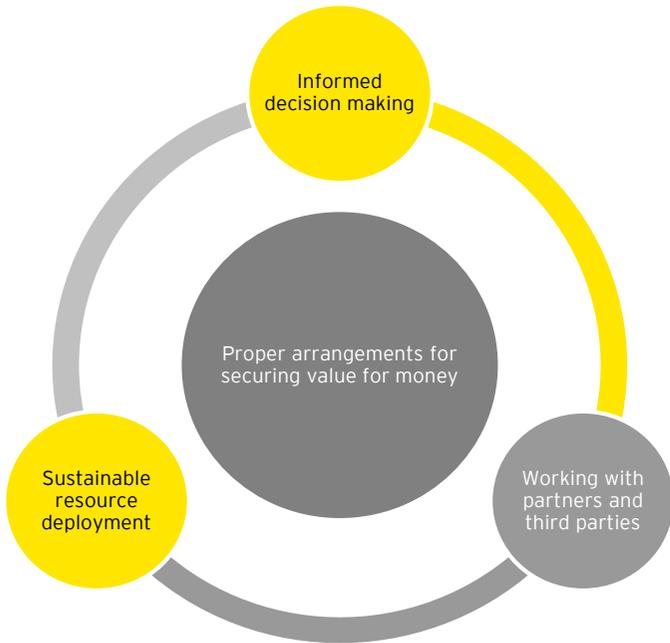
05

Value for Money

01



Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We identified one significant risk around these arrangements. The tables below present our findings in response to the risk in our Audit Planning Report.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risk

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report. No additional VFM risks have been identified since then.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Securing financial resilience</p> <p>Review of the updated of the medium term financial strategy (MTFS) reported to Finance and Management Committee on 13 February 2020, outlines that the Council has forecasted budget deficits from 2020/21 to 2024/25, ranging from £0.76m to £1.4m, respectively. These gaps will require the Council to will require a draw its general fund reserves. The impact is the general fund reserve will fall from £8.5m to 2.1m, over that period but remaining above the Council’s minimum level threshold of £1m.</p>	<p>Deploy resources in a sustainable manner</p> <p>Planning resources effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>Based on the results of our procedures we are satisfied that the Council has appropriate arrangements in place to manage its financial resources and plans. Our work noted that the Council uses reasonable assumptions, such as pay and price inflation rates, in its budgeting processes. The Council monitors the revenue, including general fund, Housing Revenue Account and capital position on a monthly basis and reports to members quarterly. The Council reports also include a quarterly refresh of the MTFS, noting changes to the overall reserves position.</p> <p>The latest iteration of MTFS reports that from 2021/22 the Council has forecasted general fund deficits of £0.383m rising to £2.7m in 2025/26. These budget gaps are planned to be funded by contributions from the general fund reserve which during the same period will reduce from £10.7m to £1.5m. In addition to the general fund reserve, the Council has a number of earmarked reserves which as at 31 March 2020 totalled £16.2m.</p> <p>The Council has been adversely affected covid-19 through loss of income and incurring additional expenditure. We have observed that members have received covid-19 updates from management including the financial impact on the Council’s revenue budget and collection fund which covers business rates and council tax. To date the Council has received financial support from Central Government which includes £1.4m to assist with the revenue budget which has supported additional expenditure of £0.75m.</p> <p>Although the General Fund reserve levels are above the minimum reserve threshold, the Council’s MTFS continues to show financial pressures. In the absence of confirmed funding from central government and potential challenges post-Covid 19, the Council will need to continue scrutinising its financial plans and consider whether a savings plan will be required to address forecast budget deficits to minimise the risk of requiring additional general fund reserves contributions.</p>



06 Other reporting issues

01

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit Sub-Committee.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any additional significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

Status of previous year's recommendations

Description	Update
<p><u>Authorisation of manual journal entries</u> Posting of manual journal entries in the general ledger are not authorised in the system. The Council's key control for authorisation is that all manual journals are recorded in a central journal log to be reviewed and updated by the Head of Finance to evidence the authorisation. Our review of the journal processes, using our data analytics tool to check the completeness of the log identified that during the financial year 285 journals had not been recorded and therefore were unauthorised. It should be noted that none of the excluded journals was material in value. We recommend that the jog log is regularly reviewed for completeness to ensure all manual journals for the financial year are recorded and authorised.</p>	<p>We have noted no issues in the approval of manual journals during our audit procedures for 2019/20.</p>
<p><u>Related parties and declarations of interest</u> We reviewed the Council's arrangements to capture and evaluate declarations of interest for senior managers and elected members. We identified that seven members had not completed the required declaration in accordance with Council's procedures. We undertook further checks and were satisfied that the missing declarations did not have any undisclosed material related party transactions.</p>	<p>At the time of writing there are still 15 declarations of interest outstanding in relation to the 2019/20 financial year from Members. We therefore consider that this issue remains, and Members should be reminded of their legal obligation under the Localism Act 2011 which states that it is a criminal offence not to register interests within 28 days. Therefore the year end declaration for the purposes of completing the financial statements should be no additional burden to the process they are already following.</p>



08 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



09

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated 16 March 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit Sub-Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Sub-Committee on 9 December 2020.

We have undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd in respect. This consisted of agreed upon procedures in respect of the Council's Housing Benefit Subsidy Claim. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee - Code work	TBC*	39,942	41,942
Non-audit work (housing benefits)	TBC	TBC	15,500
Non-audit work (pooling of housing capital receipts)	TBC	TBC	2,000
Total non-audit services	TBC	TBC	59,442

* In our Audit Planning Report we identified and reported areas where audit work will be required over and above the level of the scale fee previously set which corresponded to the risks set out in our audit plan, and primarily the value for money risk.

Subsequent to the issuance of our Audit Planning Report, as a result of the impact of the Covid-19 pandemic, there has also been additional work required in respect of our consideration of the going concern basis of accounting.

We will discuss these additional costs with management and provide indicative fee levels for each of these areas. We will report the final levels to you upon conclusion of our work and agreement with management.

All scale fee variations are subject to approval from PSAA Ltd.

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. We highlighted in our audit planning reported dated 8 July 2020 the relationships that may be reasonably considered to bear upon our objectivity and independence. However we have adopted the safeguards to mitigate these threats. Full details of the services that we have provided and the related threats and safeguards are included in our audit planning report dated 8 July 2020.

Services provided by Ernst & Young

The previous page includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services have been provided on a contingent fee basis.

As at the date of this report, we have been contracted to provide housing benefit service again for the 2019/20 financial year as reported in our audit planning report.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Ethics, Transparency and Audit Panel where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Ethics, Transparency and Audit Panel details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for a non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



10 Appendices

Appendix A

Required communications with the Audit Sub-Committee

There are certain communications that we must provide to the Audit Sub-Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Sub-Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report 16 March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report 16 March 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit planning report 16 March 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit Sub-Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Sub-Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Sub-Committee responsibility. 	Audit results report

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report 16 March 2020 and Audit results report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit Sub-Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Sub-Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit results report
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Certification Report

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Annual Report and accounts	Review of the final Annual Report and associated support for incorporation of EY review comments on disclosure notes	EY and management
Valuation of property, plant and equipment	Conclusion of procedures in respect of valuation inputs	EY
Revenue expenditure funded from capital under statute (Refcus)	Small number of additional items to test based on partner review.	EY and management
Housing Revenue Account	Closure of partner review comments	EY
Conclusion of procedures in respect of housing benefits expenditure	Management to provide: (i) a reconciliation between the amount of benefits awarded per Cells 11, 55, and 94 of the HB Claim and the comparable amount in the General Ledger; (ii) evidence (including system reports) to demonstrate that the amount of HRA Rent Rebates awarded on the HB system agrees to the amount credited to Rent Accounts per the Rents system.	EY and management
Procedures in respect of Local Government Pension Scheme	Review and consideration of IAS19 assurances from auditor of Derbyshire Pension Fund	EY
Partner review	Minute review to point of signing and final partner review of all audit procedures including those to consider subsequent events to the date of signing.	EY and management
Whole of Government Accounts return to NAO	Completion of required assurance return	EY
Management representation letter	Receipt of signed management representation letter	Management and Audit Sub-Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Draft Management representation letter

Management Rep Letter

[To be prepared on the Council's letterhead]
[Date]

Mrs Helen Henshaw
Ernst & Young
One Colmore Square
Birmingham
B4 6HQ

Dear Helen

This letter of representations is provided in connection with your audit of the financial statements of South Derbyshire District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of South Derbyshire District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

Draft Management representation letter (continued)

Management Rep Letter

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions] are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council, Finance and Management committee and Audit Sub-Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[date to be confirmed]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From [the date of our last management representation letter] through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Draft Management representation letter (continued)

Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent. No guarantees have been given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Comparative information - corresponding financial information

Restatement of Housing Benefit Overpayments receivables:

1. *A review of Housing Benefit Overpayments has been undertaken in year and an increase to the reported Debtors of £1.7m and Bad Debt Provision of £0.4m for 2018/19 has been made.*
2. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

H. Going Concern

1. Note 1(a) to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

Draft Management representation letter (continued)

Management Rep Letter

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and the pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

1. Valuation of property plant and equipment and pension liability
2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic, and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Chief Finance Officer

Chairman of the Audit Sub-Committee

Appendix D

Accounting and regulatory update

Future accounting developments

Since the date of our last report to the Ethics, Transparency and Audit Panel, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on South Derbyshire District Council 
IFRS 16	<ul style="list-style-type: none"> ▶ The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. 	<ul style="list-style-type: none"> ▶ South Derbyshire District Council need to ensure that all lease arrangements entered into are identified and quantified (including for the comparative period) prior to the new implementation date ▶ Consider whether appropriate systems and processes are in place to embed the requirements of the new accounting standard going forward.

Regulatory update

Since the date of our last report to the Ethics, Transparency and Audit Panel, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on South Derbyshire District Council 
Code of Audit Practice 2020	<ul style="list-style-type: none"> ▶ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> ▶ The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. ▶ Further updates will be provided when possible.

Reflections from the Redmond Review

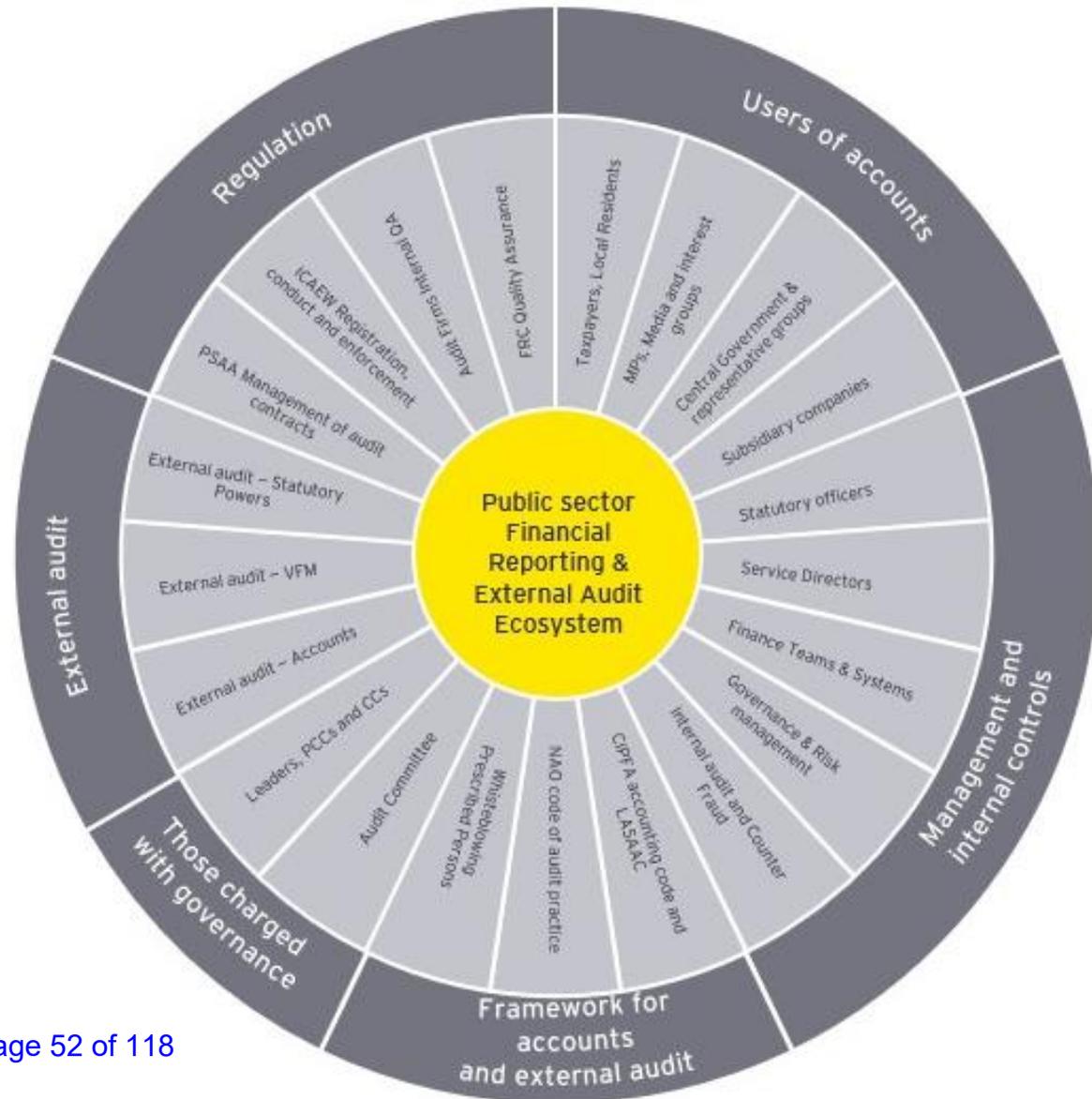
Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Published on the 8th September 2020, Sir Tony Redmond’s findings and recommendations from his independent review provides a significant opportunity to shape the future sustainability of local government financial reporting and auditing. We believe this will help ensure audit continues to meet the evolving needs of local authorities, the public, and the public interest.

Guiding principles for reform

We believe reforms should be guided by the following principles:

- Reforms should enhance, or at least should not create risks to, the quality of financial reporting and external audit.
- The importance of the multidisciplinary audit firm model, to enable local auditors to respond efficiently and effectively to the increased reporting complexity, risks and financial resilience pressures we have seen facing the public sector pre and post Covid-19.
- There should not be a two-tier system of generally accepted accounting and auditing standards between the public and corporate sectors.
- To be effective and sustainable, reforms need to focus on the public sector financial reporting and external audit ecosystem as a whole.



Reflections from the Redmond Review (continued)

Taking our guiding principles, we broadly welcome the Redmond review and proposals, in particular:

Quality of financial reporting and external audit

- The recognition that all stakeholders in the ecosystem have a role to play to improve accountability, transparency and sustainability. This includes improving the effectiveness of Audit Committees, strengthening the training skills, capacity capability and attractiveness of the public sector finance and audit professions.
- His conclusion that the current procurement and fee structure does not support sustainable audit quality. We have provided you with our perspectives on how baseline audit fees need to change to take account of your risk profile, complexity as well as the regulatory and professional context which drive our audits.

Reforming the public sector financial reporting and external audit ecosystem

- Establishing the Office for Local Audit Regulation (OLAR), which provides a “system leader” and will bring clarity to the existing framework for local authority audit.
- The importance of MHCLG establishing a liaison committee of all key stakeholders to oversee reforms. To begin with MHCLG should take urgent action to implement primary legislation to establish OLAR, revise the timetable for financial reporting and revisit the procurement and fee structure for public sector audit.

Multidisciplinary audit firm model

- The importance of the auditors work to critically assess the financial resilience and viability of public sector bodies and his proposals on how this assessment could be enhanced within the NAOs code of audit practice.

Safeguarding professional accounting and auditing standards

- The need for CIPFA/LASAAC to revisit the accounting code and introduce summarised accounts. We agree that there is a need for more proportionality in the Code which also sets out the expectations of practitioners and auditors and how this could be applied in areas such as pensions and asset valuations. However, we believe that any future proposals on the accounting code should not create a two-tier system.

Reflections from the Redmond Review (continued)

What are we doing in the meantime?

1. Planning for a 30 September financial reporting target date for 2020/2021 accounts, integrated with our NHS work.
2. Implementing the new NAO code and changes to our VFM conclusion work and reporting for 2020/2021 audits. We will also work with the NAO and other audit suppliers on any refinements to how auditors assess financial resilience.
3. Continuing to engage with and influence MHCLG, NAO, PSAA CIPFA/LASAAC, FRC and other key stakeholders on the actions required to implement the Redmond proposals as swiftly as possible and how these effectively align to the broader package of audit reforms which BIES will consult on later this year.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM:6
DATE OF MEETING:	9th DECEMBER 2020	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 referred to the Finance and Management Committee or subject to a follow-up report as appropriate.

2.0 Purpose of Report

- 2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit as at November 2020.

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: 9th December 2020



South Derbyshire
District Council



Contents

Page

AUDIT DASHBOARD	3
AUDIT PLAN	4
AUDIT COVERAGE	5
RECOMMENDATION TRACKING	10
HIGHLIGHTED RECOMMENDATIONS	12

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

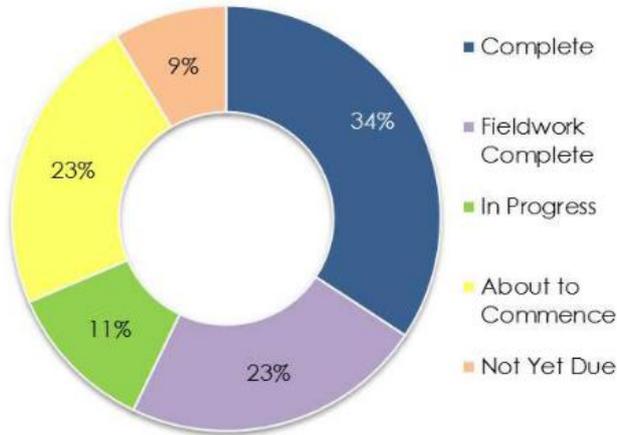
Mandy Marples CPFA, CCIP
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk



South Derbyshire District Council – Audit Progress Report

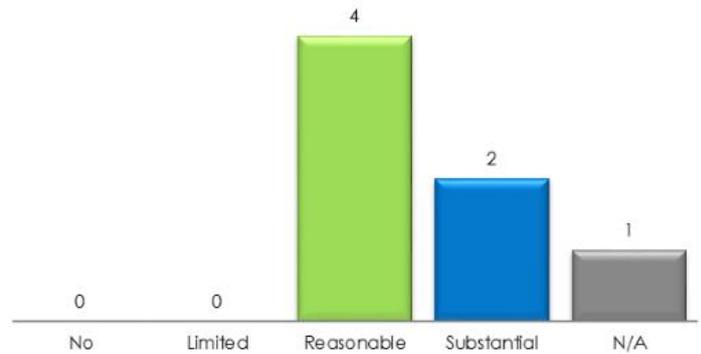
AUDIT DASHBOARD

Plan Progress



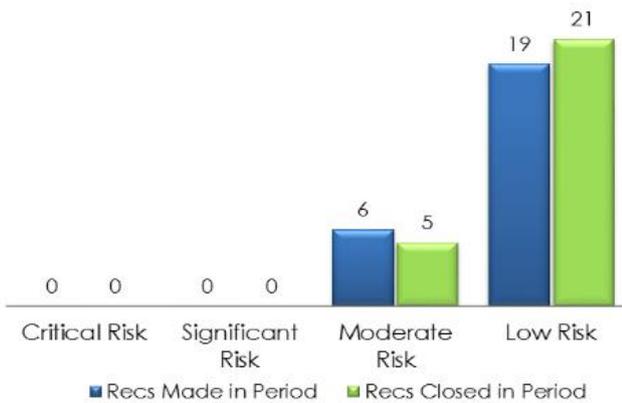
Jobs Completed in Period

Control Assurance Ratings During Period



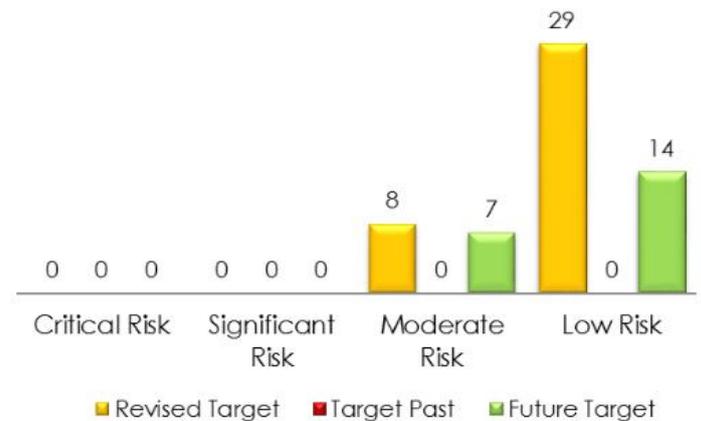
Recommendations

Movement During Period



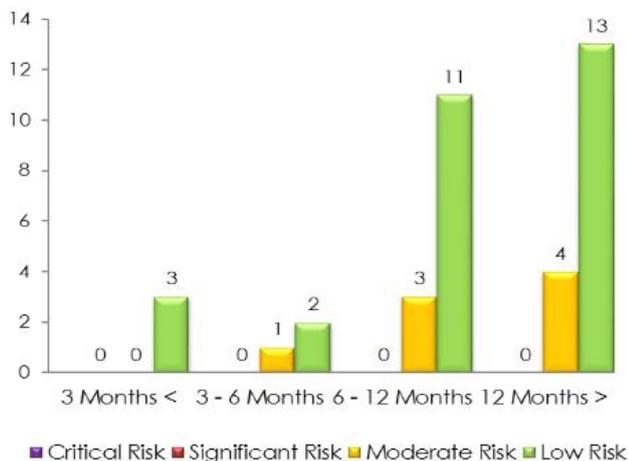
Recommendations

Recommendations Currently Open



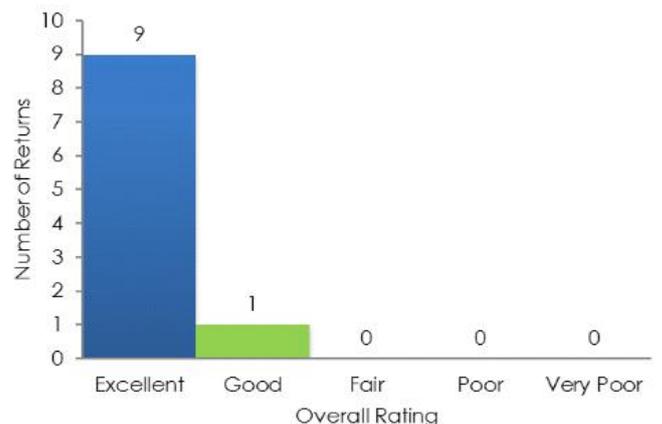
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Between Nov 19 & Nov 20



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 25th November 2020.

2020-21 Jobs	Status	% Complete	Assurance Rating
Risk Management 2020-21	Draft Report	95%	
Business Continuity & Emergency Planning	Allocated	15%	
Procurement 2020-21	In Progress	35%	
Income Streams	Not Allocated		
Safeguarding 2020-21	Draft Report	95%	
Debtors 2020-21	Final Report	100%	Reasonable
Revenues Systems 2020-21	Fieldwork Complete	90%	
Housing Benefit & Council Tax Support	Allocated		
IT Applications 2020-21	Allocated	35%	
IT Infrastructure 2020-21	Allocated	30%	
Data Quality & Performance Management	Not Allocated		
Business Support Grant	Draft Report	95%	
Homes England Grant Certification	Complete	100%	N/A
Financial Reporting - Impact of Covid19	Allocated	10%	
Waste Management (Trade Waste)	In Progress	70%	
Development Management	Not Allocated		
Leisure Centres 2020-21*	Removed for Plan	5%	
Housing Repairs (Voids)	In Progress	45%	
Housing Safety Inspections 2020-21	Fieldwork Complete	80%	
Tenancy Management (Interventions and Support)	Fieldwork Complete	80%	
Procurement of Waste Contract	Allocated		
Electoral Services 2020-21	In Progress	20%	
Overview & Scrutiny Function	In Progress	55%	
B/Fwd Jobs	Status	% Complete	Assurance Rating
Management of Novus Contract	Final Report	100%	Substantial
Procurement of Rosliston Contract 2019-20	Final Report	100%	Reasonable
Main Accounting System 2019-20	Final Report	100%	Substantial
Treasury Management 2019-20	Final Report	100%	Reasonable
Payroll 2019-20	Final Report	100%	Reasonable
Revenues Systems 2019-20	Draft Report	95%	
Housing Benefit & Council Tax Support 2019-20	Final Report	100%	Substantial
Anti-Fraud & Corruption 2019-20	Draft Report	95%	
ICT Key Controls	Final Report	100%	Reasonable
Business Change & Transformation	Final Report	100%	Substantial
Grounds Maintenance	Final Report	100%	Reasonable
Bereavement Services 2019-20	Final Report	100%	Reasonable

Plan Changes

* In consultation with management and the Council's Section 151 Officer, it has been decided to defer the audit of Leisure Centres until the 2021-22 Audit Plan.

South Derbyshire District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 1st September 2020 and 25th November 2020, 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	
Procurement of Rosliston Contract 19-20	Reasonable			1	3	100%
Homes England Grant Certification	N/A					n/a
Grounds Maintenance 2019-20	Reasonable			2	8	10%
Housing Ben & Council Tax Support 19-20	Substantial					n/a
Business Change & Transformation	Substantial				2	50%
Debtors 2020-21	Reasonable				4	100%
Payroll 2019-20	Reasonable			3	2	0%

Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
	The Council's Standing Orders and relevant public contract regulations have been followed in the procurement of the contract for managing Rosliston Forestry Centre.	7	6	1
The procedures that are proposed for advertising the contract and assessing the bids will ensure a fair and transparent process.	9	6	3	0
TOTALS	16	12	4	0

Summary of Weakness	Risk Rating	Agreed Action Date
There was no evidence of a scheduled formal review in the tender and contract letting process.	Low Risk	Superseded N/A
The Council and Forestry England planned to have five senior officers carry out the assessment of the tenders, which could lead to difficulties in coordinating diaries and consequent delays.	Low Risk	Superseded N/A
There was no recognition that officers involved in the assessment of bids should complete a Declaration of Interest statement to identify any relationships that could influence, or be perceived to influence, the outcome of the procurement process.	Low Risk	Superseded N/A
It was not clear how moderation of the tender evaluation process would be carried out and recorded.	Moderate Risk	Superseded N/A

Please note that all recommendations have been superseded as the Procurement of this contract has been suspended. These recommendations will be reinstated, when and if, the procurement exercise recommences.



South Derbyshire District Council – Audit Progress Report

Homes England Grant Certification

As a requirement of Homes England, we undertook a compliance audit of the Lullington Road, Phase 2 Shared Ownership and Affordable Homes Programme, in accordance with the Terms of Engagement issued by the Homes and Communities Agency. The Homes and Communities Agency agreed to engage the Central Midlands Audit Partnership to perform agreed upon procedures and report our findings in connection with procedural compliance, in relation to the receipt of Social Housing Assistance and grants to facilitate the development and provision of affordable housing.

Grounds Maintenance 2019-20	Assurance Rating			
	No	Limited	Reasonable	Substantial
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
A comprehensive programme of planned maintenance is in place	10	6	2	2
A robust system for allocating and recording planned and reactive jobs is in place	11	7	0	4
Effective monitoring takes place to ensure agreed service standards are adhered to	4	1	1	2
TOTALS	25	14	3	8
Summary of Weakness		Risk Rating	Agreed Action Date	
Arrangements for ensuring the updated GIS system remains accurate and up-to-date had not been confirmed.		Low Risk	01/01/2021 Future Action	
The specification and associated bills of quantities were out-of-date, having not been updated since 2011.		Moderate Risk	01/10/2021 Future Action	
The capacity of Operational Services for carrying out tree maintenance works was insufficient, limiting responsiveness.		Moderate Risk	01/03/2021 Future Action	
The planned maintenance schedules were not shared with Cultural Services and Housing, resulting in a lack of transparency.		Low Risk	01/04/2021 Future Action	
There was no formal process through which reactive works could be requested from Operational Services.		Low Risk	01/04/2021 Future Action	
Reactive work requested and performed was not consistently recorded.		Moderate Risk	01/04/2021 Future Action	
Reporting of progress against the planned maintenance schedules was insufficient to allow clear conclusions on performance to be drawn.		Low Risk	01/04/2023 Future Action	
Monitoring of quality of work performed did not take place or was not formally recorded.		Low Risk	01/04/2021 Future Action	
It was not clear that the skills and structure of the Grounds Maintenance team was sufficient to ensure the corporate aims of the Council could be achieved.		Low Risk	Risk Accepted	
Regular management meetings were not held between all stakeholders to the Grounds Maintenance service		Low Risk	01/04/2021 Future Action	

South Derbyshire District Council – Audit Progress Report

Housing Benefit & Council Tax Support 2019-20					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
There are an approved debt recovery policy and associated procedural guidance documents in place.	2	1	1	0	
Processes to secure the recovery of overpayments of benefits have been implemented fully.	3	3	0	0	
TOTALS	5	4	1	0	
Summary of Weakness		Risk Rating	Agreed Action Date		
The report contained no formal recommendations; only one minor risk issue was highlighted for management's consideration.					

Business Change & Transformation					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
The Council has a centralised approach to business change & transformation.	13	12	1	0	
Business change & transformation is driven by priorities in the corporate plan, risk registers and known service issues.	5	5	0	0	
Business Cases are appropriately structured, and contain robust analysis and justification of benefits and financial implications.	15	12	2	1	
TOTALS	33	29	3	1	
Summary of Weakness		Risk Rating	Agreed Action Date		
Project risks and mitigating controls are not fully considered within Business Cases.		Low Risk	22/10/2020 Implemented		
There was no agreed framework in place to assess project risk and inform the level of detail required in the Business Case.		Low Risk	01/03/2021 Future Action		

South Derbyshire District Council – Audit Progress Report

Debtors 2020-21					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
Up-to-date policy, procedures and guidance are in place for Debtors and access to the Debtors system is properly administered.	6	3	3	0	
Invoices required for goods and services supplied are accurate and correct and issued in a timely manner.	8	7	1	0	
Adequate credit control processes are in place to monitor debts and for the recovery of overdue payments.	6	4	1	1	
TOTALS	20	14	5	1	
Summary of Weakness		Risk Rating	Agreed Action Date		
The Financial Procedure Rules had not been updated to reflect the change of responsibility for sundry debtors from Customer Services to Finance, and, the Corporate Sundry Debt Management, Recovery and Write-off Policy had not been reviewed and updated following the restructure in Finance.		Low Risk	30/11/2020 Implemented		
There was a lack of independent approval for credit note request both for correcting errors in Finance and for cancellation requests regarding Lifeline service invoices.		Low Risk	Implemented 06/11/2020		
After the first and second reminder letters, had been issued, there was a lack of central records for any further actions taken to recover sundry debts. Also, the reasons for late issue of reminder letters were not being consistently recorded.		Low Risk	Implemented 06/11/2020		
The departmental information supplied by Finance for the monitoring of payment arrangements did not allow for the easy monitoring of instalments.		Low Risk	Implemented 06/11/2020		

Payroll 2019-20					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
There are robust governance arrangements in place that are defined by policies, procedures and guidance that are reviewed and reaffirmed regularly.	4	3	1	0	
System access is granted to officers on a needs basis so that integrity of payments is assured and separation of duties is maintained.	4	3	0	1	
There are controls in place to ensure that only bona fide new employees are added to the payroll and that salary payments made are accurate and are from the correct date.	6	3	0	3	

South Derbyshire District Council – Audit Progress Report

There are controls in place to ensure that variations to pay (honoraria, overtime payments, re-grading and changes to hours) are appropriate and applied accurately.	2	1	0	1
Deductions from pay are authorised and are applied accurately.	1	0	1	0
TOTALS	17	10	2	5
Summary of Weakness		Risk Rating	Agreed Action Date	
Controls over access to the Council's Payroll & Human Resources system had lapsed or were ineffective.		Moderate Risk	01/12/2020	
Management has not implemented the agreed controls that were intended to alleviate the risks of fraud and/or error associated with an inadequate separation of duties, as identified by Internal Audit in July 2019.		Moderate Risk	01/04/2021	
Adequate documentation was not held on the document retention system to confirm that the required eligibility checks had been completed before an offer of employment was made and/or suitable references secured before appointment.		Moderate Risk	01/04/2021	
The processes relating to employment start dates were not implemented as described in the Recruitment Policy and Procedure, which was considered by HR Management to be out-of-date. Employee Authorisation Forms were no longer used for this purpose. Instead, start dates were notified by e-mail to the Payroll department, but none were available at the time of the audit. We were therefore unable to verify beyond doubt that payment of new starters' salaries had commenced from the correct date.		Low Risk	01/04/2021	
The Council was unable to categorically demonstrate from the records kept that changes to officers' remuneration had been properly approved, prior to the change being implemented, and evidence was not available to authorise increments following successful completion of probationary periods.		Low Risk	01/04/2021	

South Derbyshire District Council – Audit Progress Report

RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
25-Nov-20	Payroll 2019-20	Reasonable			5
09-Jun-20	Treasury Management 2019-20	Reasonable			2
06-Mar-20	Creditors 2019-20	Substantial		1	
06-Aug-20	Bereavement Services 2019-20	Reasonable		2	3
22-Oct-20	Grounds Maintenance 2019-20	Reasonable			9
03-Mar-20	Improvement Grants 2019-20	Reasonable		2	
03-Nov-20	Business Change & Transformation	Substantial			1
25-Feb-20	Mobile Phones	Limited		1	
11-Sep-19	Data Quality & Perf. Mgmt 2019-20	Reasonable		3	
26-Nov-19	Council House Sales - Right To Buy 2019-20	Limited		1	
24-Jul-19	Rent Accounting 2019-20	Reasonable		1	
16-Sep-19	Officers Expenses & Allowances 2019-20	Substantial		1	
17-Dec-19	Active Communities & Health	Substantial		1	
31-Mar-19	Orchard IT Application	Limited		2	
26-Mar-19	Fleet Management	Reasonable		3	
23-Jul-19	Payroll 2018-19	Reasonable		1	
16-Apr-19	Revenue Systems 2018-19	Substantial		1	
29-Aug-19	Corporate Governance 2018-19	Reasonable			1
13-Nov-19	Development Management 2018-19	Reasonable		1	
08-May-19	Creditors 2018-19	Reasonable		1	
03-Jul-19	Housing Safety Inspections	Limited		1	
12-Feb-19	PCI Compliance 2018-19	Reasonable		3	
14-Feb-19	Allocations & Homelessness 2018-19	Reasonable		3	
25-Jan-19	Section 106 Agreements 2018-19	Reasonable		2	
25-Apr-18	Organisational Culture & Ethics	Reasonable		1	
10-Jan-19	Health & Safety	Reasonable		1	
19-Jan-18	Rent Accounting 2017-18	Reasonable		1	
13-Nov-17	Officers Expenses & Allowances	Reasonable		1	
07-Aug-17	Parks & Open Spaces	Reasonable		2	
		TOTALS		37	21

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.

South Derbyshire District Council – Audit Progress Report

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Creditors 2019-20						1
Bereavement Services 2019-20						2
Improvement Grants 2019-20					1	1
Mobile Phones					1	
Data Quality & Perf. Mgmt 2019-20						3
Council House Sales - Right To Buy 2019-20					1	
Rent Accounting 2019-20					1	
Officers Expenses & Allowances 2019-20						1
Active Communities & Health						1
Orchard IT Application						2
Fleet Management						3
Payroll 2018-19					1	
Revenue Systems 2018-19						1
Development Management 2018-19						1
Creditors 2018-19						1
Housing Safety Inspections						1
PCI Compliance 2018-19					1	2
Allocations & Homelessness 2018-19						3
Section 106 Agreements 2018-19						2
Organisational Culture & Ethics					1	
Health & Safety						1
Rent Accounting 2017-18						1
Officers Expenses & Allowances					1	
Parks & Open Spaces						2
TOTALS					8	29

South Derbyshire District Council – Audit Progress Report

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 worked to deliver a new PCI compliance audit which is due for completion and submission in December 2020. Further work to remove spoken card data from the authority and ensure kiosk payments are P2PE compliant will be required. The submission will contain a letter of intent to support the delivery of these later improvements due in 2021.	31/01/2021

Organisational Culture & Ethics	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not undertaken a staff survey which was specifically geared towards the Council's culture, ethics and values.</p> <p>We recommend that the Council consider undertaking a specific Cultural Survey aimed at assessing officer opinions on the Council's culture, ethics and values. The results of the survey could then be used to make improvements where necessary should any common specific themes or patterns result.</p>	Moderate Risk
Management Response/Action Details	Action Date
A survey will be undertaken following research with the Council's Communications section.	31/10/2018
Status Update Comments	Revised Date
Work is underway to develop, design and deliver the employee survey. The survey questions are currently being developed. Microsoft Forms, an internal software is being tested for staff to complete the survey. The survey will also be available on all work phones to make it easier for employees to complete. A paper version will also be available, particularly for front line workers. A communication and engagement plan are being developed, which will include engaging with Trade Unions, Leadership Team and Employee Forum on the approach and how we engage with staff. A	30/04/2021

South Derbyshire District Council – Audit Progress Report

briefing paper, with the proposed survey questions, communication plan and action plan to deliver the survey will be presented to the Leadership Team on 11th November. The paper will propose that the survey is launched in February 2021.

Officers Expenses & Allowances	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
The review of essential user allowances process, which was due to be carried out annually, had not been carried out. 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.	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
This will be subject to the Head of the Paid Service agreeing the terms of reference with the Council and the Trades Unions.	31/03/2021

Payroll 2018-19	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
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. 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.	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
Work has been completed to ensure that adequate separation of duties is in place and documented evidence provided. The monthly spreadsheet detailing changes will continue to be produced and exchanged by HR and Payroll. These will be electronically signed and held in a secure environment on the Council's network. Work has commenced on the production of a separate audit report that remains the	01/02/2021

South Derbyshire District Council – Audit Progress Report

only outstanding action. This will be progressed with the support of Zellis if required.

Council House Sales: Right To Buy	Rec No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>Only one Right To Buy valuer had been utilised for over 10 years during which time there had been no procurement exercise, and the valuer did not hold the expected professional qualification.</p> <p>We recommend that a procurement exercise is undertaken to engage an appropriately qualified valuer(s). Consideration should be given to obtaining more than one independent valuation for Right to Buy property sales.</p>	Moderate Risk
Management Response/Action Details	Action Date
To be implemented as per recommendation	01/02/2020
Status Update Comments	Revised Date
Specification has been drafted and potential providers identified.	21/01/2021

Mobile Phones	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The budget monitoring process had failed to appropriately resolve an identified spike in expenditure against the cost centre and account code that was used for payment of the O2 mobile phone bills.</p> <p>We recommend that the budget monitoring process is reviewed to ensure significant variances in spend are investigated and resolved.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>To a certain extent, the Accountants are reliant on Budget Managers supplying information to explain budget variances. In this instance, the variance was highlighted by the Accountant but not fully investigated by the Budget Manager.</p> <p>Training all Agresso users on the importance of the Financial Regulations is to be given prior to the end of March and the Accountants have been asked to minute budget monitoring meetings to provide an audit trail and ensure any outstanding actions are escalated and followed up.</p>	31/03/2020
Status Update Comments	Revised Date
The Head of Finance informed that the training had yet to be delivered due to lockdown, and also due to the fact the Financial Management System was being upgraded, and therefore the training would be better delivered alongside the new system early in the New Year.	31/01/2021

South Derbyshire District Council – Audit Progress Report

Rent Accounting 2019-20	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The interface file between the Housing Benefits system (Academy) and the Housing system (Orchard) was being manually manipulated to ensure the data transferred was as accurate as practicably possible.</p> <p>Since there is now a standard interface available between Academy and Orchard, we consider this to be the best solution to ensure that data transferred to Orchard is accurate and complete. We recommend that management conducts a cost benefit analysis to determine whether the purchase of this interface would be appropriate. In the interim, we recommend that the Benefits, Subsidy & Compliance Manager provides Business Support with clear instruction on the manual amendments required on a weekly basis. These amendments should be made directly to Orchard, rather than to the Academy-Orchard interface file, and an appropriate audit trail should be retained.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Enquiries have been made in regard to implementing a new interface between Orchard & Academy which should take approximately 1 month to implement. Project Team to be set up to manage the implementation. The Business Support Team Leader is now applying any amendments manually to Orchard as instructed by the Benefits Manager.</p>	31/12/2019
Status Update Comments	Revised Date
<p>New interfaces being implemented as part of the Academy upgrade in Oct/Nov</p>	31/01/2021

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
<p>This will need to be developed in collaboration with other local authorities within the Derbyshire county council area. To enable comparison and benchmarking</p>	30/06/2020
Status Update Comments	Revised Date
<p>New Software procured to assist in managing the DFG Process. This will allow for the total re-engineering of existing process and practices. This would include the ability to develop and efficiently manage overall and specific performance indicators for distinct areas of operation.</p>	01/04/2021

South Derbyshire District Council – Audit Progress Report

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.

Rent Accounting 2017-18	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>Control totals from housing benefit files imported into the Orchard Housing system, on a weekly basis, were not being matched to those from the system, following import.</p> <p>We recommend that, as part of the weekly reconciliation, the Business Support Team Leader source the batch file totals from the Senior Benefit Officer, who produces the housing benefit files for import. The expected total value of postings, and the number of transactions being posted, can then be checked to the import report from the Orchard Housing system to confirm that the information has been successfully transferred.</p>	Low Risk
Management Response/Action Details	Action Date
Housing has requested the batch files totals from Housing Benefit. They have advised that they cannot provide us these totals at the moment without incurring significant expense in terms of an interface/reporting solution between the Orchard and Academy.	31/08/2018
Status Update Comments	Revised Date
The reconciliation of the Academy housing benefit import files to the Orchard Housing system, will now be picked up as part of the wider interface issues identified in the 2019-20 Rent Accounting audit. The housing benefit interface project starts in Oct / Nov and will be going hand in hand with the upgrade to Academy. This issue will be resolved during the course of this work.	31/01/2021

Parks & Open Spaces	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>Files and documentation confirming compliance with safety standards was not held centrally, but rather in separate project files in the Cultural Services Department.</p> <p>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.</p>	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
Revenue budget increase request to fund digitising of records and inspections not supported. New request to be made for 21/22.	31/03/2021

South Derbyshire District Council – Audit Progress Report

Parks & Open Spaces		Rec No. 7
Summary of Weakness / Recommendation		Risk Rating
<p>Signs at play areas did not clearly identify the site operator, relying instead on a display of the Councils 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.</p> <p>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.</p>		Low Risk
Management Response/Action Details		Action Date
<p>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</p>		31/03/2018
Status Update Comments		Revised Date
<p>Revenue budget increase request to fund new signage not supported. New request to be made for 21/22. Interim small scale programme can commence post Communities and Cultural Services restructure when new capacity allows.</p>		31/03/2021

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
<p>Procedural policies updates including communication and training to staff will be updated by Customer Services.</p>		01/04/2019
Status Update Comments		Revised Date
<p>The Council has kicked off a project to ensure PCI compliance which should be in place by late 2020. The project is set to incorporate a PCI audit, new policies and procedures, the completion of the PCI self-assessment and the introduction of new solutions to remove card data from the authority. The council has worked to deliver a new PCI compliance audit which is due for completion and submission in December 2020.</p>		31/01/2021

South Derbyshire District Council – Audit Progress Report

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
A review of the Planning Service is to be considered at EDS committee on 12 November 2020. To include recruiting to roles to support the S106 process and the review of the guide for developers document which should be undertaken by April 2021.	01/04/2021

Section 106 Agreements 2018-19	Rec. No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>Variances identified as part of the reconciliation between Planning records and Accountancy records for the Section 106 Reserve Account have not been fully investigated and resolved.</p> <p>We recommend that all variances identified as part of the reconciliation between the Planning records and Accountancy records for the Section 106 Reserve Account should be fully investigated and action be taken to ensure that if Section 106 money has not been spent as intended, that it is reflected in the Section 106 Records maintained by the Planning Department.</p>	Low Risk
Management Response/Action Details	Action Date
The team has been alerted to this - will meet with Accounts to discuss further.	31/03/2019
Status Update Comments	Revised Date
The Planning Services review will look to release capacity and this can be undertaken by 1st April 2021.	01/04/2021

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
New Allocations Policy approved by Housing Committee for implementation. Restructure of team underway to be followed by re-procurement of Choice Based Lettings Software and process review.	01/07/2021

South Derbyshire District Council – Audit Progress Report

Allocations & Homelessness 2018-19	Rec. No. 5
Summary of Weakness / Recommendation	Risk Rating
<p>The Homelessness Prevention Strategy had not been updated to ensure that it met the requirements of new legislation.</p> <p>We recommend that the Homelessness Prevention Strategy is reviewed and updated.</p>	Low Risk
Management Response/Action Details	Action Date
Review to be completed and updated strategy implemented.	01/06/2019
Status Update Comments	Revised Date
Strategy Review underway. Draft strategy for Housing and Community Services Committee 28/1/2021	28/01/2021

Allocations & Homelessness 2018-19	Rec. No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>The Temporary Accommodation Policy was in draft form and had not been updated since 2015.</p> <p>We recommend that the Temporary Accommodation Policy should be updated and finalised.</p>	Low Risk
Management Response/Action Details	Action Date
Policy to be updated and presented to Housing and Community Safety Committee.	01/06/2019
Status Update Comments	Revised Date
Strategy Review underway. Draft strategy for Housing and Community Services Committee 28/1/2021	28/01/2021

Fleet Management	Rec. No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>There was no centralised record of the drivers employed by the Council, and no centralised checks were undertaken for validity of driving licences.</p> <p>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.</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.	30/06/2019
Status Update Comments	Revised Date
A briefing note was submitted to Leadership Team in July 2019 and agreed subject to HR having the capacity to deliver. There have been informal discussions with HR, who have agreed to implement this in principle, but need to first consult the relevant Trade Unions. Progress has been delayed due to other priorities and consultation with the Trade Unions will commence in October 2020, with a revised implementation date scheduled for April 2021.	01/05/2021

South Derbyshire District Council – Audit Progress Report

Orchard IT Application	Rec. No. 17
Summary of Weakness / Recommendation	Risk Rating
<p>The IMS system was being run using a high privilege local service account, rather than the best practice of a lower privilege read-only account.</p> <p>We recommend that management ensures the IMS system is run under the context of a lower privilege read only account, in line with the consultant's report.</p>	Low Risk
Management Response/Action Details	Action Date
IT to investigate the IMS system and decide whether to move to a lower privilege read only account, although IMS server not currently being used due to SQL install being required.	30/09/2019
Status Update Comments	Revised Date
An update was provided by the Head of Housing Services requesting a revised action date whilst the technicalities of implementing the recommendation could be reviewed with colleagues in ICT.	30/11/2020

Revenue Systems 2018-19	Rec. No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>Information on which debts were with Enforcement Agents was available from the Academy system, but there was no periodic management information prepared on the number of debts with each Enforcement Agent, and no analysis of performance was undertaken.</p> <p>We recommend that performance criteria for monitoring Enforcement Agents activity and effectiveness should be defined, and monthly reports should be prepared that allow management to keep an informed overview of the use of Enforcement Agents.</p>	Low Risk
Management Response/Action Details	Action Date
This is accepted. Due to the recent restructure within the Revenues team and the new positions created only recently been filled there is still some work to be done to create an adequate performance review of Enforcement Agents.	01/10/2019
Status Update Comments	Revised Date
A new process has been agreed for monitoring debts with enforcement agents. This will be reported quarterly to Finance & Management Committee as part fo the Debt Management report. New performance processes will be established ongoing in any new contracts. First performance information to be reported to Finance and Management Committee on 26 November 2020.	01/12/2020

South Derbyshire District Council – Audit Progress Report

Creditors 2018-19	Rec. No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>The Purchasing Code of Practice did not specify the procedures to be followed in relation to the payment of invoices or that payment must only be made on receipt of a proper, valid invoice.</p> <p>We recommend that the Council's Purchasing Code of Practice Certification of Invoices is amended to specify clearly the different elements of the invoice certification process. Responsibilities for undertaking each element of the process should be clearly recorded along with direct instructions to only make payments on proper, valid invoices received.</p>	<p>Low Risk</p>
Management Response/Action Details	Action Date
<p>This is to be updated after implementation of the Senior Management Restructure alongside other elements of the Constitution.</p>	<p>31/10/2019</p>
Status Update Comments	Revised Date
<p>This has been completed. The Head of Legal and Democratic Services is planning to get the update written into the Constitution at Full Council on 5 November 2020.</p>	<p>30/11/2020</p>

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	9th DECEMBER 2020	CATEGORY: DELEGATED
REPORT FROM:	HEAD OF LEGAL and DEMOCRATIC SERVICES	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) Ardip.kaur@southderbyshire.gov.uk	DOC: u/KS/governance/local code/update report Dec 202020
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE REVIEW	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

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

2.0 Purpose of the Report

- 2.1 To review the Council's governance arrangements against the national framework which the Council has adopted.

3.0 Detail

Background

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

The National Framework

- 3.4 The Framework is based on a set of core principles and is intended to assist authorities individually in reviewing and accounting for their own approach.
- 3.5 The overall aim of the Governance Framework is to ensure that resources are directed in accordance with agreed priorities, that there is sound and inclusive decision making,

together with clear accountability for the use of resources to achieve intended outcomes for local communities.

- 3.6 Within the Framework, focus is also placed upon demonstrating economic, social and environment sustainability over a longer-term, together with the principles of social value.

The Core Principles

- 3.7 There are seven principles as follows:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practice in transparency, reporting and audit to deliver effective accountability.

- 3.8 Within each principle there are a series of sub-principles. Guidance with the Framework advocates a self-assessment against each of the sub-principles.

The Council's Assessment against the Framework

- 3.9 **Appendix 1** details the Council's updated assessment.

- 3.10 The assessment itself does not necessarily measure the effectiveness of the Council's Governance arrangements. The effectiveness is assessed on an on-going basis and reported annually in the Annual Governance Statement, with the Local Code ensuring sound and robust arrangements (the core elements) are in place.

- 3.11 However, areas for improvement and work-in-progress reported in the Local Code generally arise from an on-going review of the effectiveness of the core elements of the Council's arrangements.

On-going Review

- 3.12 Although core elements to demonstrate good governance may be in place, they will always be subject to review and update. This may be due to changing circumstances, stakeholder expectations and external influences, together with learning and development arising from audits and service reviews, etc.

3.13 In addition, an assessment of the governance framework and ultimately its effectiveness should be made considering the main risks and challenges facing the Council. Currently, these are:

- Continuing growth of the District and its increasing population.
- The general uncertainty regarding national funding beyond 2020/21.
- Delivering a new Corporate Plan which was adopted in October 2019.
- Coronavirus Pandemic (Covid-19)

Covid-19

3.14 Clearly the impact of Covid-19 has had a significant impact on the Council. As a global pandemic, this invoked the Council's business continuity arrangements, changed methods of working and operational practices, together with bringing to the fore the Council's wider leadership role in the community.

3.15 The main impact on the Council's governance arrangements has been the decision-making process. Section 78 of the Coronavirus Act 2020 has allowed Council meetings to be conducted remotely through audio or teleconference facilities. This provision in the Act remains in force until May 2021.

Improvements and On-Going Work

3.16 **Appendix 1** details the improvements identified and on-going work to ensure that the Council's governance arrangements remain sound and robust. In summary these are:

- To review compliance with best practice standards recommended by the Government Committee on Standards in Public Life (**Principle 1**).
- To review outcomes from a staff survey to be conducted (**Principle 1**).
- To implement a new Equalities, Diversity and Inclusion Plan 2020 to 2024 (**Principle 2**).
- To deliver the work programme for Organisational Development (**Principle 5**).
- An audit of the Council's Risk System (**Principle 6**).
- A review of the Council's Out of Hours Emergency process (**Principle 6**).

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

Employment Implications

5.1 None

Legal Implications

5.2 None

Corporate Plan Implications

- 5.3 There are no direct priorities identified in the Corporate Plan (2020 to 2024). However, “good governance” underpins everything that the Council carries out and ensuring a robust system of corporate governance is a key corporate indicator which demonstrates that the Council is operating on a sound basis.

Risk Impact

- 5.4 None directly from the assessment itself.

6.0 Community Implications

Consultation

- 6.1 None required.

Equality and Diversity Impact

- 6.2 None

Social Value Impact

- 6.3 Not applicable

Environmental Sustainability

- 6.4 Not applicable

7.0 Background Papers

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

APPENDIX 1: LOCAL CODE OF CORPORATE GOVERNANCE: ASSESSMENT AGAINST THE NATIONAL FRAMEWORK

<p>The Principles and the Council’s systems and processes which comprise the Government Framework.</p>	<p>Improvements identified, future developments and on-going work, etc.</p>
<p>1. <u>Behaving with integrity, upholding ethical values and respecting the rule of law</u></p> <p><i>Behaving with integrity</i></p> <ul style="list-style-type: none"> • Codes of Conduct for Members and Officers. • Separate Standards Committee with Independent Persons. • Register of Interests for Gifts and Hospitality. • Process for declaration of personal interests. • Protocol on Member and Officer Relationships. • Member Codes of Practice for the Planning process, the use of ICT, Licensing Committee, and representation on outside bodies. <p><i>Demonstrating a strong commitment to ethical values</i></p> <ul style="list-style-type: none"> • Ethics Statement setting out Ethical Standards for Officers. • 3 Key Values contained in the Corporate Plan – <i>Pride, Respect and Excellence</i>. <p><i>Respecting the rule of law</i></p> <ul style="list-style-type: none"> • An overall Constitution which governs the Council • Regulatory Committees for Planning and Licensing. • Health and Safety Committee. • Statutory Section 151 (Finance) and Monitoring Officers (Legal) appointed to ensure compliance with the law, regulations, and procedures. • The Council complies with the Statement on the Role of the Section 151 in Local Government and this is demonstrated to the Council on an annual basis through a report to the Audit Sub Committee. 	<p>To demonstrate compliance with this Principle, the Council should work towards implementing the 15 best practice standards contained in the “Nolan” principles, as recommended by the Government Committee on Standards in Public Life.</p> <p>Although many of these principles are embedded in the Council’s Governance arrangements, it is recommended that this is subject to a separate review.</p> <p>Staff training sessions were held in January 2020 to help embed the Council’s 3 key values of Pride, Respect and Excellence. On-going training and dissemination has continued to ensure values are well known and applied.</p> <p>Work is underway to develop, design and deliver an employee survey, to obtain feedback on ethics, values and culture.</p> <p>A communication and engagement plan is being developed, which will include engaging with Trade Unions, Leadership Team and Employee Forum on the approach and how we engage with staff.</p> <p>Due to the interruption caused by Covid-19, it is planned to undertake the survey in 2021/22 when more normal working arrangements have been resumed and any changes to those arrangements have been embedded.</p>

2. Ensuring openness and comprehensive stakeholder engagement

Openness

- Published and transparent decision-making process through a Committee system accessible to the Public.
- Communications Plan which uses media campaigns to inform the Public.
- Corporate Equalities and Fairness Scheme to ensure that access to services is available to all.

Engaging with institutional stakeholders

- Consultation Framework which includes Citizens Advice and CVS to undertake consultations and provide feedback.
- Representative groups established for major services such as Housing and Leisure.
- Parish Liaison Forum with Parish Council representatives.

Engaging with individuals and service users effectively

- Area Forums to provide the public with direct access to Members, Officers, and other agencies in the District.
- A publicised Comments, Compliments and Complaints Procedure which allows stakeholders to report feedback and raise issues.

Equalities, Diversity, and Inclusion: The Council is required every four years to review and publish a new Policy and demonstrate that it has due regard to the Equalities Act 2010 when delivering services. This review is in progress and has included consultation with Members and Officers. Engagement with interested groups and the voluntary sector is currently taking place. Following this consultation, a new Policy will be reported to Council in January 2021.

Communication Channels: Given the growing population that the Council serves and the global movement towards “Digital Services”, the Council is reviewing how it engages with its communities.

In the Corporate Plan (2020 to 2024) two priorities were approved under the theme “*Our People*”.

These priorities relate to ensuring consistency in approach using a customer service standard, together with making greater use of technology to engage with residents.

Indicators have been agreed to measure outcomes against these priorities and they are being monitored in performance reports to the Finance and Management Committee.

A program of development is currently being implemented during 2020/21. This is being monitored through the corporate performance process and the Transformation Plan.

3. Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

- Sustainable Community Strategy for South Derbyshire coordinated by the Council and overseen by the South Derbyshire Partnership.
- Medium-term Corporate Plan setting out the Council’s vision, values, and priorities.
- Medium Term Financial Plan (MTFP) to ensure resources are aligned to priorities and that the financial position remains sustainable.

Sustainable economic, social and environmental benefits

- Capital Investment Strategy to guide long term investment.
- Procurement Strategy to drive value for money in purchasing, together with securing environmental, economic, and social benefits where possible.
- Environmental Sustainability Group which is taking forward a range of initiatives to meet an aspiration to make the Council carbon neutral by 2030.

Asset Management Planning: The Council’s Asset Management Plan was updated and approved by the Finance and Management Committee in July 2020, to align it with the Corporate Plan (2020 to 2024).

The Council’s **Procurement Strategy** was also updated and approved by the Finance and Management Committee in August 2020, to align it with the Corporate Plan (2020 to 2024).

4. Determining the interventions (courses of action) necessary to optimise the achievement of the intended outcomes

Determining interventions

- Terms of Reference and work programs set for Council Committees.
- Corporate and Service Planning Framework to set targets and intended outcomes.
- Financial Regulations and Procedural Rules govern how public money is controlled and to ensure financial resources are deployed efficiently and effectively.

Planning interventions

- Change Management process to guide Organisational and structural change.
- Service and Financial Planning Working Group to evaluate new spending proposals.
- Business Change Framework to assess major process changes and system developments.

Optimising achievement of intended outcomes

- Annual Budget Round to review and focus resources.
- Transformation plan to prioritise major changes.
- VFM Statement is in place which sets out the principles of VFM and how it applies to the specific aims of the Council and the District. This acts as guidance to enable Officers to demonstrate how they deliver VFM.
- This is enhanced by the requirement for an explicit demonstration of VFM to be an integral part of proposals for service development and restructures, etc.
- A VFM test is included in the Capital Evaluation process.

Financial Management Code

During 2019 CIPFA consulted with local authorities on setting a set of standards that govern financial management and to ensure that local authorities can demonstrate their financial sustainability.

Consequently, a new Code of Practice was issued in October 2019 and this will apply for all local authorities from the financial year 2021/22.

In the current year, 2020/21, local authorities will be required to assess themselves against the Code, implement any improvements required and ensure that they are able to demonstrate compliance to all standards from April 2021.

This Committee considered an initial assessment against the Standards in July 2020.

The Finance and Management Committee approved a Transformation Plan on 9 July 2020.

The Committee also approved a Transformation Steering Group to oversee delivery of the Plan.

A new Annual VFM Statement was reported to the Finance and Management Committee on 30 July 2020 and this will be reported alongside the Councils Accounts and Financial Statements for 2019/20.

5. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Developing Organisational capacity

- An Organisational Development and Performance (ODP) Unit in place led by a Head of Service which focuses on Organisational and individual capacity.
- Use of external organisations such as the LGA and the Housing Quality Network to review resources and make recommendations for improvement.
- Peer Review undertaken in October 2019.

Developing leadership and individual performance

- Overarching Workforce Development Strategy.
- A Personal Development process with annual reviews of training needs for all Officers.
- Training and Development programs for Members and Officers which includes mandatory training courses, together with job specific, softer skills and wider management training as appropriate.

A new post of Head of Organisational Development and Performance was filled in September 2019. Supported by a new post of Learning and Development Manager, their priorities for 2020/21 are:

- To review and update the Council’s values (completed) and ensure the workforce is fully engaged.
- To provide training and development opportunities for Elected Members and Senior Managers – this is in progress.
- To increase the use of Modern Apprentices in line with Government targets – this is in progress.
- To review internal communication and feedback channels to ensure all staff are kept informed.
 - ✓ A new “Core Brief” which is published for all staff monthly has been introduced.
 - ✓ The Employees Forum has been re-established.
 - ✓ The redesign of the Council’s intranet is currently in progress and is planned to be completed by March 2021.
- To implement a new Personal Development process (completed).
- To update the Workforce Development Strategy to include succession planning. This is due to be completed by March 2021.

The outcome of these priorities is being measured and monitored in the Corporate Plan.

6. Managing risks and performance through robust internal control and strong public financial management

Managing risk

- Risk Management Policy and Framework in place. This guides the identification and assessment of risk, together with the process for monitoring, updating and reporting.
- Business Continuity arrangements in place in accordance with the Civil Contingencies Act
- Fraud Service delivered through a Shared Service Agreement with a neighboring council.
- Counter-fraud and Corruption Policy with an annual action plan.

Managing performance

- Performance management process with key performance indicators to measure outcomes and identify corrective action where needed.
- An established Overview and Scrutiny Committee which reviews service delivery, policy and has powers to “call-in” decisions.

Robust internal control

- An established Audit Committee.
- Independent Internal Audit function provided through partnership arrangements.
- Publicised Whistleblowing Policy.

Audit work has been undertaken to review the effectiveness of the Council’s Risk Management arrangements. The outcomes are being reported to the Audit Sub Committee on 9 December 2020 together with an updated Risk Management Process.

The Out of Hours and Emergency Contact process is being reviewed for reporting and escalating issues during an emergency or business continuity incident. This is due to be completed in February 2021.

Managing data (and ensuring compliance with the Data Protection Act 2018)

- Appointed Data Protection Officer independent of senior management.
- Records Management and Document Retention Policies.
- Data Quality framework which sets out how data is collected, recorded and reported.
- Compliance with the Public Services Network Standard for ICT data security.

Strong financial management

- Financial Strategy in place which sets out the management of financial resources and sets the overall financial target for the Council.
- Financial monitoring and reporting process to review in year budget performance.

Data quality is a risk identified by the Council. The Council is responsible for a wide range of data which is required to provide and measure service delivery.

If data is advertently being collected and recorded inaccurately, this could lead to performance not being properly recorded and ultimately, incorrect decisions are made.

In September 2019, Internal Audit reviewed the Council's system for collecting and recording data to ensure that performance reports were accurately presented.

Although the Audit provided "reasonable assurance" of the system, it made several recommendations to improve processes.

Actions are currently in progress with all recommendations due to be implemented by December 2020.

7. Implementing good practice in transparency, reporting and audit to deliver effective accountability

Implementing good practice in transparency

- Open Data reporting under the Government's Transparency Code.
- Freedom of Information Publication Scheme.

Implementing good practice in reporting

- Annual Report produced and publicised.
- Annual Statement of Accounts detailing how public funds have been utilised.
- Annual Pay Policy Statement published.
- Equality and Diversity Annual Report.

Assurance and effective accountability

- Scheme of Delegation in place from Full Council, down to Policy Committees and through to Officers.
- Senior Leadership Team and Heads of Service accountable to Members through the Committee system.
- Service planning process in place which assigns responsibilities at an individual level.
- All service-related action plans and recommendations from Audit have a designated responsible officer.

Section 78 of the Coronavirus Act 2020 has allowed Council meetings to be conducted remotely through audio or tele conference facilities. This provision in the Act remains in force until May 2021.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM:8
DATE OF MEETING:	9th DECEMBER 2020	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: h/KS/live files/risk mgt/review dec 20/report to ASC Dec 20
SUBJECT:	RISK MANAGEMENT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendations

1.1 That the Risk Management Process as detailed in the attached document is approved.

2.0 Purpose of Report

2.1 To update the Council's risk management process document to reflect the Council's approach to, and management of risk in order that it aligns to the Corporate Plan.

2.2 Under the Committee's Terms of Reference, it is responsible for considering and ensuring that the Council has an effective framework in place for managing risk as part of the Council's overall governance arrangements.

3.0 Detail

3.1 The process is detailed in the attached document. It has been reviewed and updated following an internal audit review in order that the process accurately reflects the Council's approach to, and management of risk.

4.0 Financial Implications

4.1 None.

5.0 Corporate Implications

5.1 Risk Management is one of the seven principles of ensuring sound Governance at the Council in accordance with the Local Code of Corporate Governance.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None

RISK MANAGEMENT FRAMEWORK

AUTHOR / REVIEWER: CORPORATE RESOURCES

DATE: DECEMBER 2020

Contents

Version Control.....	3
Approvals.....	3
Associated Documentation	3
1.0 INTRODUCTION	4
2.0 CONTENT	4
3.0 WHERE RISK MANAGEMENT FITS IN.....	5
3. 1 Focus is on Key Risks.....	5
4.0 IDENTIFYING KEY RISKS.....	5
4. 1 Performance Management.....	5
5.0 RESPONSIBILITY FOR RISK.....	6
5.1 The Audit Sub-Committee.....	6
6.0 APPROACH TO RISK	6
6. 1 The Key Principle.....	7
7.0 RISK MONITORING AND REPORTING.....	7
7. 1 Service v Corporate Risks.....	7
7.2 Other Risks.....	8
8.0 RISK RATING.....	8
8. 1 Use of a RAG System.....	8
8.2 Insurance.....	9
9.0 INDEPENDENT TESTING & REVIEW.....	9
Appendix 1.....	10
RISK TEMPLATE (EXAMPLE ONLY).....	10
STANDARD RISK TEMPLATE	11



Version Control

Version	Description of version	Effective Date
1.0	Policy Statement and Framework Fully Revised	December 2012
2.0	Review and Update for New Corporate Plan (no major changes)	March 2016
3.0	Review and update to reflect new Corporate Plan and recommendations following an Audit	December 2020

Approvals

Approved by	Date
Finance and Management Committee	December 2012
Director of Finance and Corporate Services	March 2016
Finance and Management Committee	December 2020

Associated Documentation

Description of Documentation	
Performance Management Framework	Under review
Annual Governance Statement	
Emergency Planning and Business Continuity Framework	Held centrally on the Government’s “Resilience Direct” website



1.0 INTRODUCTION

The management of risk is one of the 7 principles to ensure sound Governance at the Council, contained in its Local Code of Corporate Governance.

This is based on having robust controls and strong financial management in place to ensure that risks are mitigated.

It should be noted at the outset that it is not possible to eliminate all risk and some issues that could manifest themselves into risks for the Council are outside of its control, driven by external factors.

However, the Council must accept and face up to these risks and its responsibility is to put in place measures to manage those risks.

The Council has in place a process that identifies risks, records them, monitors them and reports them to stakeholders.

As part of the Council's Governance Framework, this provides transparency for residents and provides a degree of confidence that the Council has robust controls in place to mitigate risk

2.0 CONTENT

For a local authority like South Derbyshire, it delivers a diverse range of services to the local community.

The 21st Century continues to bring change, driven mainly by advances in technology, with the current Covid Pandemic also bringing its own challenges for authorities.

This is in addition to the traditional statute and regulatory framework that local authorities operate within.

As one of the fastest growing areas outside of London and the South East, South Derbyshire has its own challenges.

Growth, although generating income, puts additional pressure on, and demand for, local services and infrastructure.

To meet these challenges, the Council has a Corporate Plan which is based on 3 priorities of:

- ***The Environment***
- ***Local People***
- ***The District's Future***

The Plan sets out targets to tackle climate change, provide enhanced community facilities and support economic growth..... all in addition to the normal delivery of day-to-day services.



3.0 WHERE RISK MANAGEMENT FITS IN

It is generally accepted that risk is inherent in all that we do to some degree.

Indeed, Council Officers are managing risk daily, on an informal basis, and this is routine, operational and although important, is perhaps low level for the Council.

3. 1 Focus is on Key Risks

Not all risks can be logged and reported at Council level, to do so would be disproportionate.

Therefore, Risk Management at the Council focuses on the **KEY** issues that have the potential to fundamentally hamper service delivery and the achievement of the Corporate Plan.

This could lead, for example, to loss of financial stability, reputational damage, impairment of assets, a security breach and even to loss of life.

These risks may be applicable to a particular service only or affect the Council as a corporate body.

4.0 IDENTIFYING KEY RISKS

In assessing risks, the Council will have regard to such factors as:

- Key Performance Indicators
- National Funding
- The Economy
- Health and Safety
- Statute and Regulation
- Management of Data
- Organisational Capacity
- IT Systems
- Condition of Assets
- Contracts

The list is not exhaustive

Assessment is based on experience, “what’s happening elsewhere” together with local demands, issues and by sharing information across the Council.

4. 1 Performance Management

The Council’ process for Risk Management is integrated into its Performance Management Framework.

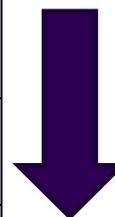
Risks are identified firstly at a Service level and this is overseen by Directorate Management Teams.

Council wide, or Corporate risks, are the responsibility of the Leadership Team, who also have oversight of all key risks identified.



5.0 RESPONSIBILITY FOR RISK

Full Council	Set the Corporate Plan and Governance Arrangements, etc.
Finance and Management Committee	Set and review the Performance Management Framework
Policy Committees	Set and review service policy, monitor KPIs and scrutinise risks
Leadership Team	Oversight of all risks and articulation of corporate risks for consideration by Committees
Directorate Management Teams	Oversight of service risks
Heads of Services	Identify and monitor service risks
All Staff	To inform risk identification and provide updates as required



5.1 The Audit Sub-Committee

Under its responsibility to monitor and review the Council's Governance arrangements, this Committee consider the Council's Risk Management **process** as detailed in this document.

The Committee **are not** responsible for assessing and monitoring specific risks, this is the responsibility of Policy Committees.

6.0 APPROACH TO RISK

This is the Council's risk appetite and how risk is treated, and its approach is straightforward.

Given that risks identified concern key issues, then the Council will accept all these risks and take appropriate action.

Even where the likelihood of the risk occurring is out of the Council's control, it will seek to put measures in place to mitigate or reduce the impact.

Therefore, the Council will generally take a risk averse position and will not simply tolerate these key risks which could severely hamper service provision but seek to treat them in a proportionate way.

In many instances, the Council, through its governance and internal control arrangements, will have mitigating measures in place which are embedded as part of service delivery.



These measures will help to control the *inherent risk* at its current level.

For example:

- Medium-term financial planning to guard against loss of financial stability.
- Health and Safety Programmes, which also help to reduce the likelihood of an incident occurring in the first place.

And

- Business Continuity arrangements to mitigate the effects of a flu pandemic.

6. 1 The Key Principle

Although some risks may only be temporary, most key risks will in principle remain over a sustained period, even where there is a change to the policy direction of the Council.

However, depending on the environment that the Council operates within at any one time, the severity or prominence of the risk will change.

The Council will in many instances have work-in-progress to help mitigate and lower a risk further. However, a combination of embedded controls and additional work may never eliminate all risk and a *residual risk* will always remain.

At some stages in the cycle, a risk will be **Tolerated** on the basis that nothing more can reasonably or proportionately be undertaken to mitigate the risk any further.

The Council may also at some stages consider **Transferring** or **Sharing** the risk, for example through a shared service arrangement, or indeed **Terminate** an activity to eliminate the risk altogether, although this will be rare.

In any case, although the Council may have mitigating measures in place, it is critical that they continue to be monitored, tested and updated to ensure that they remain fit for purpose in accordance with the severity of the risk.

7.0 RISK MONITORING AND REPORTING

The Council records, reports and monitors its risks in “*Risk Registers*” as part of the Performance Management Framework.

These Registers are reported to the Policy Committees on a quarterly basis.

7. 1 Service v Corporate Risks

To mirror the Committee and Management structure of the Council, a Risk Register is maintained for:

- **Service Delivery** (*incorporating Environmental, Planning, Housing and Community Services*)
- **Corporate Resources** (*incorporating support and back-office functions*)
- **Chief Executive** (*incorporating Legal, Democratic and Economic Development Services*)



The above registers record service risks associated with, for example:

- ✓ Systems
- ✓ Maintenance of assets
- ✓ Service contracts
- ✓ Service income

In addition, the **Corporate (Strategic) Register** record risks that are generic across several services or the whole Council, associated with, for example:

- ✓ Local authority funding
- ✓ Organisational capacity
- ✓ IT infrastructure
- ✓ Data management

Besides mirroring the structure of the Council, this approach also ensures that all key risks are captured and monitored.

7.2 Other Risks

It should also be noted that risk is a key consideration in proposals to change services, in evaluating proposals for capital investment and in business cases for transformation projects.

Separate sections exist in the appropriate reporting schedules for the consideration of risk, including the use of risk and issue logs.

In these instances, the Council may be less risk averse when it comes to investment and developing services, to benefit from opportunities, and this will be reflected in the risk analysis.

8.0 RISK RATING

The Council uses a standard template (as shown in **Appendix 1**) for reporting purposes and is a standard matrix recommended by practitioners.

The template summarises each risk, the mitigation measures in place, current actions and the responsible Department (Risk Owner).

The template also highlights any changes to the rating of the risk from the previous review.

8. 1 Use of a RAG System

Risks are rated, scored and classed as either **Red**, **Amber**, **Green**.

The rating score considers the likelihood of a risk occurring and the potential impact if things go wrong.

This classification is intended to prioritise risks at a point in time and ensure that prevailing (**Red**) risks are being given appropriate treatment at that time.

The rating serves as a guide for stakeholders to help understand the extent and severity of risks at a particular time and how they may have changed.



Some risks will remain high, such as health and safety, due to the very nature that an incident could have a serious and significant effect for the Council.

The scoring/rating is a subjective assessment and is not intended to be an indication of the Council's risk appetite.

The Council is concerned that too much emphasis can be placed on rating risks when it is more important to be aware of the risk, its potential impact and to treat it accordingly.

Green risks continue to be monitored and reviewed, even where they are being "tolerated" as no further action may be required apart from underlying controls already in place.

8.2 Insurance

Some risks may be insurable and where this is the case, this is highlighted as a mitigation measure.

However, it does not mean that the Council will avoid appropriate controls to prevent or mitigate the risk in the first place.

Insurance only helps to meet any financial liability arising from an incident or accident.

9.0 INDEPENDENT TESTING & REVIEW

The Council's Risk management arrangements are periodically reviewed by:

- **Internal Audit** – who make recommendations for strengthening the process.
- **External Audit** – as part of their annual Value for Money judgement, they review the Council's overall Governance arrangements as published in the Annual Governance Statement, which includes risk management.
- **Zurich Municipal** – provide a service worth £5,000 per year to review risk management; this can focus on specific risks or a generic review of the process. This includes the dissemination of best practice.



Appendix 1

RISK TEMPLATE (EXAMPLE ONLY)

Risk	Rating and Current Position	Risk Treatment	Mitigating Actions	Change since last quarter	Risk Owner
<p>1 Universal Credit (UC) – the implementation of UC could have an impact on resources in Benefits and Customer Services.</p> <p>Housing Benefit is administered by the Council on behalf of the DWP and is one of the six benefits being rolled up into UC.</p>	<p>UC is being rolled out on a phased basis for working age claimants. During 2019/20, this started to have a much bigger impact with claims for HB reducing by over 30%. However, the overall volume of work has broadly stayed the same as changes in UC are impacting on the Council's Council Tax Reduction Scheme (CTRS). More recently, the impact of Covid-19 has increased claims under the CTRS.</p>	<p>Treat the risk through continuous action and review.</p>	<ul style="list-style-type: none"> Greater automation is currently being progressed to process change of circumstances. The Local Council Tax Reduction Scheme is being redesigned to make it easier to understand and administer. Proposals for a new scheme, in principle, were originally planned for June 2020. However, due to Covid-19, this has been delayed until next year. Where spare capacity arises, off-site support, which is used to deal with peaks in workload, will be transferred in-house to utilise spare capacity. When future vacancies arise, these will be reviewed in the light of the longer-term position. 	<p>No change to rating and current position. Mitigating actions have been updated due to Covid-19</p>	<p>Customer Services</p>



STANDARD RISK TEMPLATE

Likelihood

4 High	Green	Yellow	Red	Red
3 Medium	Green	Yellow	Yellow	Red
2 Low	Green	Green	Yellow	Yellow
1 Unlikely	Green	Green	Green	Yellow
	1 Minor	2 Moderate	3 Significant	4 Catastrophic

Impact



REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM:9
DATE OF MEETING:	9TH DECEMBER 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR FOR CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (5811)	DOC:
SUBJECT:	DATA QUALITY & PERFORMANCE MANAGEMENT	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendations

- 1.1 That Members note the recommendations and responses provided in **(Appendix A)** in the Data Quality and Performance Management Audit Recommendations and Response Matrix 2019/20.
- 1.2 That the completed Action plan for 2019/20 following the audit **(Appendix B)** is noted.
- 1.3 That the Action plan for 2020/21 in **(Appendix C)** is approved.

2.0 Purpose of the Report

- 2.1 To offer assurance that adequate processes and levels of control are in place to uphold high standards of Performance data quality.

3.0 Executive summary

- 3.1 Central Midlands Audit Partnership (CMAP) carried out an audit of Corporate Data Quality and Performance Management in September 2019 to provide assurance that suitable governance arrangements for managing and monitoring performance data quality were in place, and that robust processes were in place to ensure the overall accuracy and validity of reported performance data.

4.0 Detail

- 4.1 An audit of data quality arrangements was completed to assess performance indicators to evaluate the systems in place for the monitoring and review of data quality.



- 4.2 At the time of the audit a new Corporate Plan was being prepared and key aspects of the Performance Management Framework and reporting processes were being reviewed, including changes to the way Corporate Performance was reported to Committee and the Leadership Team.
- 4.3 The New Corporate Plan 20-24 was approved by Committee in October 2019 and changes to the way Corporate Performance was reported to Committee was approved in February 2020.
- 4.4 The Audit performed a high-level review of a sample of 19 of the 46 current corporate performance indicators.
- 4.5 The report contained 7 recommendations, all of which were considered a low or moderate risk and the reported offered 'reasonable assurance' that most of the areas reviewed were found to be adequately controlled.
- 4.6 Members should note that there are no adverse implications for the Council's Annual Governance Statement arising from the audit.
- 4.7 A response matrix detailing actions to address the 7 recommendations has been submitted to and accepted by CMAP. A copy is attached at **(Appendix A)**

5.0 Financial and Implications

- 5.1 There are no direct financial implications associated with this report.

6.0 Corporate Implications

The revised Performance Management Framework sets out how we will collect data in order to manage our performance and set priorities. This requires all services to ensure that accurate and reliable data is produced.

6.1 Employment Implications

There are no direct employment implications associated with this report.

6.2 Legal Implications

There are no direct legal implications associated with this report.

6.3 Corporate Plan Implications

Good performance data quality ensure decisions regarding services and their performance are made in an accountable and transparent manner. This enables residents and stakeholders to understand achievements towards the delivery of the Councils Corporate Plan 2020-2024.



6.4 Risk Impact

The Council's Risk Registers are reviewed quarterly and reported to the Finance and Management Committee, Housing and Community Services Committee and Environment and Development Services as part of the Corporate Plan Performance Reports.

7.0 Community Impact

7.1 Consultation

None required.

7.2 Equality and Diversity Impact

Not applicable in the context of the report.

7.3 Social Value Impact

Not applicable in the context of the report.

7.4 Environmental Sustainability

Not applicable in the context of the report.

8.0 Appendices

Appendix A – Recommendations and Response Matrix

Appendix B – Completed Action plan for 2019/2020

Appendix C – Action Plan for 2020/2021

Notes:

- * Category – Please see the Committee Terms Of Reference in [Responsibility for Functions - Committees](#). This shows which committee is responsible for each function and whether it has delegated authority to make a decision, or needs to refer it elsewhere with a recommendation.
- ** Open/Exempt - All reports should be considered in the open section of the meeting, unless it is likely that exempt information would be disclosed. Please see the [Access to Information Procedure Rules](#) for more guidance.
- *** Committee Terms Of Reference in [Responsibility for Functions - Committees](#).



South Derbyshire - Data Quality & Performance Management

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
1	Low Risk	Data quality had not been reported to the Finance & Management Committee for 2017/18 or 2018/19, as required by the Data Quality Strategy produced in 2016.	YES/NO	We recommend that the Data Quality Strategy is reviewed and updated. Suitable arrangements for monitoring Data Quality by elected members should be included and adhered to.	A review of the Data Quality Strategy will take place with IT and an updated version and action plan will be taken to Finance and Management Committee during 2019/20.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/03/2020
2	Low Risk	Access to the MS Excel spreadsheet used to record performance data was not appropriately restricted.	YES/NO	We recommend that <ul style="list-style-type: none"> - Access to read and modify the Excel spreadsheet is restricted to appropriate officers. - The spreadsheet is password protected to add an additional - level of security. - Standing data within the spreadsheet is locked down. - Consideration should be given to using the Share Workbook and Track Changes facilities within MS Excel to provide a historical record of amendments made by the different officers accessing the spreadsheet and provide the spreadsheet owner with an opportunity to review and accept the amendments made. 	A review of access arrangements with IT will take place to put in the appropriate levels of control on the spreadsheet. The Performance team will investigate and where possible implement restricted access to the standing data within the spreadsheet without losing the functionality for users. A review of alternative performance collection methods will take place during 2020 to improving the efficiencies around data collection.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/12/2019 31/12/2020
3	Low Risk	Targets set for project-based measures were not always sufficiently specific to allow performance to be accurately assessed.	YES/NO	We recommend that, when agreeing measures and targets for the new Corporate Plan, the Performance Team ensures that any project-based indicators have specific targets set to avoid ambiguity. Furthermore, consideration should be given to reducing reliance on project based indicators.	Wherever possible in the new Corporate Plan, the Council will significantly reduce the number of project based measures and if included any projects will have detailed project plans which will be used as the measure of success.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/03/2020
4	Low Risk	The risk of poor quality performance data was not included in the Strategic Risk Register, and an annual audit of data quality was not taking place.	YES/NO	We recommend that the risk of poor quality performance data is included in the Strategic Risk Register. Mitigating actions should include the implementation of recommendations made within this audit report. Furthermore, management should make arrangements for an annual data quality audit if deemed necessary, which could be performed by officers or Internal Audit.	An additional risk will be added to the Corporate Risk Register on performance under the Strategic Risk Register as part of - 3 Technology and Data - keeping pace with developments together with the management and security of data. An annual data quality audit will be performed by officers and/or Internal Audit to check the robustness of the data collection process.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/10/2019 31/03/2020

South Derbyshire - Data Quality & Performance Management

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
5	Low Risk	Methodology statements did not always fully capture the required information, and there were some discrepancies between the information in methodology statements and the 'Performance Board' spreadsheet.	YES/NO	We recommend that a revised template methodology statement is created and issued when the new Corporate Plan is launched. The Performance Team should review each methodology statement prepared to ensure that it captures all required information and is in line with the 'Performance Board' spreadsheet, and provide support and guidance to officers where appropriate.	A new methodology statement will be produced and rolled out to incorporate the suggested changes ready for roll out with the new Corporate Plan measures.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/01/2020
6	Moderate Risk	There was no separation of duties between collection and review of performance information for 6 of the Council's 46 corporate performance indicators, and roles were not always clearly or appropriately defined for the remaining indicators.	YES/NO	We recommend that the revised template methodology statement introduced enforces separation of each role, and when new indicators are set under the new Corporate Plan the Performance Team should ensure that adequate separation of duties is present.	A new methodology statement will be produced to include the separation of duties and will be rolled out to incorporate the suggested changes ready for roll out with the new Corporate Plan measures.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/01/2020
7	Low Risk	Officers involved in the collection and review of performance data had not been provided with sufficient information to ensure they were fully aware of the benefits of monitoring service delivery and their role within this.	YES/NO	We recommend that the Performance Management Framework is reviewed to ensure it clearly emphasises the importance of each role. The Framework should be disseminated to all staff involved in the collection and review of performance information. Further to this, management should consider how they can identify and address any training needs identified.	The Performance Management Framework will be reviewed to include clear roles and responsibilities for Officers. Training or briefings will take place to help communicate changes to all those involved in the collection and review of performance information.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	30/06/2020

Appendix B – Completed Action Plan Data Quality Audit 2019

Recommended Action	Action Detail	Lead Officer	Implementation Due Date	Progress
Review the Data Quality Strategy	A review of the Data Quality Strategy will take place with IT and an updated version and action plan will be taken to Finance and Management Committee during 2019/20.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/03/2020	<p>Action Completed</p> <p>The Performance Management Framework has been reviewed and now includes Performance Data Quality.</p> <p>A Council wide review of the Data Quality Strategy is recommended to incorporate GDPR, Master Data Management and Systems and Technology.</p>
<p>Access to read and modify the Performance Dashboard Excel spreadsheet is restricted to appropriate officers.</p> <p>The spreadsheet is password protected to add an additional - level of security.</p> <p>Standing data within the spreadsheet is locked down.</p>	A review of access arrangements with IT will take place to put in the appropriate levels of control on the spreadsheet. The Performance team will investigate and where possible implement restricted access to the standing data within the spreadsheet without losing the functionality for users.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/12/2019	<p>Action Completed</p> <p>Full controls were implemented to the 2019-20 Performance Dashboard</p>

<p>Consideration should be given to using the Share Workbook and Track Changes facilities within MS Excel to provide a historical record of amendments made by the different officers accessing the spreadsheet and provide the spreadsheet owner with an opportunity to review and accept the amendments made.</p>	<p>A review of alternative performance collection methods will take place during 2020 to improving the efficiencies around data collection.</p>		<p>31/12/2020</p>	<p>On-going A full review of Performance Systems is being carried out to identify alternative methods of reporting Corporate Performance</p>
<p>Ensure that all project-based performance measures have specific targets set to avoid ambiguity.</p>	<p>Wherever possible in the new Corporate Plan, the Council will significantly reduce the number of project-based measures and if included any projects will have detailed project plans which will be used as the measure of success.</p>	<p>Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance</p>	<p>31/03/2020</p>	<p>Action Completed All Project based measure have detailed action plans and specific targets to achieve the actions in the action plan.</p>
<p>Ensure that poor quality performance data is included as a risk in the Strategic Risk Register. - Mitigating actions should include the implementation of recommendations made within this audit report. An annual data quality could be performed by officers or Internal Audit.</p>	<p>An additional risk will be added to the Corporate Risk Register on performance under the Strategic Risk Register as part of - 3 Technology and Data - keeping pace with developments together with the management and security of data.</p>	<p>Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance</p>	<p>31/10/2019</p>	<p>Action Completed The Corporate Risk register was updated to include Poor Quality Performance Data</p>



	An annual data quality audit will be performed by officers and/or Internal Audit to check the robustness of the data collection process.		31/03/2020	Due to Covid -19 this was delayed. Following the adoption of the New Corporate Plan and Measures, the Performance and Policy Team will conduct an internal audit sample of any high-risk performance measures following quarter 2.
A revised template methodology statement is created and issued when the new Corporate Plan is launched.	A new methodology statement will be produced and rolled out to incorporate the suggested changes ready for roll out with the new Corporate Plan measures	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/01/2020	Action Completed A new methodology statement was launched following the adoption of the new Corporate Plan 20-24. All Corporate measures have a detailed methodology statement completed.
Ensure the revised template methodology statement enforces separation of each role, and when new indicators are set under the new Corporate Plan the Performance Team should ensure that adequate separation of duties is present.	A new methodology statement will be produced to include the separation of duties and will be rolled out to incorporate the suggested changes ready for roll out with the new Corporate Plan measures.	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance	31/01/2020	Action Completed A new methodology statement was launched following the adoption of the new Corporate Plan 20-24. All Corporate measures have a detailed methodology statement completed.
Review the Performance Management Framework to ensure it clearly emphasises the importance of each role.	The Performance Management Framework will be reviewed to include clear roles and responsibilities for Officers. Training or briefings will take place to help communicate changes to all	Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational	30/06/2020	Action Complete The Performance Management Framework has been reviewed and updated to include the changes recommended in the Audit.



	those involved in the collection and review of performance information.	Development and Performance		A detailed Corporate Performance Submission process presentation was produced and presented to all Officers involved in the collection of Corporate Performance data.
--	---	-----------------------------	--	---



Appendix C –Action Plan Data Quality Audit 2020-2021

Recommended Action	Action Detail	Lead Officer	Implementation Due Date	Progress
<p>We recommend that</p> <ul style="list-style-type: none"> - Access to read and modify the Excel spreadsheet is restricted to appropriate officers. - The spreadsheet is password protected to add an additional - level of security. - Standing data within the spreadsheet is locked down. 	<p>A review of alternative performance collection methods will take place during 2020 to improving the efficiencies around data collection.</p> <p>Identify possible Performance Management Systems</p>	<p>Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance</p>	31/12/2020	<p>A full review of Performance Systems is being carried out to identify alternative methods of reporting Corporate Performance.</p>
	<p>Ensure the 20-21 Performance Dashboard is password protected and the standing data is locked down each quarter.</p>		30/06/2020	<p>The Performance and Policy Officer has worked with IT to ensure that only Staff who input into the Corporate Performance dashboard can access this.</p> <p>Further work to lockdown standing data will commence in quarter 3 2020 alongside investigating the need for Performance reporting software.</p>
<p>Management should make arrangements for an annual</p>		<p>Performance and Policy Officer will have</p>		<p>The Performance and Policy Team will conduct</p>

<p>data quality audit if deemed necessary, which could be performed by officers or Internal Audit.</p>	<p>An annual data quality audit will be performed by officers and/or Internal Audit to check the robustness of the data collection process.</p>	<p>operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance</p>		<p>an annual Internal audit sample of any high-risk performance measures starting after Quarter 2 2020.</p>
<p>The Performance Management Framework should be disseminated to all staff involved in the collection and review of performance information. Management should consider how they can identify and address any training needs identified.</p>	<p>The new Performance Management Framework will be communicated to all officers involved in the collection and review of performance information.</p>	<p>Performance and Policy Officer will have operational responsibility. The Strategic responsibility will sit with Head of Organisational Development and Performance</p>		<p>The Performance Management Framework is currently under review and once approved will be shared with all members of staff who input into corporate reporting</p>



REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	9th DECEMBER 2020	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 9th December 2020/21

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Reports Previously Considered By Committee		
External Audit Planning Report for the year ending 31 st March 2020	13 th July 2020	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Progress Report	13 th July 2020	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Proposed Internal Audit Plan 2020/21	13 th July 2020	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
The Role And Responsibilities of The Chief Finance Officer in Local Government	13 th July 2020	Kevin Stackhouse (Strategic Director Corporate Resources) Kevin.stackhouse@southderbyshire.gov.uk
The CIPFA Financial Management Code	13 th July 2020	Kevin Stackhouse (Strategic Director Corporate Resources) Kevin.stackhouse@southderbyshire.gov.uk

Annual Report of Agreed Procedures 2018/19	13 th July 2020	Kevin Stackhouse (Strategic Director Corporate Resources) Kevin.stackhouse@southderbyshire.gov.uk
Proposed External Audit Fee 2019/20	13 th July 2020	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Local Government Audit Briefing	13 th July 2020	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Annual Report	29 July 2020	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Local Code of Corporate Governance Review 2019/20	29 July 2020	Ardip Kaur (Head of Legal and Democratic Services) Ardip.kaur@southderbyshire.gov.uk
Annual Governance Statement 2019/20	29 July 2020	Ardip Kaur (Head of Legal and Democratic Services) Ardip.kaur@southderbyshire.gov.uk
Anti-Fraud and Corruption Annual Report 2019/20	16 September 2020	Lizzie Barton (Head of Customer Services) Kevin.stackhouse@southderbyshire.gov.uk
Internal Audit Progress Report	16 September 2020	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk

Local Government Audit Committee Briefing	16 th September 2020	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Audit Results Report for the Year Ending 31 March 2020	9 December 2020	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Internal Audit Progress Report	9 December 2020	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Local Code of Corporate Governance Review 2020/21	9 December 2020	Ardip Kaur (Head of Legal and Democratic Services) Ardip.kaur@southderbyshire.gov.uk
Risk Management	9 December 2020	Kevin Stackhouse (Strategic Director Corporate Resources) Kevin.stackhouse@southderbyshire.gov.uk
Data Quality & Performance Management	9 December 2020	Clare Booth (Corporate Performance & Policy Officer) clare.booth@southderbyshire.gov.uk
External Audit Planning Report for the Year Ending 31 March 2021	24 March 2021	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Proposed Internal Audit Plan 2021/22	24 March 2021	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk

Internal Audit Progress Report	24 March 2021	Adrian Manifold (Audit Manager) Adrian.manifold@centralmidlandsaudit.co.uk
Local Government Audit Committee Briefing	24 March 2021	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
Annual Report of the Agreed Upon Procedures 2019/20	24 March 2021	Jason Burgess (Assistant Manager) EY Jburgess3@uk.ey.co
The CIPFA Financial Management Code	24 March 2021	Kevin Stackhouse (Strategic Director) Kevin.stackhouse@southderbyshire.gov.uk