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Date: 27 February 2024

Dear Councillor,

Audit Sub-Committee

A Meeting of the **Audit Sub-Committee** will be held at **Council Chamber**, Civic Offices, Civic Way, Swadlincote on **Wednesday, 06 March 2024** at **16:00**. You are requested to attend.

Yours faithfully,

Chief Executive

Non-Grouped

Councillor A Wheelton (Chair)

Labour Group

Councillor D Shepherd (Vice-Chair) and
Councillors A Jones and A Tilley

Conservative Group

Councillor N Atkin



AGENDA

Open to Public and Press

- 1** Apologies.
- 2** To receive the Open Minutes of the Meetings held on:

06 December 2023 **4 - 8**
- 3** To note any declarations of interest arising from any items on the Agenda
- 4** To receive any questions by members of the public pursuant to Council Procedure Rule No. 10.
- 5** To receive any questions by Members of the Council pursuant to Council Procedure Rule No. 11.
- 6** INTRODUCTION TO MAZARS LLP **9 - 19**
- 7** ACCOUNTING POLICIES AND MATERIALITY 2023-24 **20 - 37**
- 8** INTERNAL AUDIT PROGRESS REPORT 2023-24 **38 - 57**
- 9** INTERNAL AUDIT PLAN 2024-25 AND AUDIT CHARTER **58 - 72**
- 10** INTERIM VALUE FOR MONEY REPORT 2021-22 AND 2022-23 **73 - 78**
- 11** COMMITTEE WORK PROGRAMME **79 - 80**

Exclusion of the Public and Press:

- 12** 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.

- 13** To receive any exempt questions by Members of the Council pursuant to Council Procedure Rule No. 11.

AUDIT SUB-COMMITTEE

06 December 2023

PRESENT:

Non-Grouped

Councillor A Wheelton (Chair)

Labour Group

Councillors D Shepherd (Vice-Chair) A Jones and A Tilley.

Conservative Group

Councillor N Atkin.

In Attendance

Councillor R Pearson

AS/23 **APOLOGIES**

The Sub-Committee was informed that no apologies had been received.

AS/24 **TO RECEIVE THE OPEN MINUTES**

The Open Minutes for the Meeting held on 06 September 2023 were taken as read, approved, and signed by the Chair.

The Chair referred to the above mentioned Minutes and sought clarification regarding the outstanding action for the enforcement issues information at item AS/18, to which the Head of Planning and Strategic Housing responded, referring to a response that had been provided by the Strategic Director (Service Delivery on 06 December 2023). The Chair requested further information to be reported back to the Sub-Committee about these cases by 01 February 2023.

RESOLVED:

The Sub-Committee approved that the outcomes of the seven Enforcement cases of damage to Tree Preservation Orders and conservation areas for the last twelve months be shared with this Sub-Committee by 01 February 2024.

AS/25 **DECLARATIONS OF INTEREST**

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

AS/26 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/27 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED

AS/28 **INTERNAL AUDIT PROGRESS REPORT 2023-24**

The Audit Manager presented the report to the Sub-Committee highlighting the dashboard and summary of progress since the last meeting.

Members raised queries regarding a commitment from Leadership Team for recommendations to be monitored, that a formalised escalation process was in place for unactioned recommendations, the status of the performance monitoring of grounds maintenance activities, the limits for procurement contracts, the costs of housing repairs and the provision of bereavement services.

The Strategic Director (Corporate Resources) informed the Sub-Committee that Leadership had agreed an escalation process for outstanding recommendations in the Audit Progress Report. The Strategic Director (Corporate Resources) confirmed that Leadership had reviewed the recommendations of the Internal Audit Progress Reports prior to the meetings and that Heads of Service would be invited to the Audit Sub-Committee meetings to provide updates if no response had been noted in the report. The Strategic Director (Corporate Resources) informed the Sub-Committee that the procurement framework was changing for the Public Sector and that a new internal working group would be formed to review contract matters, procedure roles and contract strategy.

The Audit Manager informed the Sub-Committee that once evidence of the manual system for monitoring grounds maintenance in operation was provided the recommendation would be signed off.

The Head of Planning and Strategic Housing informed the Sub-Committee that community facilities, such as cemeteries, would qualify under the Local Plan

Section 106 Agreement funding and this would be reviewed and debated in the Environmental and Development Services Committee.

The Chair proposed that a progress report of grounds maintenance be reviewed at the March 2024 Sub-Committee meeting.

RESOLVED:

1.1 The Sub-Committee considered the Audit Manager’s Internal Audit Progress Report 2023-24 at Appendix 1 of the report and noted that any issues identified would be subject to a follow-up report.

1.2 The Sub-Committee approved that the Head of Service attends the March 2024 Sub-Committee meeting to provide an update and progress report of Grounds Maintenance.

AS/29 **INTERNAL AUDIT COVERAGE 2024-25**

The Strategic Director (Corporate Resources) presented the report to the Sub-Committee confirming that there were no changes to Audit Coverage for the period 2024-25 highlighting that the two authorities that had reduced coverage were not included in the partnership with South Derbyshire District Council.

Members raised queries regarding good practice and the co-opting of an independent person to the Sub-Committee and whether this had been considered within the report.

The Strategic Director (Corporate Resources) informed the Sub-Committee that it hadn’t been considered for this report, but would be reviewed as part of the Sub-Committee’s self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice.

RESOLVED:

The Committee noted the contents of the report and that the audit coverage would be formally reviewed again in two years’ time.

AS/30 **2023-2024 ANTI FRAUD & CORRUPTION PLAN & COUNTER FRAUD PARTNERSHIP PERFORMANCE UPDATE**

The Head of Customer Services presented the report to the Sub-Committee and introduced Michael Sergeant, the Counter Fraud Investigator from Derby City Council. The Head of Customer Services highlighted the successes of the

partnership with Derby City Council and the training that had been delivered to South Derbyshire District Council Officers.

Members asked how fraud was reported, types of fraud and if the results were published on social media.

The Head of Customer Services informed the Sub-Committee that all reporting of potential fraud could be done through the Council's web site and this link would be made available to Members.

The Counter Fraud Investigator informed the Sub-Committee that housing fraud was the most difficult to detect, Council Tax fraud was easier to investigate, the most common reason for reporting fraud was local disputes and disagreements and that fraud results were not usually published in the press.

RESOLVED:

1.1 The Sub-Committee noted the performance of the Counter Fraud Partnership with Derby City Council at Appendix 1 of the report and the cashable and value for money savings that had been delivered in 2022-23 and April – November 2023.

1.2 The Sub-Committee approved the Council's proposed Anti-Fraud and Corruption Action Plan at Appendix 2 of the report that directs the work of the partnership.

AS/31 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the updated work programme and introduced Hayley Clark, Audit Partner from Ernst Young LLP.

The Audit Partner from Ernst Young LLP provided an update of upcoming audit items, priorities, fees, value for money and statutory obligations.

The Strategic Director (Corporate Resources) informed the Sub-Committee that the audit backlog was a priority and that all statutory deadlines needing to be met by the Council would be met on an ongoing basis.

The Chair requested information about timescales to complete the external audit.

The Audit Partner from Ernst Young LLP confirmed that guidance for timelines was expected in the New Year and an update would be provided at the March 2024 meeting of the Sub-Committee.

RESOLVED:

The Sub-Committee considered and approved the updated work programme.

AS/32 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:

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

AS/33 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

The Meeting terminated at 17:10hours

COUNCILLOR A WHEELTON

CHAIR

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	06 MARCH 2024	CATEGORY: (See Notes) DELEGATED or RECOMMENDED
REPORT FROM:	TRACY BINGHAM, STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	MARK SURRIDGE AUDIT PARTNER mark.Surridge@mazars.co.uk	DOC:
SUBJECT:	INTRODUCTION TO MAZARS LLP	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: (See Notes)

1.0 Recommendations

1.1 That the Sub-Committee note the report.

2.0 Purpose of the Report

2.1 This report has been issued by the Council's incoming auditors Mazars LLP.

3.0 Introduction

3.1 Mazars LLP will become the council's auditors effective for the financial years accounts 2023/24. In preparedness of this Mazars have provided an introductory report as outlined in Appendix 1.

3.2 Mark Surridge, Partner, will be present at the meeting to present the report.

4.0 Financial Implications

4.1 The scale fees paid to Mazars LLP are prescribed by the PSAA (Public Sector Audit Appointments) and are include in the 2024/25 budget.

5.0 Corporate Implications

Employment Implications

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

Legal Implications

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

Corporate Plan Implications

5.3 There are no direct implications, however effective governance, risk management and control arrangements will ensure the achievement of the council's Council Plan in 2024/25.

Risk Impact

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

7.0 Community Impact

Consultation

7.1 There are no consultation matters to be considered.

Equality and Diversity Impact

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

Social Value Impact

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

Environmental Sustainability

7.4 There are no environmental sustainability matters to be considered.



Welcome to Mazars: your 2023/24 external audit

South Derbyshire District Council

mazars

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South Derbyshire District Council
Civic Offices
Civic Way,
Swadlincote, DE11 0AH

3 December 2023

Dear Members of the Audit Sub-Committee

I am delighted to welcome South Derbyshire District Council as a Mazars client.

We do have a proven transition methodology, which we will deploy once we have clarity on the handover timetable because, as I know you're well aware, the financial reporting and audit challenges is making transition planning that little more difficult. We have held initial meetings with Officers and your current auditors and will remain engaged and will work collaboratively so that when able to, we can commence our work on your 2023/24 audit.

On the following page, I have provided you with my contact details alongside those of some of my colleagues.

Our team are passionate about the role we play in providing confidence in public spending and decision making through our audit and assurance services, playing our part in strengthening the UK's public services, allowing it to be effective in its responsibility for public money and aiding its ability to deliver the services that benefit our communities the most.

On behalf of everyone here, I look forward to working with you. If you have any questions or want to discuss any matters, please do not hesitate to contact me.

Yours sincerely,

Mark Surridge

Partner

Key Contacts



Name: Mark Surridge

Job title: Partner

E: mark.Surridge@mazars.co.uk

Role: UK sector lead for local government and lead Partner for the Midlands public sector business

Drawing on 20 years of experience in audit, assurance and consulting services for public and social sector organisations, Mark is the engagement lead for similar local authority audits, including district and county councils in Derbyshire and Nottinghamshire



Name: Karen Murray

Job title: Partner

E: karen.murray@mazars.co.uk

Role: National lead for public sector external audit

Karen joined the Mazars' team in Manchester in early 2018. She is our national lead for public sector external audit and is the Engagement Lead for some of our most prestigious clients. She represents the firm in engagement with the DLUHC, the Financial Reporting Council, the NAO and Public Sector Auditor Appointments Ltd.



Name: Leah Parsons

Job title: Senior Manager

E: leah.parsons@mazars.co.uk

Role: Leah will be the key contact for the finance team and lead the audit, with the support of a specialist team of public sector auditors.

Leah is an experienced audit manager, working with a range of large and complex public sector bodies including local authorities and NHS trusts.



Name: Peter Cudlip

Job title: Partner

E: peter.cudlip@mazars.co.uk

Role: Global Head of Public and Social Sector

Peter is the Global Head of Risk Consulting and Head of the Public and Social Sector team at Mazars in the United Kingdom. He has over 25 years of experience providing internal audit and assurance services to a broad range of privately held, public and social sector entities.



More about Mazars



More about Mazars: A word from our Head of Public Sector Audit



“Public services is a key strategic market for Mazars and effective local audit is a fundamental part of the local accountability framework. We recognise the responsibilities and value we provide to our clients, local taxpayers and the general public.

Our team are passionate about the public sector and will invest time in building the critical senior officer and member relationships needed for an effective long-term working relationship.”

Karen Murray

Partner



Mazars in numbers

Our specialist public and social sector team provides distinctive audit and advisory services across six sectors:

- Local government
- Central government
- Health (NHS)
- Education
- Social housing
- Charities

The team is one of the largest and most successful in the market, working with over 300 public services clients nationally. We help these organisations to navigate their specific challenges and find better ways of working – whether it be through assurance, governance and risk, cyber security, sustainability, forensics, investigations, consulting or outsourcing.

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Appointments to English Local Authorities

2023/24 PSAA Contract

8

Centres of excellence across England and Scotland

140+

Public Sector External Audit Specialists

12

Key Audit Partners



Public and Social Sector Insights

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Fiscal Pressure and inflation challenges

Over 300 individuals from across the UK public and social sector told us that the UK is at a critical juncture. Amid on going social and economic turmoil, decisive action is needed now to support those most in need.



Supporting vulnerable communities

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and face more hardship.



A global public and social sector study (2023)

The public and social sector is in a time of transformation. Expectations of organisations in the sector are higher than ever while financial constraints and regulatory burdens are increasing.

To understand some of the challenges leaders in this sector face and the steps they are taking to tackle them, we surveyed more than 100 public sector executives in five countries.



Why culture is critical to local government

The extent to which an organisation's culture supports the execution of its strategy, the management of risk and the treatment of its service users is increasingly under the spotlight, and weaknesses in culture are now frequently blamed for failings in these areas.



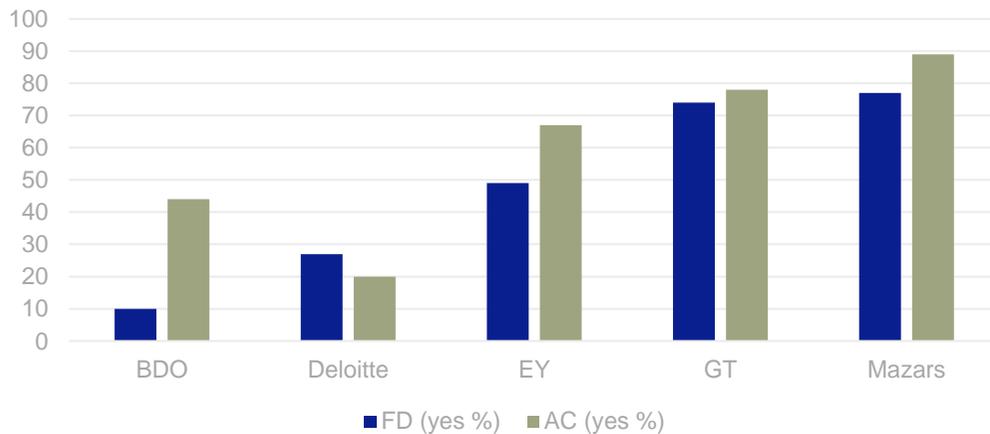
PSAA quality of audit services feedback survey

In August 2023 Public Sector Auditor Appointments Ltd (PSAA) published its fourth annual report on feedback from Finance Directors and Audit Committee Chairs of local authorities on their satisfaction with the audit services provided by local auditors.

You can view the full PSAA report at [PSAA-Quality-of-Audit-Services-2021-22-feedback-survey.pdf](https://www.psaa.gov.uk/psaa-quality-of-audit-services-2021-22-feedback-survey.pdf)

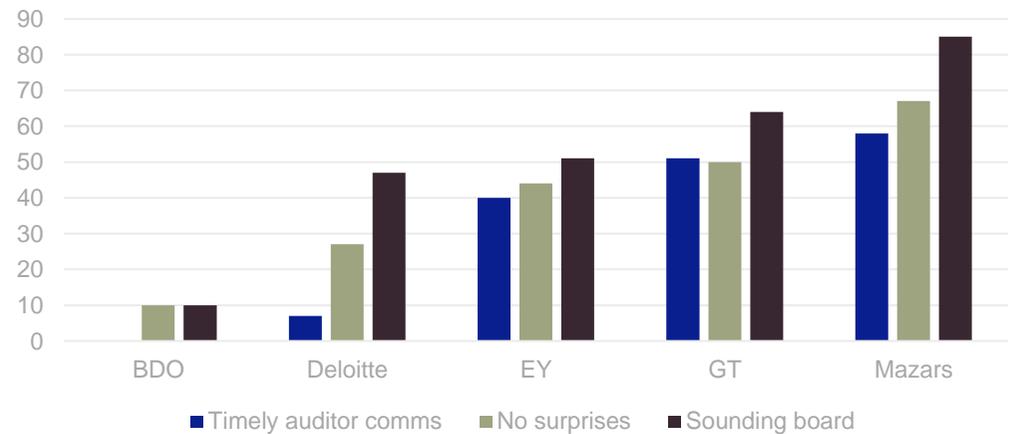
Focus area 1 - To what extent did the audit service meet your expectations?

Did the audit service meet your expectations?



Focus area 2 - To what extent did your auditor provide effective and timely communications? Were the communications timely, with no surprises and was the auditor approachable as a sounding board?

How effective were communications?



Contact

Mazars

2 Chamberlain Square

Birmingham

B3 3AX

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy organisation, and is a limited liability partnership registered in England with registered number OC308299. A list of partners' names is available for inspection at the firm's registered office, 30 Old Bailey, London EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.

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Find out more at www.mazars.co.uk

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REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	6 MARCH 2024	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOPR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	CHARLOTTE JACKSON Charlotte.jackson@southderbyshire.gov.uk	DOC: S:\Finance\COMMITTEE\2023-24\March\ACCOUNTING POLICIES AND MATERIALITY
SUBJECT:	ACCOUNTING POLICIES AND MATERIALITY 2023/24	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 To consider and approve the Draft Accounting Policies for the 2023/24 Financial Statement as detailed in Appendix 1.
- 1.2 To consider and approve the materiality levels as set out in section 4.9.
- 1.3 To consider and approve Delegate authority to Section 151 officer to make any necessary amendments.

2.0 Purpose of the Report

- 2.1 To review and approve the draft accounting policies and materiality levels for the 2023/24 Financial Statements.

3.0 Detail

- 3.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
- 3.2 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements.
- 3.3 Accounting policies need not be applied if the effect of applying them would be immaterial.
- 3.4 The Audit Sub Committee's Terms of Reference require the committee to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. It is therefore considered good practice for the

committee to have greater visibility over these accounting policies before they are applied.

- 3.5 The accounting policies are reviewed each year by officers to ensure all accounting policies previously approved are still relevant and are in accordance with the latest version of the Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice and International Financial Reporting Standards (IFRS) requirements. Any new requirements are added to the policies, and policies which are no longer relevant or have no material effect on the Statement of Accounts, are removed.
- 3.6 The following Accounting Standards have been amended/introduced by the Code of Practice in 2023/24:
- IAS 1: (Presentation of Financial Statements) Amendments to the definition of accounting estimates
 - IAS 8: (Accounting Policies, Changes in Accounting Estimates and Errors) Amendments to the disclosure of accounting policies
 - IFRS 3: (Business Combinations) Updating a reference to the Conceptual Framework
 - IAS 12: (Income Taxes) Deferred tax related to assets and liabilities arising from a single transaction.
- 3.7 The application date of the above amendments is the 1 April 2023, although IFRS 3 and IAS 12 are not relevant to the Council.
- 3.8 The relevant amendments change the wording of existing Accounting Standards to clarify the interpretation and understanding of the Standards. They do not have any significant impact.
- 3.9 This practice of receiving and approving the accounting policies before the statement of account are produced is considered best practice and is widely adopted in local government. In effect the subcommittee has already been undertaking this practice but at the end of the process when approving the annual accounts, since the accounting policies form part of the annual accounts themselves.
- 3.10 The proposed accounting policies for 2023/24 are included in **Appendix 1** and are presented to the committee for approval. Adopting the proposed policies will support the timely production of the annual accounts.
- 3.11 During the year-end process there may be changes required to the policies arising from changes in circumstances or updated guidance. These will be agreed with the Section 151 Officer and reported to the Audit Committee alongside the final version of the Statement of Accounts.

4.0 Materiality Levels

- 4.1 Materiality is defined in the Code as:

“Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.”

- 4.2 Setting materiality levels enables the finance team to identify significant variances and items that need disclosing in the financial statements.
- 4.3 The practice of setting internal materiality levels is considered best practice, it aids the work of the Accounting Team when producing the financial statements, setting internal materiality levels ensures that errors are mitigated. In effect the subcommittee has already been undertaking this practice but at the end of the process when approving the audit plan.
- 4.4 Levels for the 2023/24 financial statements are set out in 4.9 for approval. The levels of materiality agreed by the committee will be used in the preparation of the financial statements and information provided for external audit purposes.
- 4.5 External Audit apply their own test of material misstatements. The internal materiality levels presented to the committee for approval have been set in reference to the external auditor's own materiality levels.
- 4.6 The following materiality levels are proposed for the preparation of the 2023/24 Financial Statements:

Balance Sheet

- 4.7 Materiality will be set at 10% of the 2022/23 closing balance, subject to the external auditors advised materiality, although some areas are material by nature so this will also be taken into account.
- 4.8 Where the external auditor's materiality is less than 10% of the balance sheet, the materiality applied internally is reduced to 90% of the external audit materiality. By setting our internal materiality level at a lower level than the external auditor's level, we will ensure we capture all issues the external auditors will consider material and we are allowing for any movement in the External Auditors materiality level.
- 4.9 The 2022/23 balances are deemed to be the best consistent point to assess materiality on, as although the majority of balance is reconciled and updated regularly thought-out the year, some areas, the pension liability for example, is only updated at the end of the financial year.

Balance Sheet Area	2022/23 Balance (Draft SofA)	Materiality Level 10%	External Audit Materiality Level 2023/24*	90% of External Audit Materiality Level	Internal Materiality Level
	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	171,784	17,178	325	293	293
Investment Property	6,011	601	325	293	293
Long-term Investments	3,572	357	325	293	293
Long-term Debtors	88	9	325	293	9
Inventories	104	10	325	293	10
Short-term Debtors	7,427	743	325	293	293
Cash & Cash Equivalents	61,934	6,193	325	293	293
Short-term Creditors	-20,540	-2,054	-325	-293	-293
Short-term Borrowing	-10,089	-1,009	-325	-293	-293
Provisions	-659	-66	-325	-293	-66
Long-term Creditors	-55	-6	-325	-293	-6
Long-term Borrowing	-37,423	-3,742	-325	-293	-293
Pension Deficit	275	28	325	293	28

*2023/24 materiality levels are assumed to be on the lower end of the threshold due to it being a first-year audit with the newly appointed auditors.

5.0 Financial Implications

5.1 There are no implications from this report.

6.0 Corporate Implications

6.1 There are no implications from this report.

7.0 Legal Implications

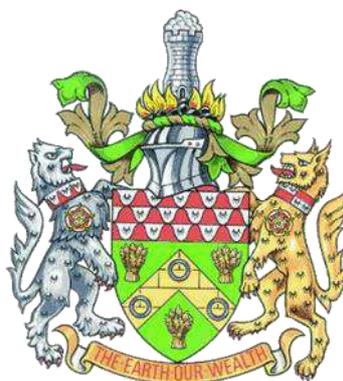
7.1 There are no implications from this report.

8.0 Community Impact

8.1 There are no implications from this report.

9.0 Background Papers

9.1 Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.



**South
Derbyshire
District Council**

Accounting Policies 2023/2024

Notes to the Financial Statements

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position as at 31 March 2024. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and the Service Reporting Code of Practice 2023/24, supported by the International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council's financial statements have been prepared on a going concern basis; the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in The United Kingdom 2023/24) in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. As a result of this, it would not therefore be appropriate for the financial statements to be produced on anything other than a going concern basis.

Reports are regularly taken to the Finance and Management Committee updating the current and forecasted position of the Council's financial position. The final outturn will be reported on 18 July 2024 for 2023/24 with the next full quarterly forecast for 2024/25 presented in August 2024.

The mitigating factor underpinning the going concern assessment is that the authority continues to have available General Fund balances above the current recommended minimum working balance.

At the end of 2023/24 it is budgeted to be £12.76m, which is £11.26 above the minimum level. Additionally, the Council's cash flow forecasts anticipate that cash balances will remain in a positive position for at least twelve months following publication of these financial statements and do not forecast a need to borrow. The Council has undertaken cash flow modelling through to March 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and cash management framework, with a minimum cash balance forecast during the period of £22m. Given this, the Council considers that the Statements can be prepared on a going concern basis.

The Statement of Accounts has been prepared in Sterling rounded to the nearest thousand.

The accounting policies are consistent with those applied in the year ended 31 March 2023, as amended to reflect the adoption of any new accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

(b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sales of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or services potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are recognised as inventories on the Balance Sheet.
- Revenue from the provisions of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where the income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Expenses relating to the services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- The Council Tax and income included in the Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The NDR income included in the Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the Statutory Return following the close of the financial year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund adjustment account through the Movement in Reserves Statement.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund or paid from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's precept for the year, plus or minus the Council's actual share of the surplus / deficit on the Collection Fund for the previous year.

The cash collected by the Council from Council Tax payers belongs predominantly to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non-Domestic Rates (NDR) – Business Rates

The NDR income for the year credited to the Collection Fund is the accrued income for the year. Regulations determine when it should be released from the Collection Fund and paid out to major preceptors (excluding the Police and Crime Commissioner for Derbyshire) and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year from the statutory return made to the Government at the commencement of the financial year.

The cash collected by the Council from NDR Tax payers belongs predominantly to all the major preceptors (excluding the Police and Crime Commissioner for Derbyshire) and the Government. The difference between the amounts collected on behalf of the other major preceptors and payments made to them is reflected as a debtor or creditor balance as appropriate.

(c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in a specified period of no more than 364 days, or less from the date of acquisition. They are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

(d) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and future years, but do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(e) Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluations reserve against which the loss can be written off.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from the revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisations are replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(f) Employee Benefits

Benefits Payable during Employment

Short Term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual leave, sick pay and car allowances. These are for current employees and are recognised as expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements, including annual leave, earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the wage or salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate employment of employees before the normal retirement date, or an employee's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement, when the Council is clearly committed to the termination of employment.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are entitled to be members of the Local Government Pension Scheme, administered by Derbyshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions) earned as Council employees.

The Local Government Pension Scheme is accounted for as a funded defined benefit final salary scheme:

- The liabilities of the Derbyshire County Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This means there is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate on long-term redemption yields available on AA rated corporate bonds.
- The assets of the Derbyshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities - mid market value.
 - Unquoted securities - professional estimate.
 - Unitised securities - average of the bid and offer rates.
 - Property - market value.

The change in the net pension's liability is analysed into the following components:

Service cost comprising

- Current service cost - the increase in liabilities as result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier year, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Finance and Management.
- Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement; this is calculated by applying the discount rate used to measure the defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurement comprising

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Derbyshire County Council Pensions Fund

The cash paid as employer's contributions to the pensions fund in the settlement of liabilities are not accounted for as an expense as statutory provisions require the General Fund and Housing Revenue Account Balances to be charged with the amount payable by the Council to the Pension Fund, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flow rather than as benefits earned by the employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any additional liabilities that arise as a result of a discretionary award to an employee are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

(g) Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period; the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period, the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(h) Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle. Interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Financial Assets

Financial assets are classified into three types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted on an active market.
- Fair value through other comprehensive income (FVOCI) – where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category.
- Fair value through profit and loss – all other financial assets.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value, based upon

prevailing benchmark market rates for new borrowing. They are subsequently measured and carried on the Balance Sheet at amortised cost. PWLB loan fair value estimates are based upon new borrowing (certainty rate) discount rates. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments elected in to the FVOCI category are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value in the Balance Sheet. Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Financial Instruments. Any gains/losses on de-recognition are taken directly to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Financial Instrument Revaluation Reserve.

(i) Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurances that the:

- Council will comply with the conditions attached to the payments; and
- Grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(j) Investment Property

Investment properties are those that are solely used to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset would be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals. [Page 30 of 80](#)

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserve Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(k) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administration purposes and that are expected to be used in more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of, Property, Plant or Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are valued into components where a component may be a significant proportion of the overall value of the asset. For example, asset values may be split between land, buildings and services. Where a component is replaced, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount, subject to the recognition principles detailed above being met.

Measurement

Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

IFRS13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access as the measurement date.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable input for the asset or liability.

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. The Council is unable to capture the impact of adopting IFRS13 in isolation as many other factors, such as market conditions, will have had an impact upon the valuation in the end.

Assets are initially measured at cost, comprising

- The purchase price

- Any cost attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurements bases:

- Vehicles, Plant and Equipment – depreciated historical cost.
- Land and Buildings - Fair value (the amount that would be paid for land and buildings in their existing use)
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Assets under construction – carried at cost until in use and then carried at EUV-SH.
- Surplus assets – best use fair value, based on what would be paid for the asset on the open market.
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from reversals of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains.)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains of the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged on the year of acquisition or disposal.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – Straight-line allocation over the useful life of the property as estimated by the Valuer (between 18 and 75 years).
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the item, as advised by a suitably qualified officer usually between 5 and 7 years.
- Community Assets – Not depreciated as their life is non-determinable,
- Land, Surplus assets not held for sale (land) and assets under construction - Not depreciated
- Surplus assets not held for sale (property) - Straight-line depreciation over the useful life of the asset up to 45 years.
- Infrastructure Assets - Straight-line depreciation allocation over the useful life of the asset up to 20 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item (as determined by the VOA), the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provisions of services. Depreciation is not charged on Asset Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on the disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement in addition to part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and then only can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from General Fund balance in the Movement in Reserves Statement.

(I) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a dispute that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate of the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set-up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(m) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund and HRA Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserve Statement so that there is no net charge against Council Tax for the expenditure incurred.

Certain reserves are kept to manage the accounting processes for Non-current assets, financial instruments, retirements and employee benefits. These do not represent usable resources for the Council. These reserves are explained in the relevant policies.

(n) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts so there is no impact on the level of Council Tax.

(o) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not receivable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(p) Principal and Agent Transactions

In its capacity as a billing authority the Council acts as an agent when collecting Council Tax & Non-Domestic Rate income and also with the COVID-19 Business Grants distributed on behalf of the Government. Council Tax income is collected and distributed by the Council both on its own behalf and as an agent for Precepting Authorities. Non-Domestic Rate (NNDR) income is collected on behalf of the Council, the Government, Derbyshire Fire and Rescue Authority & Derbyshire County Council. Business Grant income was provided to the Council by the Government and is distributed based on strict rules imposed by the Government.

Where the Council is acting as an agent, transactions are not reflected in the financial statements, except where cash is collected, or expenditure is incurred on behalf of the other bodies. In this case a debtor or creditor will be raised. Council Tax & NNDR income is included in the Comprehensive Income & Expenditure Statement on an accruals basis

(q) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The inventory is used in the delivery of Council services.

Work in progress on long-term contracts, where interim valuations are made, is included in the appropriate revenue accounts at historical cost covering the main cost elements (labour, materials, etc.)

(r) Leases

The Council accounts for leases as finance leases where the terms of the lease transfer substantially all the risks and rewards relating to the leased property to the Council. All other leases are classed as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as lessee

Finance Leases

Where a lease is classified as a finance lease, then the substance of the transaction is considered to be the same as if the authority had purchased the asset and financed it through taking out a loan.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The CIPFA LAS AAC Local Authority Code Board defer the implementation of IFRS 16 Leases in the Code of practice on local Authority Accounts. In the UK (the code) until the 2024/25 financial year.

Operating Leases

If a lease meets the Code's definition of an operating lease, the property in question is not required to be recognised as an asset in the authority's Balance Sheet and the payments under the lease will be a charge to revenue.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Council as lessor

Finance Lease

If the authority is the lessor in an operating lease, it will retain the property either as an item of property, plant and equipment or as an investment property on the Balance Sheet and credit rentals to income as they become payable, subject to any requirement to smooth the payments and/or the lease incentives.

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

If the authority is the lessor in an operating lease, it will retain the property either as an item of property, plant and equipment or as an investment property on the Balance Sheet and credit rentals to income as they become payable, subject to any requirement to smooth the payments and/or the lease incentives.

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	6 MARCH 2024	CATEGORY: RECOMMENDED
REPORT FROM:	AUDIT MANAGER	OPEN
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD Adrian.manifold@centralmidlandsaudit.gov.uk (01332 643281)	DOC: h/CJ/governance/AGS/2022/AGS committee report
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT 2023/24	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

That the report of the Audit Manager (Appendix 1) is considered, and any issues identified are subject to a follow-up report as appropriate.

2.0 Purpose of Report

2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit as at 9th February 2024.

3.0 Detail

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

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 None directly

6.0 Community Implications

6.1 None directly

7.0 Background Papers

7.1 None.



South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 6th March 2024



South Derbyshire
District Council



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Our Vision

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

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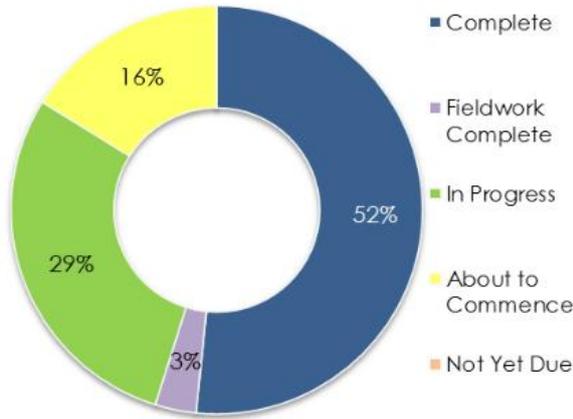


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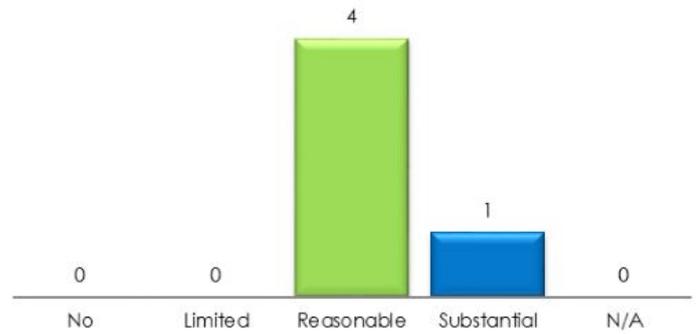
AUDIT DASHBOARD

Plan Progress



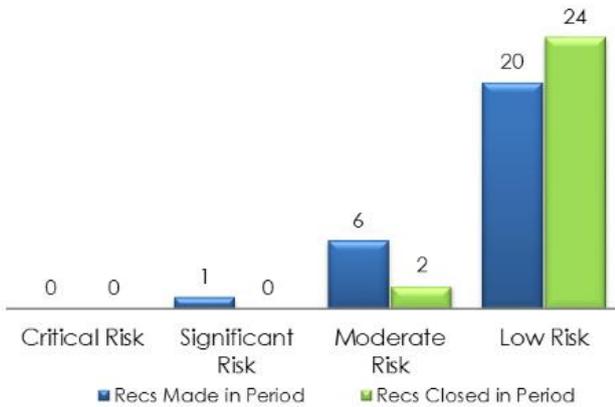
Jobs Completed in Period

Control Assurance Ratings During Period



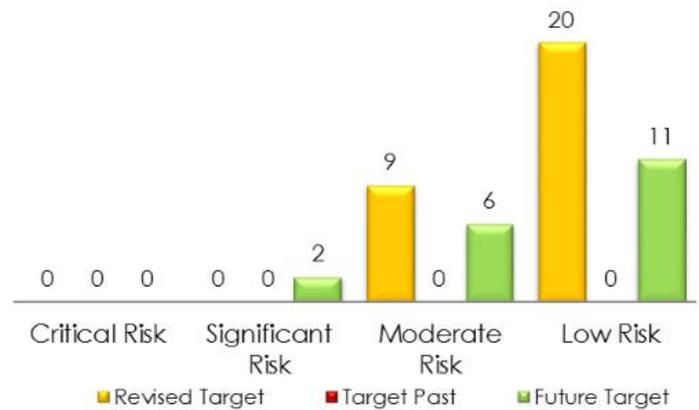
Recommendations

Movement During Period



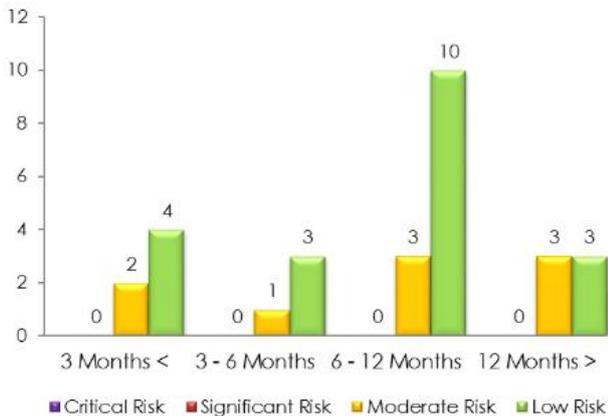
Recommendations

Recommendations Currently Open



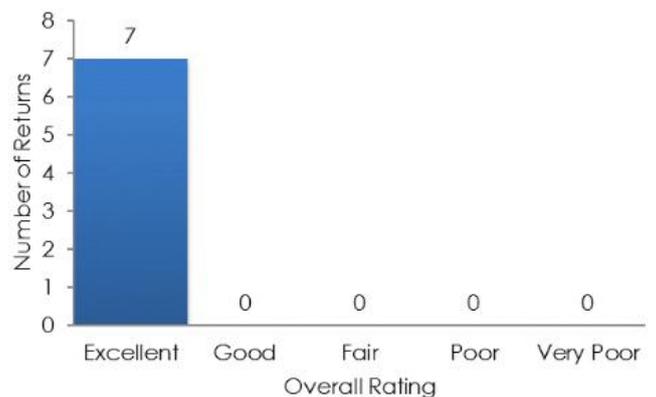
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Between Jan 23 & Jan 24



South Derbyshire District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following tables provide Audit Sub-Committee with information on how audit assignments were progressing as at 31st January 2024.

2023-24 Assignments	Status	% Complete	Assurance Rating
Leisure Centre Management - Tender 2023-24	In Progress	65%	
Bank House-Sabines Yard Project	Draft Report	95%	
Grant Certification 2023-24	In Progress	75%	
Revenues Systems 2023-24	In Progress	70%	
Housing Benefit & Council Tax Support 2023-24	In Progress	70%	
IT Key Controls 2023-24	Final Report	100%	Reasonable
Health & Safety 2023-24	Allocated	10%	
Trade Waste (Route Optimisation)	Allocated	10%	
Fleet Management 2023-24	Allocated		
Planning & Building Control Fees 2023-24	Allocated	10%	
Section 106 Agreements 2023-24	Final Report	100%	Substantial
Climate Change 2023-24	Allocated		
Warden Controlled Services 2023-24	In Progress	75%	
Rosliston Forestry Centre	Deferred		
Housing Repairs (2023-24	In Progress	75%	
Housing Safety Inspections 2023-24	In Progress	65%	
Improvement Grants 2023-24	In Progress	25%	
Rent Accounting 2023-24	Final Report	100%	Reasonable
Right To Buy - Follow-Up	Final Report	100%	Reasonable
Visitor Centre	In Progress	40%	
B/Fwd Assignments	Status	% Complete	Assurance Rating
Procurement 2022-23	Final Report	100%	Limited
Safeguarding 2022-23	Final Report	100%	Substantial
Capital Programme 2022-23	Final Report	100%	Substantial
Revenues Systems 2022-23	Final Report	100%	Substantial
Mobile Device Management	Final Report	100%	Reasonable
Data Quality & Performance Management 22-23	Final Report	100%	Reasonable
Street Cleansing 2022-23	Final Report	100%	Substantial
Development Management 2022-23	Final Report	100%	Substantial
Parks & Open Spaces 2022-23	Final Report	100%	Reasonable
Sheltered Housing - Careline 2022-23	Final Report	100%	N/A
Land Charges 2022-23	Final Report	100%	Reasonable
Organisational Culture & Ethics 2022-23	Final Report	100%	Reasonable

Plan Delays

We have struggled to progress a number of audit assignments for a variety of reasons. As part of the escalation process, these matters have been initially raised with Strategic Director, Corporate Resources (\$151 Officer) and subsequently with the Council's Leadership Team. Agreement has been reached on a way forward with each audit assignment.

South Derbyshire District Council – Audit Progress Report

Plan Changes

It has been agreed with Leadership Team that the Fleet Management audit will be delayed until the next Audit Plan year and the proposed audit of Debit/Credit Cards from the 2024-25 Audit Plan be brought forward.

South Derbyshire District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 17th November 2023 and 9th February 2024, the following audit assignments have been finalised.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Land Charges 2022-23	Reasonable			3	4	57%
Development Management 2022-23	Substantial				5	40%
Rent Accounting 2023-24	Reasonable			2		0%
Right To Buy - Follow-Up	Reasonable		1		3	50%
IT Key Controls 2023-24	Reasonable			1	8	78%

Land Charges 2022-23					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
Applications for searches have been recorded and the correct fees charged, receipted and banked in full.	7	3	0	4	
Records held within the Land Charges system are complete and accurate.	8	6	1	1	
The performance of the service is robustly monitored	5	1	0	4	
TOTALS	20	10	1	9	
Summary of Weakness		Risk Rating	Agreed Action Date		
Procedural guidance for carrying out searches and for the maintenance of the Land Charges Register had not been prepared.		Low Risk	Implemented		
Search results were not checked for accuracy and completeness, or correct fee, by a second officer prior to being sent to the customer.		Low Risk	Risk Accepted		
Invoices from the County Council for CON29 questionnaires were not checked to ensure they agreed with the number of completed questionnaires received.		Low Risk	Implemented		
There was no reconciliation between income due per the Land Charges system and income received in the bank.		Low Risk	Implemented		
Some historic data in the Land Charges register is not accurately spatially mapped		Moderate Risk	31/12/2024 Future Action		
There was no current signed Service Level Agreement in place with Lichfield District Council.		Moderate Risk	30/11/2023 Being Implemented 31/01/2024		
There was no regular monitoring of the Land Charges service provided by Lichfield District Council.		Moderate Risk	31/12/2024 Future Action		

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Development Management 2022-23					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	No
Planning applications are processed appropriately within prescribed timescales, and decisions are supported by evidence and made in accordance with delegated responsibilities.	15	15	0	0	0
Previous recommendations from the 2018/19 audit report concerning Development Management, dated November 2019, have been acted upon and are becoming embedded.	5	0	2	3	0
TOTALS	20	15	2	3	0
Summary of Weakness		Risk Rating	Agreed Action Date		
The recommendation to record the reasons for granting extensions to planning deadlines had previously been implemented but due to staffing changes and workload pressures, this was no longer being used in practice.		Low Risk	01/12/2023 Implemented		
The recommendation made to address the control weakness regarding, responses to consultations and notifications not always being effectively recorded in the planning software, had not been progressed.		Low Risk	31/03/2024 Future Action		
Email requests for information by Councillors were being accepted despite a preferred facility to properly record such requests, being available for use within the planning system.		Low Risk	31/12/2023 Implemented		
A proposed review to explore the ability of the planning system to automatically populate the chargeable field to calculate planning fees had not been completed.		Low Risk	31/12/2023 Being Implemented 30/04/2024		
Regular checks and/or reconciliations between the income recorded on the planning system and Agresso (the finance system) were not being completed as reported to Internal Audit in October 2020.		Low Risk	31/03/2024 Future Action		

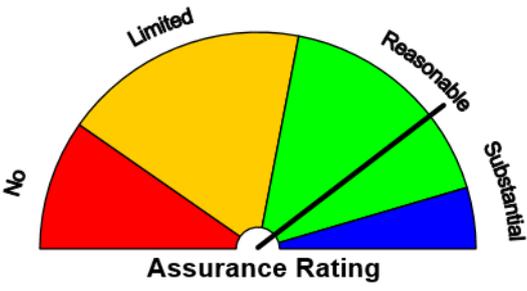
Rent Accounting 2023-24					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	No
The process for inputting information into the rent system is robust and accurate with the necessary checks in place.	5	4	1	0	0

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Tenants are charged at the correct rental rates from the correct dates.	6	4	2	0
Rent receipts are accurately and completely transferred to the rents system and allocated to the correct tenant accounts.	7	5	2	0
TOTALS	18	13	5	0
Summary of Weakness		Risk Rating	Agreed Action Date	
The rent increase spreadsheet was not annotated by the officer conducting the calculations or authorised by a reviewing officer to verify the validation process. Subsequently, incorrect rents had been charged for 80 properties over a six-month period in 2022.		Moderate Risk	31/03/2024 Future Action	
The reconciliation of housing benefits report was not being reviewed and authorised by a senior officer and discrepancies were not being fully explained when identified.		Moderate Risk	31/03/2024 Future Action	

<h3>Right To Buy - Follow-Up</h3>	<p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Actions taken by the Council, following the 2019-20 Council House Sales: Right To Buy audit, have adequately addressed the weaknesses in control, with systems becoming embedded into standard practices, to mitigate the potential risks.	7	1	5	1
TOTALS	7	1	5	1
Summary of Weakness		Risk Rating	Agreed Action Date	
Procedural guidance for the Right To Buy process was not fully aligned with government guidance and the eligibility assessment was not subject to check and authorisation.		Low Risk	31/03/2024 Future Action	
Section 125 offer notices issued by the Council did not include all the required information.		Low Risk	Implemented	
The Council's Right To Buy procedures did not prompt adequate eligibility checks and there was insufficient consideration of the potential for Right To Buy fraud.		Significant Risk	31/03/2024 Future Action	
The template cost floor calculation contained an error.		Low Risk	31/01/2024 Implemented	

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IT Key Controls 2022-23	 <p style="text-align: center;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure the security configuration, maintenance, and administration of the Council's cloud-hosted email system (Exchange Online) aligns with recognised best practices, with a specific focus on data protection, mail encryption, anti-phishing and anti-spoofing.	45	33	0	12
TOTALS	45	33	0	12
Summary of Weakness		Risk Rating	Agreed Action Date	
The National Cyber Security Centres (NCSC) Mailcheck assessment tool identified some DMARC, SPF and MTA-STS settings that did not align with cyber security best practices.		Low Risk	12/03/2024 Future Action	
The Inbox folder had been shared with the 'Default' security principle (everyone in the Council) on a number of sensitive shared mailboxes, breaching data protection principles.		Low Risk	Implemented	
Full access permissions to shared mailboxes was not always being revoked when users transferred to different departments within the Council. This had left the Ctax.NNDR@southderbyshire.gov.uk shared mailbox vulnerable to unauthorised access.		Moderate Risk	Implemented	
The Council had not performed a phishing exercise (test) to assess the effectiveness of their cyber security awareness training since January 2022.		Low Risk	Implemented	
Not all members granted the Organisation Management role in the Council's Exchange Online system could be justified. Specifically, permissions had not been removed (or reduced) for a former member of the service desk team when they had changed roles within the Council.		Low Risk	Implemented	
Access to the Microsoft admin portals (including Exchange Admin Centre), did not verify device security compliance via conditional access policies. Furthermore, MFA related conditional access policies were currently only in a 'report-only' mode, and not fully enabled.		Low Risk	19/02/2024 Future Action	
The Council was not proactively monitoring for compliance with the key rules of the email section of the Information Security & Acceptable Use Policy, and data analytics identified possible breaches of the policy requirements around mailbox records management.		Low Risk	Implemented	
Leaver's mailboxes were not being deleted from the system after the 90-day retention period, and confirmed leavers still had active accounts that could be used to access the Council's sensitive information assets, including user mailboxes and shared mailboxes.		Low Risk	Implemented	
The Council had only implemented 3 of the 8 Exchange Online recommendations tested for in the Microsoft Secure Score analysis tool.		Low Risk	Implemented	

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
09-Feb-24	IT Key Controls 2023-24	Reasonable			2
19-Dec-23	Right To Buy - Follow-Up	Reasonable			2
14-Dec-23	Rent Accounting 2023-24	Reasonable			2
17-Aug-23	Street Cleansing 2022-23	Substantial		1	2
23-Aug-23	Procurement 2022-23	Limited		1	1
02-Aug-23	Organisational Culture & Ethics 2022-23	Reasonable		2	
18-Aug-23	Revenue Systems 2022-23	Substantial		1	
05-May-23	Safeguarding 2022-23	Substantial		1	
22-Nov-23	Land Charges 2022-23	Reasonable		1	2
22-Nov-23	Development Management 2022-23	Substantial		1	2
14-Aug-23	Parks & Open Spaces 2022-23	Reasonable		1	5
31-Oct-22	Rosliston Forestry Centre 2022-23	Reasonable		3	
28-Feb-23	Records Management 2022-23	Reasonable		1	
02-Aug-23	Mobile Device Management	Reasonable		1	
24-Oct-22	Officers Expenses & Allowances 2022-23	Reasonable		2	
02-Aug-22	Income Streams	Reasonable		3	
22-Aug-22	Homelessness 2021-22	Substantial		1	
23-Feb-22	Climate Change	Substantial		1	
10-Mar-22	Rent Accounting 2021-22	Reasonable		3	
15-Sep-21	Insurance	Substantial			1
08-Mar-23	Electoral Services 2020-21	Reasonable		1	
16-Jun-21	Housing Repairs 2020-21	Limited		1	
06-Aug-20	Bereavement Services 2019-20	Reasonable		1	
22-Oct-20	Grounds Maintenance 2019-20	Reasonable		2	
		TOTALS		29	19

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

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

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

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Street Cleansing 2022-23						1
Procurement 2022-23					1	
Organisational Culture & Ethics 2022-23					1	1
Revenue Systems 2022-23						1
Safeguarding 2022-23						1
Land Charges 2022-23					1	
Development Management 2022-23						1
Parks & Open Spaces 2022-23						1
Rosliston Forestry Centre 2022-23					1	2
Records Management 2022-23						1
Mobile Device Management						1
Officers Expenses & Allowances 2022-23					1	1
Income Streams						3
Homelessness 2021-22						1
Climate Change						1
Rent Accounting 2021-22					1	2

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Electoral Services 2020-21					1	
Housing Repairs 2020-21					1	
Bereavement Services 2019-20					1	
Grounds Maintenance 2019-20						2
TOTALS					9	20

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.

Bereavement Services 2019-20	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Contract opportunities for the provision of a grave digging service had not been advertised on the Contracts Finder website, in line with the requirements of the Public Contract Regulations 2015, and there was no current contract in place.</p> <p>We recommend that the Council pursues one of the following actions:</p> <ul style="list-style-type: none"> • A corporate contract may be required for the area of spend and as such a formal tender exercise should be undertaken. • Engage the Council's DSO to provide the service at the rural cemeteries as well as the urban cemeteries. • The area of spend may be relevant to an existing or new framework agreement/contract which should be used to formalise the process. • If no competitive market is available this should be demonstrated and a formal exemption from the Contract Procedure Rule should be put in place. 	Moderate Risk
Management Response/Action Details	Action Date
All options will be assessed and taken forward after the Covid-19 pandemic is over as the risk of any changes to the service are too great at the present time.	01/01/2021
Status Update Comments	Revised Date
Our in-house operational services will take on grave digging in the rural areas to cover this.	01/06/2024
	Future Action

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Housing Repairs 2020-21	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>There was a high degree of manual input in scheduling repair jobs and the system in place to record repairs was heavily reliant on paper job tickets, resulting in inefficiencies and possible inaccuracies. We were unable to locate a job ticket for 10 of the 19 completed repair jobs selected for testing.</p> <p>We recommend that the Council considers the procurement of dynamic scheduling software. In the interim we recommend that:</p> <ul style="list-style-type: none"> • Clear guidelines are provided to operatives on the information required to be completed on job tickets and timesheets, to improve the quality of data subsequently entered into Orchard, the Council's Housing Management System. • The possibility of sending job tickets directly from Orchard to operative's smartphones (or scanning and emailing them) is investigated. • The capability of the smartphones issued is reviewed to establish whether job tickets can be viewed and edited or whether other hardware /software is required to do this. • Training requirements for operatives are considered to allow implementation of the above and further training be undertaken, where required. 	Moderate Risk
Management Response/Action Details	Action Date
<p>As part of the Council's Transformation Project, the renewed Orchard Contract package includes the option for the future purchase of dynamic scheduling/mobile working software. Written instruction for the completion of job tickets will be provided for operatives by the Interim Team Leader (by 30/07/2021). A possible interim solution for the electronic transmission of job tickets has been identified and is being tested. This will require new devices to be provided to operatives. The use of smartphone for this process has been tested and found to be not viable. Once testing of the process and new devices is complete this will be implemented across the team with the appropriate training.</p>	01/10/2021
Status Update Comments	Revised Date
<p>MRI/Accuserve implementation in progress. The kick off meeting is 24th July for Phase one which includes the Repairs Module.</p>	31/03/2024 Future Action

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Rent Accounting 2021-22	Rec No. 7
Summary of Weakness / Recommendation	Risk Rating
<p>Energy costs paid by the Council for individual properties were not consistently recharged to tenants and there was a large outstanding debt relating to this.</p> <p>We recommend that the Council writes off outstanding ground source heating debts where there is insufficient legal basis to pursue recovery. Furthermore, for existing tenants, appropriate action should be taken to obtain agreement to future energy cost charges, which should be invoiced as soon as possible to prevent further financial loss to the Council.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Agreed, the Former Tenant Arrears Officer will prepare the documentation for write off where recovery cannot be pursued against former / current tenants for ground source heating charges at Brook Street, Hartshorne.</p> <p>A third-party agent is currently being procured to take meter readings and prepare figures for consumption costs to the responsible tenant for payment. At this point it is the Councils intention for the third-party agent to read meters and invoice tenants, however this may change in so far as Business Support may invoice tenants and collect the payments which are due.</p> <ul style="list-style-type: none"> • Once procured, all existing tenants will be required to re-sign a contract indicating their agreement to be responsible for and pay their ground source heating charges to the Council. • All new tenants will sign a separate contract/letter when they sign their new Tenancy Agreement indicating their agreement to be responsible for and pay their ground source heating charges. • The Former Tenant Arrears Officer and the Tenancy Services Manager will have operational responsibility for implementing this recommendation. 	31/03/2022
Status Update Comments	Revised Date
<p>Outstanding debts have now been written off. Housing Review in place and new Head of Housing to be recruited. Process for heating costs to be recharged monthly at Carnegie House and Brook Street. Meter readings for Carnegie House are now being taken and billed monthly. Service Charge which includes energy costs for those under licence agreement in temporary accommodation. Still issues at Brook Street that the Asset team are working on with Raleigh Instruments. Hoping to resolve 12/02/2024.</p>	31/12/2024 Future Action

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

Officers Expenses & Allowances 2022-23	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The Council's expenses policy did not support the Council's Staff Travel Plan, adopted to reduce the environmental impact of the journeys made by Council employees, and the mileage expenses paid were considered to be uneconomic and did not offer efficiency or value for money for the residents in the District.</p> <p>We recommend that the Council considers the savings that could be made by adopting the HMRCs (or a hybrid) scheme for paying mileages expenses. Pool cars could also be considered to reduce the need for paying lump sums for essential users (electric ones would also contribute to the Council's Staff Travel Plan.)</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>An options appraisal will be undertaken as part of the Council's recruitment and retention package.</p>	31/07/2023
Status Update Comments	Revised Date
<p>Work has commenced to consider options to reimburse officers using different modes of transport other than petrol/diesel cars. This will be subject to formal consultation. Once completed, and if approved, will be included in the Expenses Policy.</p>	31/03/2024
	Future Action

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Rosliston Forestry Centre 2022-23	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>Some of the pathways through the forest were in poor condition and no longer accessible to members of the public with disabilities. Ongoing talks with Forestry England regarding the lease agreement was delaying any repair works, causing them to increase in cost.</p> <p>We recommend that the Council, in conjunction with Forestry England, negotiate a lease agreement that clearly outlines the Council's responsibilities within the Forestry Centre. Should the maintenance of pathways fall with the Council, they should then look at repairing these pathways or altering the visitor map to make people aware that they are no longer entirely accessible.</p>	Moderate Risk
Management Response/Action Details	Action Date
To be considered as part of the lease renewal. Possible funding opportunities via the National Forest.	01/06/2023
Status Update Comments	Revised Date
A new lease has been agreed with Forestry England for 30 years. A 'Revitalising Rosliston' consultation has started which will help create the future vision for the site and identify where investment is best placed.	30/06/2024 Future Action

Procurement 2022-23	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>10 of the 11 key performance indicators documented in the contract were no longer being monitored, with no information being supplied from the Procurement Service Provider.</p> <p>We recommend in accordance with the contract, information for all 11 key performance indicators should be provided to the Council by the Procurement Service Provider and then verified to enable effective monitoring. This will ensure compliance with the contract and enable the Council to identify any issues with performance in a timely manner in order for appropriate action(s) to be taken.</p>	Moderate Risk
Management Response/Action Details	Action Date
The agenda for the recently timetabled quarterly review meeting will include a KPI report to be reviewed as part of the meeting. Any issues of under-performance or non-compliance will be addressed in line with the contract.	01/10/2023
Status Update Comments	Revised Date
KPIs to be reviewed at the next six monthly meeting.	01/03/2024 Future Action

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Organisational Culture & Ethics 2022-23	Rec No. 1
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 undertake an employee survey aimed at assessing officer opinions on the Council's culture, ethics and values. The results of the survey should then be used to make improvements, where necessary, for any common themes or patterns resulting from the data.</p>	Moderate Risk
Management Response/Action Details	Action Date
Plans are underway to deliver the Employee Survey in Autumn 2023	30/11/2023
Status Update Comments	Revised Date
The employee survey is being completed from 13 th November – 22 nd December 2023. The results are scheduled to be published by 29 th March 2024.	29/03/2024
	Future Action

Land Charges 2022-23	Rec No. 6
Summary of Weakness / Recommendation	Risk Rating
<p>There was no current signed agreement in place with Lichfield District Council for the provision of a Land Charges service.</p> <p>We recommend that the Council determines the preferred option for future provision of the Land Charges service and enters into a formal agreement to reflect this.</p>	Moderate Risk
Management Response/Action Details	Action Date
The agreement was with the service provider for approval. A recent signed copy has been received for completion.	30/11/2023
Status Update Comments	Revised Date
The agreement is still with Lichfield District Council, completion of this is being chased.	31/01/2024
	Action Due

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.

Homelessness 2021-22	Rec. No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>The Homelessness and Rough Sleeping Strategy 2020-2025 had not been formally published on the Council's website in its final version and the current draft did not have a version control log or a record of responsible officers for actions detailed in the action plan.</p> <p>We recommend that the Homelessness and Rough Sleeper Strategy 2020-25 is updated to include a version control log and that the action plan within is updated to include the responsible officers for each action. The final version should then be made available on the Council's website in accordance with the Homelessness Act 2002.</p>	Low Risk
Management Response/Action Details	Action Date
<p>A version control log will be added to the Strategy.</p> <p>Responsible officers will be assigned to the actions in the action plan further to the start-up of the Homelessness & Rough Sleeper Strategy Working Group.</p> <p>Housing to liaise with the Communications Team around the final version being published on the website.</p>	31/12/2022
Status Update Comments	Revised Date
Policy currently being updated by officers.	20/10/2023
	Action Due

Grounds Maintenance 2019-20	Rec. No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The specification and associated bills of quantities were out-of-date, having not been updated since 2011.</p> <p>We recommend that resources should be identified to review and update the specification and associated bills of quantity to reflect the current situation, to ensure better clarity over the areas covered within the 'contract' and the detailed requirements.</p>	Low Risk
Management Response/Action Details	Action Date
<p>Previous detailed specification to be reviewed for Housing land and Cultural and Community Service land. Timing will depend on when restructures are in place. Officers with operational responsibility are the Parks and Green Space Manager and the Housing Improvement and Asset Manager.</p>	01/10/2021
Status Update Comments	Revised Date
<p>Information/data that was available to transfer from the existing specification and Bill of Quantities has been added to the Operational Services GIS system. This data will need to be fully reviewed in conjunction with the clients and any missing data added. This work will require substantial time resources and will need to be scheduled after significant projects such as implementation of a new waste management system, route optimisation and the hydrogen hybrid trial, within Operational Services have been completed.</p>	31/10/2024
	Future Action

South Derbyshire District Council – Audit Progress Report

Climate Change	Rec. No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>There was a low uptake of Climate and Environment training for Councillors, and we were unable to establish whether there was a lead Council Member for Climate and Environment.</p> <p>We recommend that Councillors are encouraged to attend Climate and Environment training, as is required for all Council officers. Additionally, we recommend that consideration should be given to identifying a lead Council Member for Climate and Environment.</p>	Low Risk
Management Response/Action Details	Action Date
<p>We delivered on-line climate training for members in early 2021, although no record of the number of attendees was taken. We propose to offer further member training following the publication of the second iteration of our Climate and Environment Action Plan in summer 2022. Attendance will be encouraged but not mandated.</p> <p>Councillor Taylor (as Chair of the Environment & Development Services Committee) is currently appointed as Champion for Environment, Waste & Recycling. This appointment is considered to cover the climate change agenda.</p>	01/09/2022
Status Update Comments	Revised Date
<p>Training is being developed by the Climate and Environment Officer, to be delivered 29th March 2024.</p>	<p>31/03/2024</p> <p>Future Action</p>

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	6 MARCH 2024	CATEGORY: RECOMMENDED
REPORT FROM:	AUDIT MANAGER	OPEN
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD Adrian.manifold@centralmidlandsaudit.gov.uk (01332 643281)	DOC: h/CJ/governance/AGS/2022/AGS committee report
SUBJECT:	INTERNAL AUDIT PLAN 2024-25 AND AUDIT CHARTER	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

That the proposed Internal Audit Plan for 2024/25 (Appendix 1) is considered and approved for implementation, subject to any changes agreed by the Committee.

2.0 Purpose of Report

2.1 To consider the proposed Internal Audit Plan for 2024/25. This is in accordance with the Public Sector Internal Audit Standards (PSIAS) which requires Internal Audit to develop a risk-based plan to direct its work in the forthcoming financial year.

3.0 Detail

3.1 The Audit Plan has been drawn up by the Audit Manager in consultation with the Council's Leadership Team. The Plan details where Internal Audit is proposing to allocate its resources over the financial year 2024/25.

3.2 This process involves a risk assessment of the Council's key operations with reference to the Council's key risks and objectives which helps to inform how audit will allocate resources.

3.3 The Plan and Charter also details the audit approach and coverage that the Council can expect from the Internal Audit Service. The Audit Sub Committee is requested to consider priorities and the proposed allocation of audit resources for 2024/25.

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 – Internal Audit Plan 2024-25 & Audit Charter

Audit Sub-Committee: 6th March 2024



South Derbyshire
District Council



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Our Vision

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

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Introduction

Purpose of Report

The purpose of this report is for the Board to approve the Internal Audit Charter and Annual Internal Audit Plan for 2024-25.

Role of Internal Audit

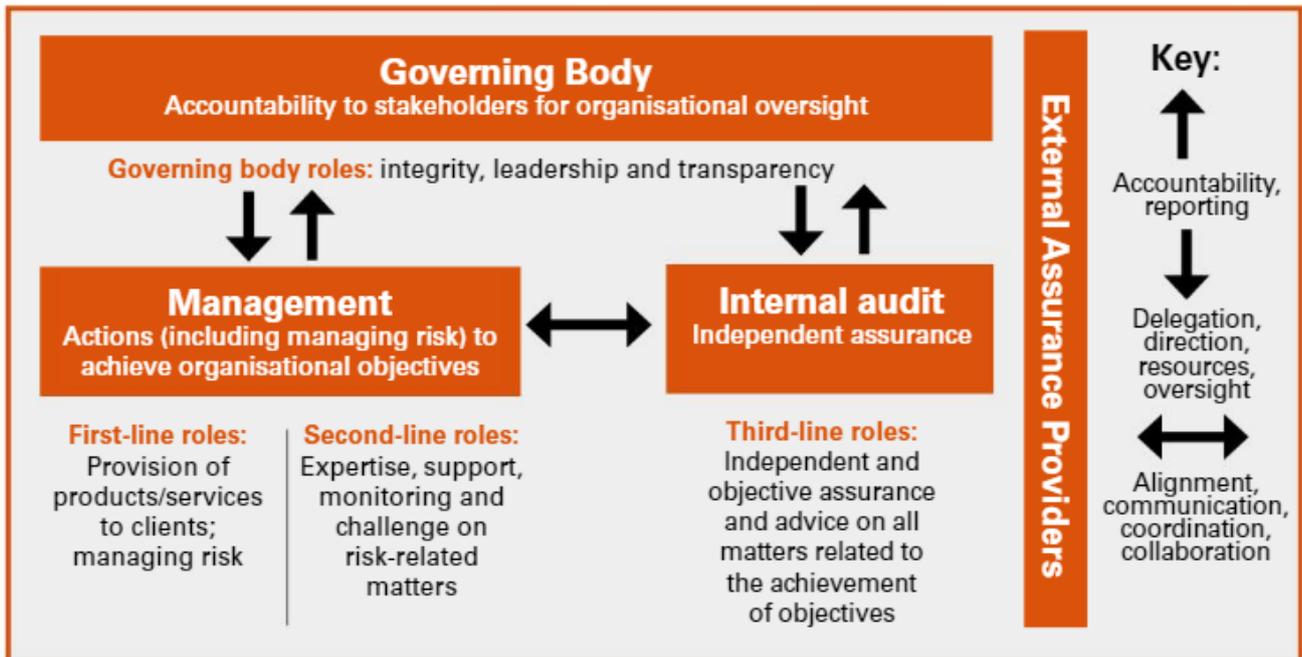
All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015.

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

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

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

IIA Global's Three Lines Model:



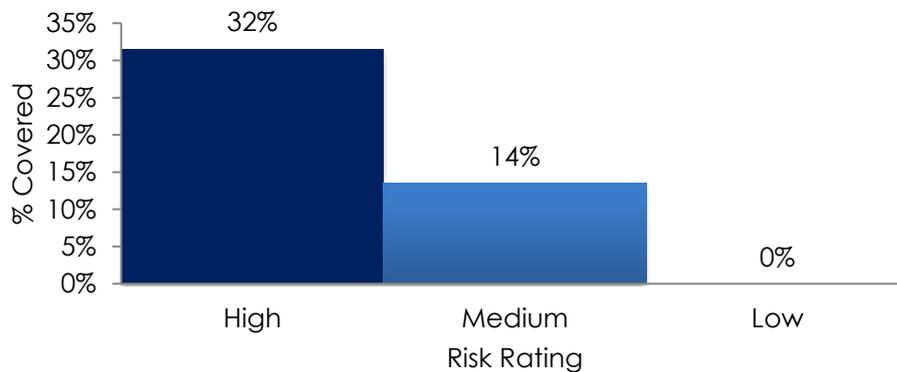
Internal Audit Plan

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

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

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

2024-25 Coverage of Auditable Areas by Risk Rating Category



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

Internal Audit Charter

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

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

The International Professional Practices Framework (IPPF) has undergone a comprehensive restructure, resulting in new Global Internal Audit Standards. The new standards will be effective as of 9th January 2025. The implications of the new standards on our Internal Audit Charter are yet to be determined.

Approach to Audit Planning

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

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

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

Once the scores for each of the 79 auditable areas identified have been input to the risk model, along with the date when the area was last audited, the risk model will automatically generate a plan of suggested audit coverage. Senior management are consulted on the proposed plan and their views are taken account of before producing the final, ranked list of areas to audit. This year's risk assessment identified 19 High risk areas, 59 Medium risk areas and 1 Low risk area.

Types of Audit Work

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

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

Control categories with examples



Source: Chartered Institute of Internal Auditors – Resources – Control

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

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

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

South Derbyshire District Council – Audit Plan 2024-25

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

Client Support/Consultancy Work

The scope of the consultancy service that CMAP can offer is constrained by our skills set. Accordingly, consultancy work is likely to be on areas where the control framework is in development or subject to changes. The advice offered by Internal Audit in its consultancy role may include advising on the design and implementation of new policies, processes, and systems; providing forensic/analytic services; providing training; and facilitating discussions about risks, controls and governance arrangements.

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

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

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

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

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

Brought Forward Jobs - A number of incomplete audits from the 2023-24 Audit Plan will need to be concluded in 2024-25.



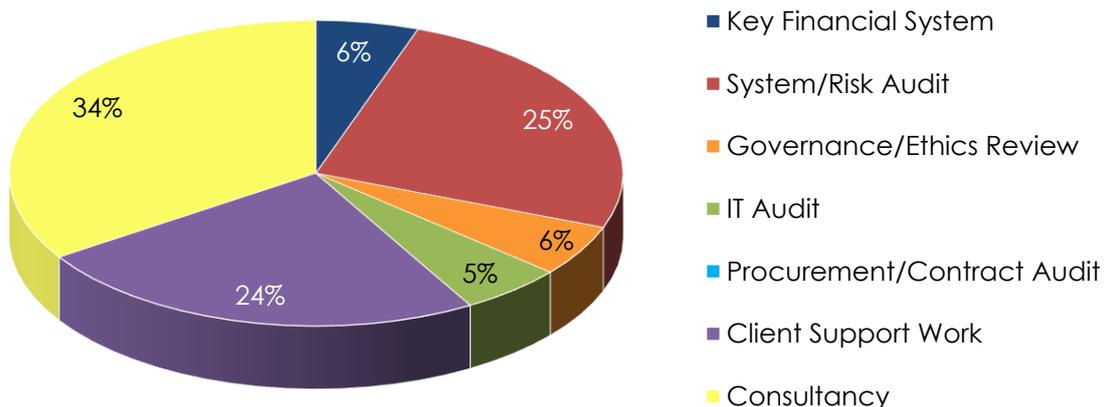
Appendix A - Audit Plan Detail

Our risk assessment of the Council's activities, in consultation with senior management, has concluded that the following audits will be undertaken in 2024-25:

Audit Plan Assignments	Risk Rating	Indicative Quarter
Key Financial Systems Reviews		
Payroll	High	Q2
Governance/Ethics Reviews		
Corporate Governance	Medium	Q3/Q4
System/Risk Reviews		
Business Change & Transformation	Medium	Q1/Q2
People Management (Policies)	Medium	Q2
Rosliston Forestry Centre	Medium	Q1/Q2
Pest Control	Medium	Q3/Q4
Rechargeable Repairs	Medium	Q2/Q3
Allocations & Homelessness	Medium	Q2/Q3
IT Audit Reviews		
IT Infrastructure/Applications	High	Q2/Q3
Consultancy		
Significant Contracts (Data Analytics)	High	Q1
Strategic Transformation	High	Q1 - Q4
Grant Certification	Medium	Q1 - Q4
Debit/Credit Cards	High	Q1
Risk Management	High	Q2

The detailed scopes of each audit assignment will be agreed with the relevant managers nearer the commencement of the audit. The cost of the Internal Audit Service for 2024-25 is £183,278.

Audit Plan 2024-25 per Type of Audit



Appendix B - Audit Charter

Purpose & Mission

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

Standards for the Professional Practice of Internal Auditing

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

Authority

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

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

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

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

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

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

Independence & Objectivity

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

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

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

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

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

Internal auditors will:

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

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

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

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

Scope of Internal Audit Activities

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

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

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

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

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

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

Responsibility

The Chief Audit Executive has the responsibility to:

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

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

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

Quality Assurance & Improvement Programme (QAIP)

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

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



Central Midlands
Audit Partnership

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	06 MARCH 2024	CATEGORY:
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	HAYLEY CLARK, PARTNER HClark3@uk.ey.com	DOC:
SUBJECT:	INTERIM VALUE FOR MONEY REPORT 2021-22 AND 2022-23	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations (

1.1 That the Sub-Committee note the report (Appendix 1).

2.0 Purpose of the Report

2.1 The accompanying report has been issued by the Council's auditors Ernst and Young LLP (EY).

3.0 Introduction

3.1 EY are the council's appointed auditors to 2023/24.

3.2 Hayley Clark, Partner, will be present at the meeting to present the report.

4.0 Financial Implications

4.1 The scale fees paid to EY are prescribed by the PSAA (Public Sector Audit Appointments) and are included in the budget.

5.0 Corporate Implications

Employment Implications

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

Legal Implications

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

Corporate Plan Implications

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

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

7.0 Community Impact

Consultation

7.1 There are no consultation matters to be considered.

Equality and Diversity Impact

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

Social Value Impact

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

Environmental Sustainability

7.4 There are no environmental sustainability matters to be considered.

South Derbyshire District Council

Audit progress update

4 March 2024

Overview

This paper seeks to update members of the Audit Sub-Committee on the progress of the external audit for the 2021/22 and 2022/23 financial years.

Local audit market update

There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to:
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to launch a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and the audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely that the outcome will be that we will issue a disclaimer of opinion on the Council's 2021/22 and 2022/23 financial statements. The proposed disclaimer/qualification of the Council's 2021/22 and 2022/23 accounts will likely impact the audit procedures needed to gain assurance on the 2023/24 financial statements and the form of your audit report in 2023/24 and subsequent years during the recovery phase, which should be discussed with your auditor for 2023/24 and beyond.

Progress update

As set out in the letter from Stephen Reid, Partner, UK Head of Public Sector Audit, dated 6 December 2023, we have been prioritising our limited resources to maximise assurances whilst guidance has been awaited.

For South Derbyshire District Council this has meant focusing on Value for Money procedures for 2021/22 and 2022/23, given there were no anticipated changes to value for money reporting requirements, auditors' exception reporting responsibilities and statutory powers.

The value for money work usually leverages certain elements of our audit of the financial statements – as this is unable to go ahead at this time, we have needed to perform certain aspects that would traditionally have been performed during the financial statements audit. In addition, we are undertaking procedures such as agreeing the financial statements to the trial balance, completing the disclosure checklist and our cash and cash equivalents work (focused on review of bank reconciliations). In the context of the reset of the local government sector, these additional procedures aim to provide some additional assurance to members.

Our procedures are substantially complete and are subject to finalisation of our review procedures. Our initial observations include:

1. Budget setting

During 2021/22 internal audit identified a significant risk finding where they concluded that *"The annual General Fund, Housing Revenue Account and Capital budgets were not formally received and approved by Full Council, as required by the Council's Constitution and to meet the requirements of the Local Government Act 2000"*. This has also been included in the Annual Governance Statement for 2021/22, along with details of remedial action.

Article 4 of the Constitution states that Full Council will exercise certain functions, which include the following relating to the budgets:

- ▶ To approve and adopt the Council's Revenue Budget (General Fund and Housing Revenue Account);
- ▶ To approve and adopt the Council's Capital programme (General Fund & Housing);

From review of the Council meeting minutes of 24 February 2021 there is no evidence that the full budgets for the General Fund, Housing Revenue Account and the Capital programme have been received and approved by Council.

Given that the approval of the budget is a statutory requirement of full council we consider this to be evidence of a significant weakness in relation to Governance- how the body ensures that it makes informed decisions and properly manages its risks, specifically related to how the body approaches and carries out its annual budget setting process.

We are currently considering the above with management before reaching a formal conclusion and are reviewing the process for subsequent financial years. Whilst we can see that the 2022/23 General Fund budget was included in the papers to Full Council on 23 February 2022 and that this was approved, the budgets for the Housing Revenue Account and Capital Programme appear to have been omitted.

As a result of the above we have identified a risk of significant weakness for 2021/22 and 2022/23 and are likely to report on an exception basis that there is an identified significant weakness in the budget setting process as set out above.

We will also need to consider whether the matter constitutes non-compliance with laws and regulations and any further procedures required as a result.

Management response:

The auditors' findings, subject to further investigation, are accepted. The 2024/25 budget setting has complied in full with the statutory requirements of the Local Government Act, with approvals at its meeting on 28 February 2024. This has included separate decisions in relation to approval of the:

- ▶ General Fund revenue budget
- ▶ Housing Revenue Account revenue budget
- ▶ General Fund and HRA Capital Programmes
- ▶ Council Tax setting
- ▶ Rent setting
- ▶ Fees and charges
- ▶ Treasury Management Strategy
- ▶ Capital Strategy
- ▶ Non-Treasury Investment Strategy
- ▶ Prudential Indicators
- ▶ Minimum Revenue Provision Policy.

We are currently considering the position in previous years with the External Auditor. This includes the findings of the Auditor's Annual Report for the Year ended 31 March 2021, which was issued in June 2023, which stated that the budget once completed was approved by Council.

2. Inspection period

In September 2023 we identified that the inspection period for the 2021/22 financial statements had not been publicized and undertaken. We notified management of this on 28th September 2023 and they acted and published the accounts for inspection from 22nd November 2023 to 10th January 2024.

Management response:

The auditors' findings are accepted. Appropriate steps to resolve this matter were taken immediately once identified, with the publishing of the accounts' inspection notice on 28 September 2023.

3. Risk management

During our discussion with officers and review of the Council's risk management process and risk registers we have identified that there are three risk registers (Corporate, Chief Executive and Services) comprising of over 50 risks that are monitored via the Council's committees.

Whilst there is evidence of these risks being monitored and managed, there is a risk that the most strategic risks impacting the Council are not given due regard or attention. The Council should evaluate whether the current risk management structure is delivering efficient and effective risk management, and whether it is clear what the most strategic risks are to the organisation and what committees those risks be should be received by.

Management response:

The auditors' findings are accepted and a review of the Council's risk management process is underway.

4. Medium Term Financial Planning Strategy

During our discussion with officers and review of the MTFP we have identified that the Council does not have a formal strategy in place for its MTFP. From review of the MTFP we note that whilst potential risks are identified and the impact of these on the expected financial outturn and reserves position is detailed, no information is included on longer term financial management of this position, strategies to mitigate risks and implications for the Council.

Management response:

The auditors' findings are accepted. A Medium-Term Financial Strategy is tabled for consideration by the Finance and Management Committee on 14 March 2024 and is subject to Council approval on 11 April 2024.

Transition to your new auditor

Our proposed approach is designed to ensure that we can effect the reset successfully and then enable capacity to support the system recovery by focusing on the most recent year's financial statements, being 2023/24, and getting the audit timetables back on track. We therefore encourage engagement with your newly appointed auditor to commence your audit of 2023/24 to support a sustainable recovery of the audit arrangements across the sector and, importantly timely reporting to the Council.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 11
DATE OF MEETING:	06 MARCH 2024	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	TRACY BINGHAM (01283 595811) tracy.bingham@southderbyshire.gov.uk	DOC:
SUBJECT:	COMMITTEE WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: G

1.0 Recommendations

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

2.0 Purpose of Report

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

3.0 Detail

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

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

**Audit Sub-Committee
Work Programme for the Municipal Year 2023/24**

Work Programme Area	Date of Committee Meeting	Contact Officer (Contact details)
Internal Audit Annual Report 2022-23	21 June 2023	Adrian.manifold@centralmidlandsaudit.co.uk
Internal Audit Progress Report 2022-23	21 June 2023	Adrian.manifold@centralmidlandsaudit.co.uk
Local Code of Corporate Governance Review	21 June 2023	Ardip.sandhu@southderbyshire.gov.uk
Annual Governance Statement 2022/23	21 June 2023	Ardip.sandhu@southderbyshire.gov.uk
Internal Audit Progress Report 2023-24	06 September 2023	Adrian.manifold@centralmidlandsaudit.co.uk
Audit Committee – Self Assessment	06 September 2023	Tracy.bingham@southderbyshire.gov.uk
Internal Audit Progress Report 2023-24	06 December 2023	Adrian.manifold@centralmidlandsaudit.co.uk
Audit Coverage 2024-25	06 December 2023	Tracy.bingham@southderbyshire.gov.uk
Level of Materiality 2023/24 Accounts	06 March 2024	Tracy.bingham@southderbyshire.gov.uk
Accounting Policies 2023/24	06 March 2024	Tracy.bingham@southderbyshire.gov.uk
Internal Audit Progress Report 2023-24	06 March 2024	Adrian.manifold@centralmidlandsaudit.co.uk

TBC: Reports from External Audit