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Date: 9 December 2014

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 17 December 2014 at 16:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**
Councillor Harrison (Chairman), Councillor Ford (Vice-Chairman) and
Councillor Murray.

Labour Group
Councillors Dunn and Shepherd.



AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Apologies | |
| 2 | To receive the Open Minutes of the Meeting held on 24.09.2014. | |
| | 24.09.2014 | 3 - 7 |
| 3 | To note any declarations of interest arising from any items on the Agenda | |
| 4 | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| 5 | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| 6 | INTERNAL AUDIT QUARTERLY PROGRESS REPORT | 8 - 28 |
| 7 | EFFECTIVENESS OF AUDIT COMMITTEES | 29 - 41 |
| 8 | TERMS OF REFERENCE | 42 - 47 |
| 9 | LOCAL CODE OF CORPORATE GOVERNANCE - WORK PLAN 2014/15 | 48 - 51 |

Exclusion of the Public and Press:

The Chairman may therefore move:-

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

- | | | |
|-----------|--|--|
| 10 | To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
|-----------|--|--|

AUDIT SUB-COMMITTEE

24th September 2014

PRESENT:-

Conservative Group

Councillor Harrison (Chairman) and Councillor Mrs. Hood.

Labour Group

Councillor Shepherd

AS/07.

APOLOGIES

Councillors Ford and Dunn

AS/08.

MINUTES

The Open Minutes of the Meeting held on 18th June 2014 were approved as a true record.

AS/09.

DECLARATIONS OF INTEREST

None received.

AS/10.

TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PRODEDURE RULE NO 10.

None received.

AS/11.

TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PRODEDURE RULE NO 11.

None received.

AS/12.

AUDIT FINDINGS FOR SOUTH DERBYSHIRE

A report was submitted by Grant Thornton, the Council's appointed auditors. This was the statutory annual report on the Council's accounts and financial statements for 2013/2014. The Sub-Committee was asked to consider the report and its recommendations, together with the proposed management responses. Tony Parks and Avtar Sohal of Grant Thornton were in attendance at the Meeting and presented the report. It provided details on the audit of the Council's annual accounts, financial statements and its internal control framework for 2013/14, together with issues arising. Consequently, the report provided an opinion on those accounts. Following consideration at this Committee, the accounts and financial statements themselves will be

presented to the Finance and Management Committee on 25th September 2014 for formal adoption and publication.

The executive summary of the report stated that the audit was substantially complete with some remaining areas where work is being finalised. The anticipated opinion to be provided was an unqualified one on the financial statements.

The key messages arising from the audit of the financial statements were:

- No adjustments were identified affecting the Council's reported surplus on provision of services of £2,164k.
- A number of misclassification and disclosure changes were identified during the course of the audit. Management had adjusted the financial statements for all these changes.
- The draft accounts and supporting working papers presented for audit, whilst adequate, were not to the same high standard as last year.
- A number of adjustments had been identified to improve the presentation of the financial statements.

In addition, the report assessed overall value for money arrangements. Based on the review of the Council's arrangement to secure economy, efficiency and effectiveness in its use of resources, the auditors proposed to give an unqualified value for money conclusion.

Consideration was given to the detailed report. The Auditors highlighted areas within the report to be noted. Consideration was then given to the appended action plan.

Clarification was sought in regard to the reported surplus on provision of services of £2164k and whether this was the actual surplus at the end of the year. Officers explained that this figure was subject to other adjustments such as depreciation and the final outturn reported figure was less than this.

Arising from a Member's question about why the draft accounts and supporting working papers presented for audit, whilst adequate, were not to the same high standard as last year. Officers explained that a number of staff changes had an impact of the standard of presentation given to the draft accounts and that a review of the department's resources and the ability to maintain the previously high standards will follow.

Clarification was requested in regard to the misclassification of the two figures stated for bad debt provisions and collection fund receivables. The auditor clarified that this was due to mis-posting and were contra entries with no effect on the reported balance.. A further request was made that the accuracy of these figures be looked into further by the Auditor..

Further explanation was provided in response to a Member's question, regarding the Derbyshire Pension Fund overpayments and underpayments highlighted in the report. It was requested that some assurances be sought from the Pension Fund Administrators that these errors would not happen in the future. It was also noted that this did not affect the figures being reported within the Council's statement of accounts, but that it be noted and raised with the County Treasurer.

At the end of the audit, the Council was required to provide a letter of representation. This required the Council's Chief Finance (Section 151) Officer to provide assurances about the status of the accounts and financial statements. At the end of this process, the Chief Finance Officer would officially sign the letter to finalise this particular part of the audit work for the year.

RESOLVED:-

- (1) That the report of the External Auditor is approved***
- (2) That the Action Plan in Appendix A to the report is approved.***
- (3) That the Council's Chief Finance (Section 151) Officer will officially sign the Letter of Representation as attached to the report to finalise this particular part of Audit work for the year.***

AS/13.

INTERNAL AUDIT PROGRESS REPORT

The Sub-Committee considered the Internal Audit Quarterly Progress Report, prepared by the Audit Manager. This summarised the performance and activity of Internal Audit between 1st June 2014 and 31st August 2014. The Audit Manager highlighted the progress rates for each review and explained that since the report was produced a further 4 assignments had been finalised. Four audit assignments were completed during the period, all of which received a comprehensive or reasonable rating so there were no specific issues to be brought to the Committee's attention. There was one significant risk from the housing repairs audit relating to rechargeable repairs and relevant progress had since been made on this issue in line with the implementation date.

Also reported was the good customer satisfaction rating and the high return rates for customer satisfaction.

In reference to the achievement of the audit plan, it was reported that 5 months into the year progress was currently behind, but it was anticipated that this will catch up as the year progresses. In reference to recommendation tracking there were 10 still being implemented and there were no concerns arising from this.

One other recommendation that was highlighted was relating to the leisure centre contracts which still remain outstanding. Members asked why this was still an ongoing issue. An officer explained the current issues relating to the contract and how this is progressing.

RESOLVED:-

That the report be accepted. No specific issues be reported back to the Finance & Management Committee arising from it.

AS/14.

AUDIT COMMITTEE TRAINING PROGRAMME

The Internal Audit Manager presented the report providing proposals for training for Audit Sub Committee Members. A list of the proposed subjects was provided in Appendix 1 to the report.

It was suggested that the sessions could be provided in 15 min sessions at the start of committees as an ideal opportunity to deliver this training or if there was specific areas that required details then perhaps organising separate training to cover this. It was suggested by the Audit Manager that these subjects could be delivered by external audit as well as internal audit.

The Sub Committee discussed the training proposals. Concerns were expressed that 15 minute sessions would not be enough for these subjects. It was suggested that an evening session to deliver training would be the best way to deliver the applicable training for Sub Committee Members and it should also be offered to the wider members and also to other Authorities.

RESOLVED:-

That an evening training session on the required areas be provided to Council Members

AS/15.

LOCAL AUDIT AND ACCOUNTABILITY ACT

The Sub-Committee considered a report from the Director of Finance & Corporate Services. The report detailed the provisions set out in the Local Audit and Accountability Act 2014 and the effects that this would have on the Council's Audit, Accounting and overall governance arrangements.

One of the provisions of the Act is that the Council would in the future be allowed to appoint its own external auditors due to the abolition of the Audit Commission on 31st March 2015. A transitional body will manage existing contracts up to 2017 or 2020 if DCLG opts to extend existing contracts. EY has been appointed as the Council's external auditor for 2015/16 for an initial period of 2 years. In the future, the Council has two options in the way it can appoint its external auditor.

Option 1 would be a collective procurement exercise where the Council would opt-in to a procurement process where an appointed body approved by the Government would procure and monitor auditors on behalf of Councils that choose to opt-in.

Option 2 would require the Council to establish a local independent auditor panel. This panel would assume the role as the appointed body in Option 1 and be responsible for recommending an external auditor to Full Council.

A second provision of the Act has provided the Secretary of State with further legal powers to control publicity. The regulations provide that anyone can attend a public meeting and record, photograph or use social media to post or share the results of their reporting activities during or after a meeting. The Authority will need to update its procedures to allow this to happen.

RESOLVED:-

- (1) That the report has been considered and noted***
- (2) That updates are provided to the Committee relating to developments on the options for the Council to appoint its external auditor from April 2017.***
- (3) That any other emerging issues requiring an update are identified and are subject to a future report to the Committee***

J. HARRISON

CHAIRMAN

The meeting terminated at 5:10 p.m.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	17th DECEMBER 2014	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/internal audit/quarterly report cover
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

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

2.0 Purpose of Report

2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit between 1st September and 30th November 2014.

3.0 Detail

3.1 The detailed report is attached.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 17th December 2014



Our Vision

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

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South Derbyshire District Council – Internal Audit Progress Report

Summary

Role of Internal Audit

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

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

Recommendation Ranking

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

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

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

Control Assurance Definitions

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

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

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

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Audit Coverage

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 30th November 2014.

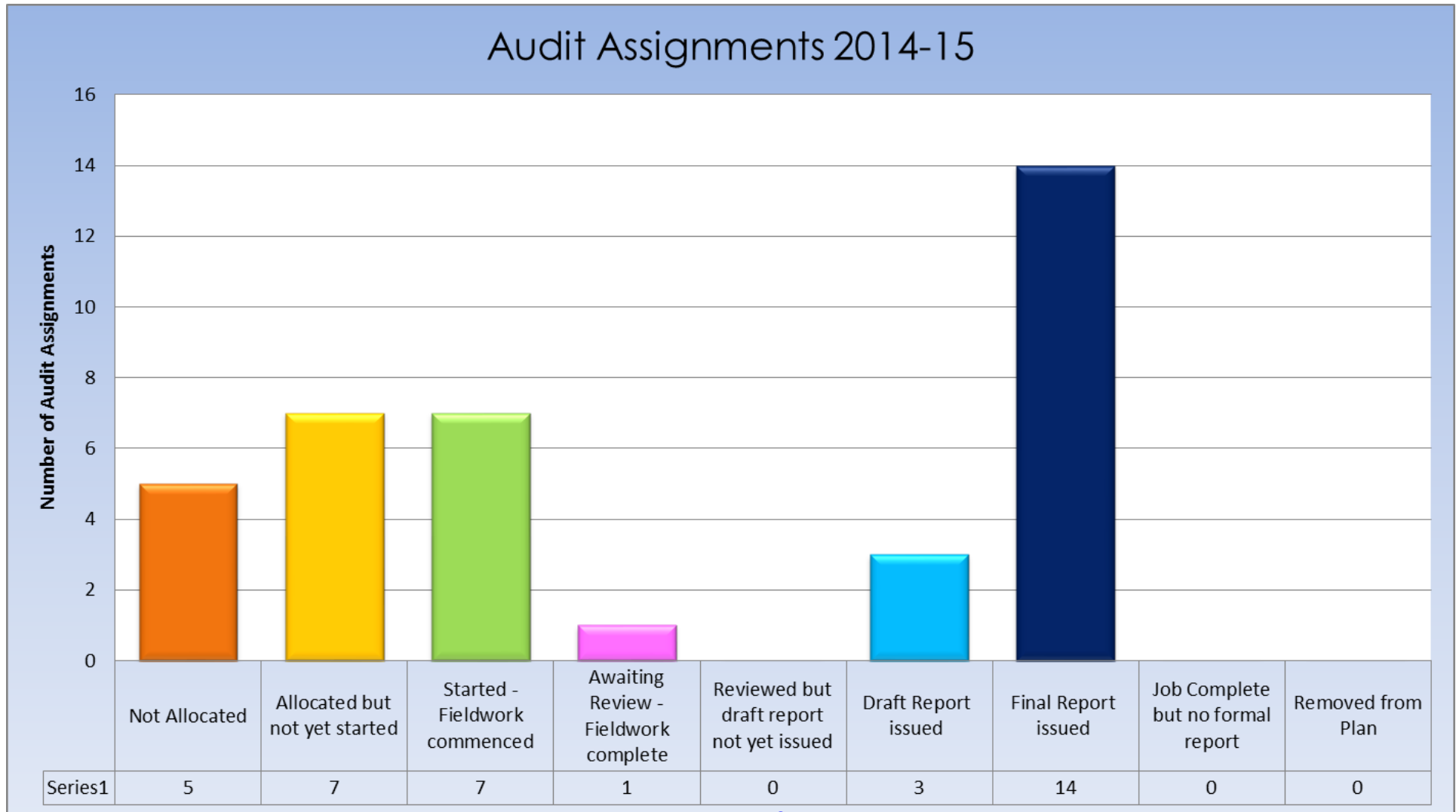
2014-15 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Main Accounting System 2014-15	Key Financial System	Allocated	0%
Creditors / Debtors 2014-15	Key Financial System	Allocated	5%
PCI Compliance	Governance Review	Draft Report	95%
Civica Security Assessment	IT Audit	In Progress	70%
CRM Security Assessment	IT Audit	Final Report	100%
Capacity Management	IT Audit	Allocated	15%
Partnership Governance	Governance Review	Final Report	100%
Risk Management 2014-15	Governance Review	Allocated	10%
Data Quality & Performance Management 2014-15	Governance Review	Allocated	10%
Safeguarding 2014-15	Systems/Risk Audit	Final Report	100%
Fixed Assets 2014-15	Key Financial System	Allocated	0%
Council House Sales	Systems/Risk Audit	Final Report	100%
Electoral Services	Systems/Risk Audit	Draft Report	95%
Bereavement Services	Systems/Risk Audit	Final Report	100%
Economic Development	Systems/Risk Audit	Allocated	10%
Section 106 Agreements	Systems/Risk Audit	Draft Report	95%
Development Control	Systems/Risk Audit	In Progress	65%
Waste Management	Systems/Risk Audit	Allocated	30%
Vehicles, Plant & Equipment	Systems/Risk Audit	Final Report	100%
Improvement Grants	Systems/Risk Audit	Final Report	100%
Pollution Control	Systems/Risk Audit	In Progress	75%
Food Safety	Systems/Risk Audit	Final Report	100%
Licensing	Systems/Risk Audit	Final Report	100%
Depot Health & Safety	Governance Review	In Progress	70%
B/Fwd - Creditors / Debtors 2013-14	Key Financial System	Awaiting Review	80%
B/Fwd - Data Protection & Freedom of Information	Governance Review	In Progress	75%
B/Fwd - Business Continuity & Emergency Planning	Governance Review	Allocated	15%
B/Fwd - Service Contracts	Procurement/Contract Audit	Final Report	100%

Another 5 planned assignments (not shown above) have not been allocated yet.

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Audit Coverage

Progress on Audit Assignments Chart



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Audit Coverage

Completed Audit Assignments

Between 1st September 2014 and 30th November 2014, the following audit assignments have been finalised since the last Progress Report was presented to this Committee:

- CRM Security Assessment.
- Partnership Governance.
- Safeguarding 2014-15.
- Council House Sales.
- Bereavement Services.
- Vehicles, Plant & Equipment.
- Improvement Grants.
- Food Safety.
- Licensing.
- Service Contracts.

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

CRM Security Assessment

Overall Control Assurance Rating: **Reasonable**

This audit focused on the security, configuration and management of the Councils CRM (Northgate Front Office) application and supporting server infrastructure. At the time of the audit this included WEST – Test CRM Application and Database Server; AJAX – Live CRM Application Server and LOCK – Live CRM Database Server. We could not provide assurance on the software licensing compliance for the CRM application, or the data retention policy for the data processed by the application, as evidence was not provided within the audit testing deadlines.

From the 31 key controls evaluated in this audit review, 15 were considered to provide adequate control and 16 contained weaknesses. The report contained 9 recommendations, 5 of which were considered a low risk and 4 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- The CRM databases were housed on a SQL Server 2005 SP2 system. Support for SQL Server 2005 SP2 ended in 2007. Unsupported database software is exposed to newly discovered security vulnerabilities or functionality bugs, which could be exploited to jeopardise the confidentiality, availability and integrity of the CRM user data. (Low Risk)
- There were a number of issues noted with the backups of the CRM SQL Server. The SQL Server system databases were not subject to backups, log files were not being backed up despite the server being in full recovery mode, backups were being written to the same drive as the live database files, and there was no evidence to demonstrate test restores were taking place. (Moderate Risk)
- There were a number of configurations and maintenance issues exposing the SQL Server to serious performance and reliability issues. This could ultimately impact on the performance and availability of the Councils CRM application which would affect service delivery. (Moderate Risk)
- There were several SQL Server and Windows Server accounts with weak corresponding passwords (set to common passwords, or where passwords mirrored usernames or mirrored usernames with a number suffix), exposing the CRM database and application servers to unauthorised administrator access. (Moderate Risk)
- The Council owned 8 SQL Server 2014 Enterprise Core Licences, yet there were 19 installations of SQL Server software across 13 servers (12 VM's running 1 or more instance of SQL and 1 physical

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host running SQL), running over 5 physical hosts, which had a total of 50 cores. Given the current SQL Server environment, the Council technically requires 4 core licences (minimum) per SQL Server VM/Physical Server, and therefore the 8 core licences were seriously insufficient given the database infrastructure.

(Moderate Risk)

- There were a number of shares on the CRM application server that were openly accessible to every user in the Network, and in some case granted the Everyone group full control. Ultimately these could be accessed by malicious parties to affect the availability integrity and confidentiality of the CRM application. (Low Risk)
- A small number of administrative vulnerabilities existed on both the LOCK (CRM database server) and AJAX (CRM application server) Servers. Unnecessary services were running on the database and application servers, increasing the servers attack surface, and failed login events were not being audited which could be used to identify password guessing and brute force attacks against the Server. (Low Risk)
- There were a number of accounts which still had access to the CRM application despite individuals either leaving the Council altogether, or moving on to different departments and roles where they no longer required access to the System. Ultimately this poses a privacy violation to the personal data processed by the System. (Low Risk)
- Each CRM user did not have an individually assigned account. We identified 4 generic accounts that could not be traced to an individual user. This ultimately causes accountability issues as well as limiting separation of duties and effective access control. (Low Risk)

All 9 of the issues raised were accepted. Positive actions were agreed to address 2 of the recommendations by 31st December 2014, and the final 7 control weakness by the end of April 2015.

Partnership Governance

Overall Control Assurance Rating: **Reasonable**

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This audit focused on reviewing the partnership governance arrangements in place at a sampled partnership: this was the Rosliston Forestry Centre Executive. The governance arrangements at the Rosliston Forestry Centre Executive were considered against best practice.

From the 20 key controls evaluated in this audit review, 7 were considered to provide adequate control and 13 contained weaknesses. The report contained 12 recommendations, 10 of which were considered a low risk and 2 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Partnership Agreement between the Council and the Forestry Commission did not include key areas. (Low Risk)
- Whilst a significant change to the Rosliston Forestry Centre Executive Partnership prompted a new Partnership Agreement, the arrangements for review and revision of the partnership had not been documented within it. (Low Risk)
- The aims, objectives and mission of the Rosliston Forestry Centre Executive Partnership differed across key partnership documents. (Low Risk)
- The mechanism for releasing payments had only been included within the Management Agreement, which was between the Council and Aurora. The financial contribution of each partner had not been formally documented and agreed. (Low Risk)
- There was not a current version of a Risk Register for the Rosliston Forestry Centre Executive Partnership. (Low Risk)
- Terms of reference were established in 2006 and had not been reviewed or updated since. (Low Risk)
- Key financial procedures had not been issued to Aurora. (Low Risk)
- An annual plan and report had not been prepared and published for each year of the partnership to justify continued support of the arrangement. (Low Risk)
- There was not a documented delegation of approval for partnership spending decisions. (Low Risk and Risk Accepted)

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- There were not any formal performance indicators for the partnership. (Low Risk)
- The amount paid to Aurora in respect of the February 2014 payment schedule was incorrect. (Moderate Risk)
- There had not been a competitive process for the contract to manage the Rosliston Forestry Centre at the time of awarding the management agreement to Aurora. (Moderate Risk)

All 12 issues raised within this report were accepted. Management decided to take no action in respect of one low risk issue and accept the risk identified. Action was agreed to be taken to address 7 of the issues (including both moderate risk issues) by 31st March 2015, another 3 of the issues by 31st June 2017 and the final issue being addressed by 31st March 2018.

Safeguarding 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on assessing the adequacy of the systems in place for ensuring the effectiveness of the Council's Safeguarding policy and procedures.

From the 14 key controls evaluated in this audit review, 9 were considered to provide adequate control and 5 contained weaknesses. The report contained 5 recommendations, 4 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- The working practices and the Council's 'Safeguarding Children, Young People and Vulnerable Adults Policy for raising a concern about the welfare or safety of a child, young person or vulnerable adult were not aligned. (Low Risk)
- The Council had revised and updated its Safeguarding Children and Vulnerable People Policy in July 2014, but the previous version dated December 2012 remained on the Council's intranet and its website. (Low Risk)
- There was no routine statistical information being provided to assist the Corporate Equalities and Safeguarding Group with the

monitoring and evaluation of the Safeguarding Policy and Procedures. (Low Risk)

- A formal log of all the safeguarding alerts had not been maintained that provided a consolidated record of all the referrals that had been made to the Safeguarding Officer. (Low Risk)
- There was not a dedicated email address set up with restricted access to nominated officers for receiving, acknowledging and responding to safeguarding alerts. ((Moderate Risk)

All 5 of the control issues raised in this report were accepted. Positive actions were agreed to address 2 of the control issues by 30th November 2014 and the remaining 3 by 31st January 2015.

Council House Sales

Overall Control Assurance Rating: **Reasonable**

This audit focused on the Right to Buy process and examined sales which had taken place since April 2013.

From the 30 key controls evaluated in this audit review, 26 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations 3 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weakness:

- The Business support team procedural guidance had not been subjected to a regular review, leading to it being out-of-date and it did not include the timescales within which the various stages of the process should be completed. (Low Risk)
- Full checks on the financial status of all persons wishing to be involved in the purchase had not been carried out in one instance of the 26 cases sampled. (Low Risk)
- The timescales for responding to an RTB1 form with a RTB2 reply were not being kept. (Low Risk)

All 3 issues made within this report were accepted. 1 issue was agreed to be addressed by 1st December 2014 and the remaining 2 issues were agreed to be addressed by the 31st March 2015.

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Bereavement Services

Overall Control Assurance Rating: **Comprehensive**

This audit focused on assessing the adequacy of the Council's systems in place for managing the risks associated administering Bereavement Services.

From the 22 key controls evaluated in this audit review, 14 were considered to provide adequate control and 8 contained weaknesses. The report contained 7 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Although there were some procedural guidelines and checklists in place, the documents were fragmented and the checklists were not always being properly completed. (Low Risk)
- The Council's website did offer the option of extending the exclusive rights of burial for a further 25 years at the end of a 50 year term, but it was not clear as to what the procedure or cost would be should the request be made. (Low Risk)
- There was not a formally agreed methodology in place for assessing and prioritising the cemeteries and memorials for Health and Safety risk assessments. (Low Risk)
- The Council was not a member of the Charter for the Bereaved as recommended by the Institute of Cemeteries and Crematoriums (ICCM). (Low Risk)
- Historical records comprising of the Burial Registers, Grave Registers and Grants of Rights were not held in a lockable and fireproof location. (Low Risk)
- The Interment and memorial application forms and the Council's burial webpage did not clearly advice customers on the methods available to them for making a payment. (Low Risk)
- The BACAS system was not being reconciled to the General Ledger to ensure that all income was properly accounted for. (Low Risk)

All 7 of the control issues raised in this report were accepted. Positive action was agreed to address 1 of the control issues by 30th September 2014, another 1 by 31st October 2014, and for the 5 remaining were to be addressed by 31st March 2015.

Vehicles, Plant & Equipment

Overall Control Assurance Rating: **Reasonable**

This audit focused on the adequacy of the systems in place for identifying, recording, maintaining and safeguarding Council vehicles, plant and equipment.

From the 20 key controls evaluated in this audit review, 11 were considered to provide adequate control and 8 contained weaknesses. The report contained 9 recommendations, 8 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Council did not have a formally approved Vehicle, Plant and Equipment Management Strategy in place that set out its aims and objectives and its policy on the management of these assets. (Low Risk)
- There was not a formally approved replacement policy in place that set the criteria for assessing the replacement of vehicles, plant and equipment to ensure the chosen option achieved optimum value for money. (Low Risk)
- There was not an adequate information management system in place that provided up-to-date and accurate vehicle, plant and equipment data. The management information system in use was essentially the inventory record that audit testing revealed had not been appropriately updated. (Moderate Risk)
- Although the Direct Services Manager was delegated the authority to approve the replacement and disposal of vehicles, plant and equipment, this was not formally agreed and recorded in a local scheme of delegation. (Low Risk)
- Access to the inventory record was not restricted and neither was the document protected to help ensure cells could not be overwritten in error, to ensure the integrity of the data. (Low Risk)

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- The inventory record 'Service History' worksheet had not been properly updated and was not accurate. It indicated that 13 vehicles were overdue a service but further enquires revealed all 13 had been appropriately serviced. (Low Risk)
- There was not a formal record maintained that logged when and to who the vehicle keys were issued and returned. (Low Risk)
- The cabinets used for filing and storing vehicle and equipment documentation were not securely locked to ensure restricted access. (Low Risk)
- There was inadequate security arrangements in place for ensuring the CCTV recordings were backed up securely and properly safeguarded from theft or damage. (Low Risk)

All 9 of the control issues raised in this report were accepted. Positive action had already been taken to address 2 of the control issues and positive actions were agreed to address 3 of the control issues by 30th September 2014, another 1 by 30th November 2014, 2 by 31st December 2014 and the remaining 1 by 1st April 2015.

Improvement Grants

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing the grants award process to ensure the procedures in place were being adhered to and that applications were being processed promptly.

From the 41 key controls evaluated in this audit review, 30 were considered to provide adequate control and 11 contained weaknesses. The report contained 11 recommendations, 10 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- There was no requirement within the office procedures for officers to declare any interests in respect of processing Empty Property Grants. (Moderate Risk)
- Checks were not being undertaken to confirm if the applicant had been in receipt of a previous grant award. (Low Risk)

- There was no formal/approved protocol to inform officers wishing to make a decision outside of grant conditions for Empty Property Grants. (Low Risk)
- Surveys to determine the property's eligibility for grant and to establish the extent of the works required had either not been undertaken or the results had not been retained on file. (Low Risk)
- Information provided to the applicant within a grant approval letter did not correspond with the requirements of the Empty Property Grants office procedures (i.e. providing evidence of the contractor's liability insurance). (Low Risk)
- Delays to works had not been approved by the Strategic Housing Manager and retained on the grant file. (Low Risk)
- There was no evidence on file that building regulation implications had been considered as part of the grant process, as per the Empty Property Grant office procedures. (Low Risk)
- A check to confirm ownership of a property had not been undertaken during the initial enquiry stage of the grant process as per the Empty Property Grant procedures but had been undertaken much later, several months after the grant works had been completed. (Low Risk)
- Grant files were not being stored securely with access restricted to the Strategic Housing officers only. (Low Risk)
- Not all applicants had signed a certificate of satisfaction to confirm that they were happy with the works undertaken to their property. (Low Risk)
- With respect to Empty Property Grants, the Land Charges Section was not being notified to record a charge against the property in a timely manner. (Low Risk)

All 11 issues raised within this report were accepted. Positive action was agreed to be taken to address one issue raised by 1st December 2014 with action being taken to address 7 other issues by the end of January 2015. Changes have already been made to ensure the remaining 3 issues are addressed.

South Derbyshire District Council – Internal Audit Progress Report

Food Safety

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the processes that ensured that regulations regarding food safety are enforced, adequate management systems and procedures are in place to monitor the quality and nature of inspections carried out by officers (including complaints) and that procedures are in place to ensure that all returns required by external agencies are completed accurately and dispatched in a timely manner.

From the 14 key controls evaluated in this audit review, 11 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- There were three different versions of the food safety enforcement policy available on the Council's website. (Low Risk)
- There had not been a comparison between the lists of establishments held by the Business Rates and Food Safety Sections to ensure relevant properties are identified for inspection. (Low Risk)
- The background data used for the Food Standards Agency annual return and local performance indicators was not being retained. (Low Risk)

All 3 of the control issues raised within this report were accepted and positive action had already been taken to implement the recommendations.

Licensing

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that procedures to issue licences were robust, that licence applications were processed in accordance with regulations and licence fees collected in a timely manner. The audit

also sought to ensure that there was a planned programme of inspections and that procedures had been established to prosecute unlicensed premises/individuals. Finally, the audit also sought to ensure that performance measures had been established, were monitored and reported on a regular basis.

From the 26 key controls evaluated in this audit review, 20 were considered to provide adequate control and 6 contained weaknesses. The report contained 7 recommendations, 6 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Council's public licence register had not been reviewed and updated on a regular basis. (Low Risk)
- In 20 out of 45 cases tested, the licence applications received and the appropriate fee had been omitted from the Licensing section's receipt book spreadsheet (used to record all licence applications and fees received). (Moderate Risk)
- Results of Disclosure and Barring Service checks were not being recorded within the licence application file. (Low Risk)
- There was no evidence that demonstrated licences had been reviewed by a senior officer prior to their issue. (Low Risk)
- Regular reconciliations were not being performed to ensure fee income had been received for every licence that had been issued. (Low Risk)
- Whilst processing targets had been established, they were not formally reported to Management and no further performance standards had been established to monitor the activity within the section. (Low Risk)
- No formal reports were made to management as a means of monitoring the activity and performance of the Licensing Section. (Low Risk)

All 7 issues raised within this report were accepted. Positive action had already been taken to address 5 of the issues raised with action being taken to address 2 other issues by the end of April 2015.

South Derbyshire District Council – Internal Audit Progress Report

Service Contracts

Overall Control Assurance Rating: **Comprehensive**

This audit focused on evaluating the process for tendering for service contracts

From the 4 key controls evaluated in this audit review, 1 was considered to provide adequate control and 3 contained weaknesses. The report contained 4 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The Council's website referred to an Approved Supplier list, but no such list was maintained. (Low Risk)
- The latest version of the Contract Procedure Rules (CPR) was not available on the procurement page on the Council's intranet. The Procurement Guidance and Procedures Manual referred to an earlier version of the CPR. (Low Risk)
- Contract Procedure Rules did not reflect the intended control procedures (i.e. pre-qualification questionnaire) for all expenditure with suppliers over £25K. (Low Risk)
- There was no consistent approach to the processing of new supplier requests and there wasn't always a clear audit trail to identify the checking and authorisation process. (Low Risk)

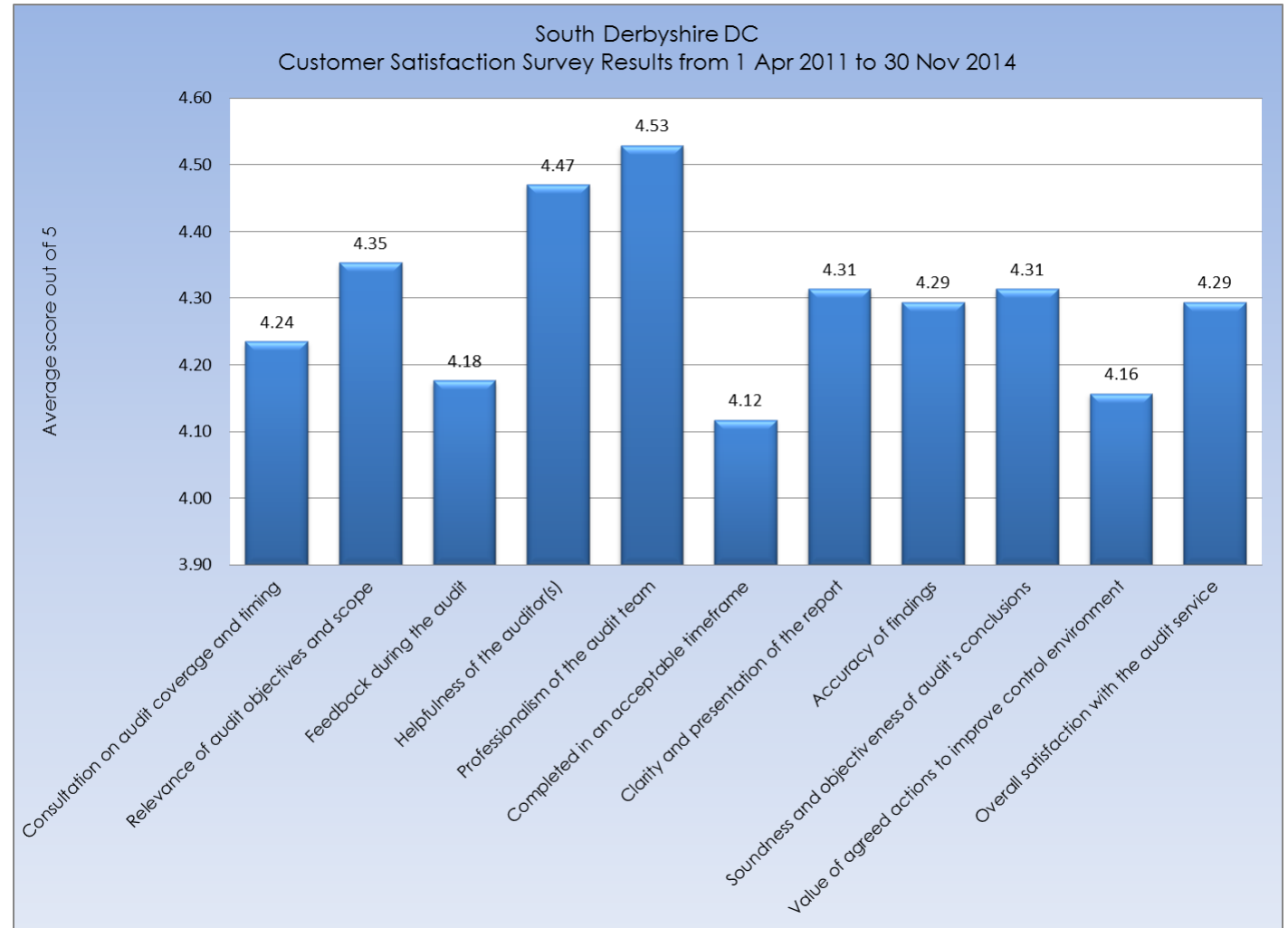
All 4 issues raised within this report were accepted. Positive action had already been taken to address 2 of the issues raised with action being taken to address 2 other issues by the end of November 2014.

South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 51 responses received between 1st April 2011 and 30th November 2014. The overall average score from the surveys was 47.3 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 3 occasions.



South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

Since 1st April 2011, we have sent 65 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 65 sent we have received 51 responses.

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

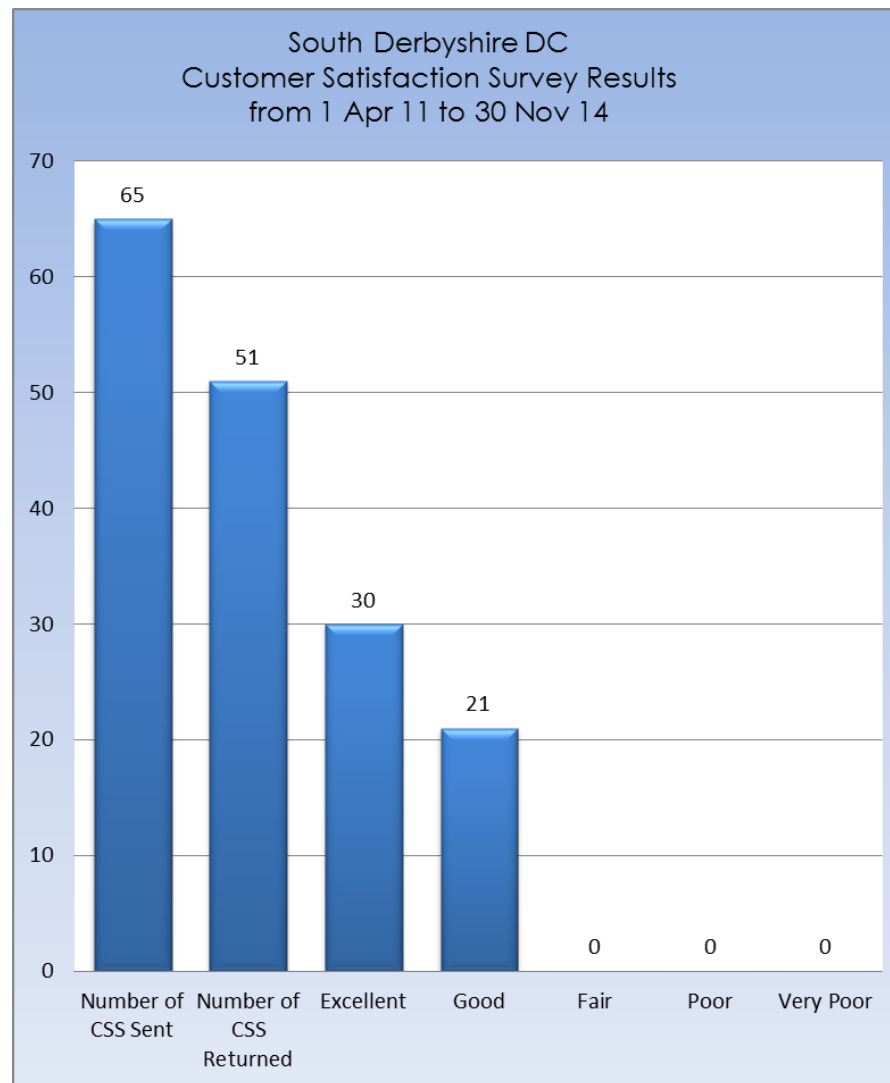
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Data Quality 2013-14	04-Feb-14	Head of Policy and Communications
Main Accounting System 2013-14	12-Feb-14	Director of Finance & Corporate Services
Housing & Council Tax Benefit 2013-14	26-Feb-14	Client Services Manager
Licensing	12-Sep-14	Legal and Democratic Services Manager
Vehicles, Plant & Equipment	12-Sep-14	Direct Services Manager
Improvement Grants	11-Nov-14	Strategic Housing Manager
Council House Sales	11-Nov-14	Performance and Policy Manager

The overall responses are graded as either:

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

Overall 30 of 51 responses categorised the audit service they received as excellent, another 21 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



South Derbyshire District Council – Internal Audit Progress Report

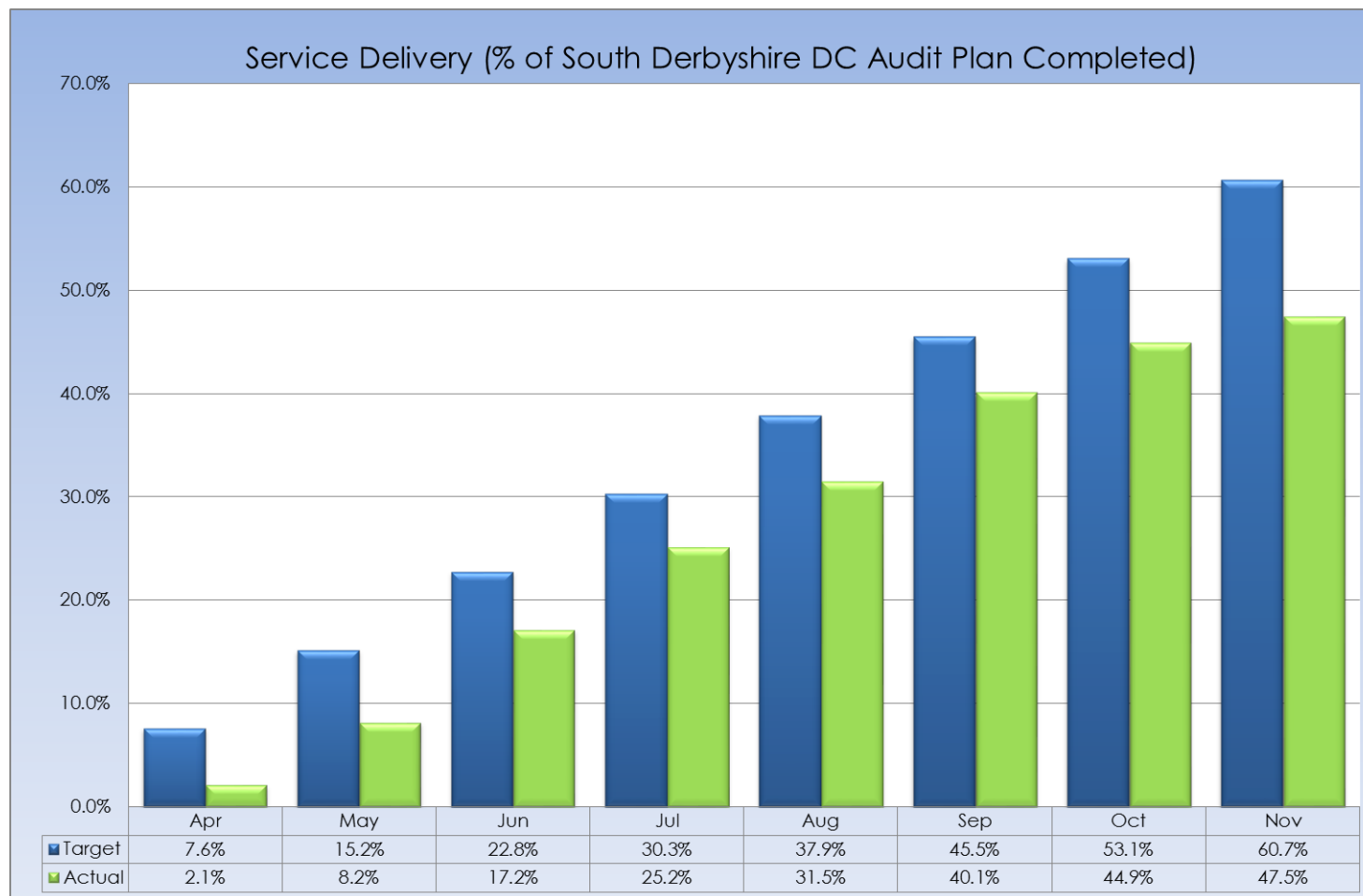
Audit Performance

Service Delivery (% of Audit Plan Completed)

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

Shown across is the estimated percentage complete for South Derbyshire's 2014-15 Audit Plan (including incomplete jobs brought forward) after 8 months of the Audit Plan year.

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



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Follow-up Process

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

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

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

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

Implementation Status Details

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

	Implemented	Being implemented	Risk Accepted	Superseded	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	215	6	4	5	0	45	275
Moderate Risk	48	3	1	3	1	10	66
Significant Risk	7	0	0	0	0	0	7
Critical Risk	0	0	0	0	0	0	0
	270	9	5	8	1	55	348

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

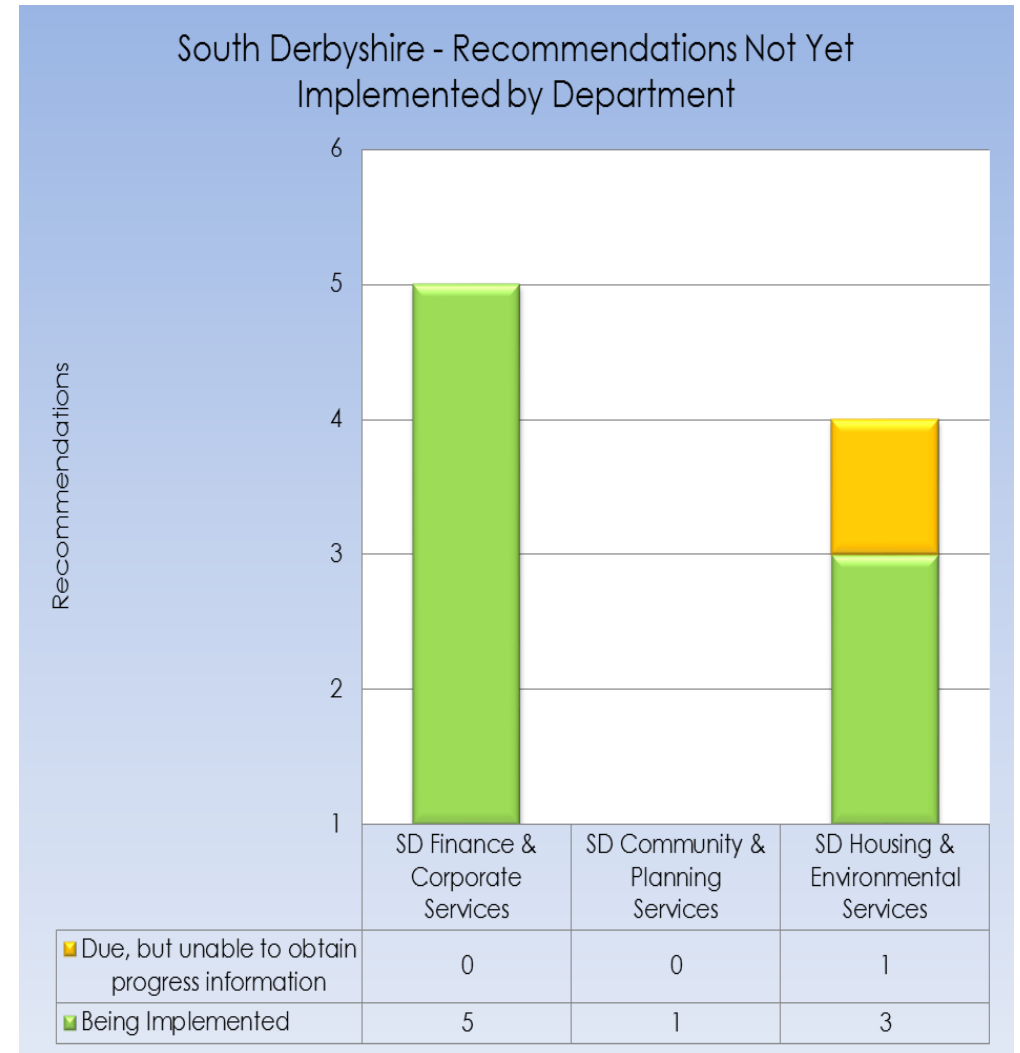
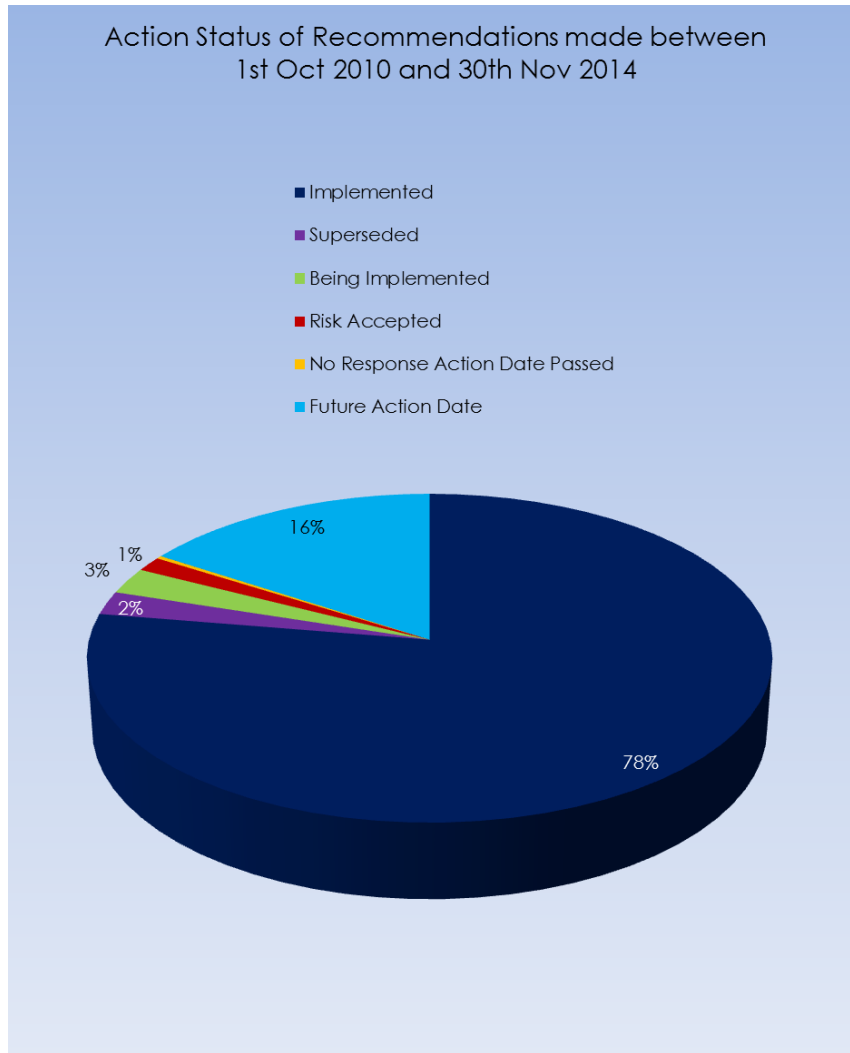
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being implemented	5	1	3	9
Due, but unable to obtain progress information	0	0	1	1
	5	1	4	10

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of each recommendation where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). 4 of the recommendations shown above, where management has chosen to accept the risk, have already been reported to this Committee. The new risk accepted recommendation arising from the Partnership Governance audit is recounted in full at the end of this report for your information.

South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Recommendations Not Yet Implemented

Corporate Services

Car Allowances

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

Risk Rating – Low Risk

Status Update - Following the Budget Round for 2013/14 and the Council Restructure, it was anticipated that the Single Status Steering Group would be reconvened in 2013. This item will be considered, as planned, as part of the pay and grading review. A revised review date of March 2014 was given, but no action was taken during the year. The Council has recently approved to review its approach during 2014/15.

Original Action Date 30 Jun 11 **Revised Action Date** 31 Mar 15

Legal & Democratic Services

Control Issue - Purchase orders were not being raised for goods and services required in respect of running the election.

Risk Rating – Low Risk

Status Update - Going forward we will now be raising purchase orders for all ordering. This was not undertaken for the County Council elections but will be undertaken going forward. The Elections process has recently been subject to an independent review commissioned by the Chief Executive. Changes to reporting lines have been made and a report will be considered by the Finance and Management Committee.

Original Action Date 30 Nov 12 **Revised Action Date** 31 Mar 15

Corporate Governance

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

Risk Rating – Low Risk

Status Update – This will be included in a wider review of the whole Constitution to bring it up to date. It was envisaged that this document would be brought up-to-date in advance of the May 2015 elections.

Original Action Date 1 Feb 14 **Revised Action Date** 31 May 15

Orchard IT Security

Control Issue – The policies and procedures that governed the overall management and administration requirements for the Orchard application had not been defined and documented. This made it hard to determine whether appropriate management and administration practices were being implemented.

Risk Rating – Low Risk

Status Update – This work is underway and will be finalised following the upgrade in December so that it can reflect the latest version of Orchard.

Original Action Date 28 Nov 14 **Revised Action Date** 31 Jan 15

South Derbyshire District Council – Internal Audit Progress Report

Control Issue – We found that the latest version of the Orchard application software had not been installed.

Risk Rating – **Low Risk**

Status Update – The Orchard upgrade has been delayed and is now scheduled in with IT to be completed in December 2014.

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

Community & Planning Services

Leisure Centres

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

Risk Rating – **Moderate Risk**

Status Update – Client & contractor and respective legal representatives are still in dialogue. Further requests have been made to follow up and finalise.

Original Action Date 25 Oct 13 **Revised Action Date** 31 Dec 14

Housing & Environmental Services

Tenants Arrears

Control Issue – The number of accounts with arrears had not been evenly allocated between the Housing Officers to ensure effective recovery.

Risk Rating – **Low Risk**

Status Update – The review has now been delayed till after the appointment of the new Housing Operations Manager who will then take on the responsibility to undertake this review in February/March 15.

Original Action Date 31 Oct 14 **Revised Action Date** 30 Apr 15

Housing Repairs 2014-15

Control Issue – The inspectors were struggling to keep up with the workload due to technological issues and an increasing caseload.

Risk Rating – **Low Risk**

Status Update – New server built by IT - handhelds delivered but not yet implemented.

Original Action Date 30 Sep 14 **Revised Action Date** 15 Jan 2015

Vehicles, Plant & Equipment

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

Risk Rating – **Moderate Risk**

Status Update – No Response Received

Original Action Date 30 Nov 14 **Revised Action Date**

Service Contracts

Control Issue – Contract Procedure Rules did not reflect the intended control procedures (i.e. pre-qualification questionnaire) for all expenditure with suppliers over £25K.

Risk Rating – **Low Risk**

Status Update – The Contract procedure rules are being drafted to reflect the EU Procurement Directives (which are still to be enacted in the UK). It will not be possible to finalise the Strategy until the UK Government enacts the EU Directives and the details can be confirmed. - Anticipated March 2015.

Original Action Date 30 Nov 14 **Revised Action Date** 31 Mar 15

South Derbyshire District Council – Internal Audit Progress Report

Risk Accepted Recommendations

Community & Planning Services

Partnership Governance

Audit Finding

We expected that the Council would be involved in the partnerships decisions, especially in respect of financial matters, and granting of formal approval for spend.

We found that the representatives of the Council who sat on either the Executive or attended the Programme Management meetings were aware of the Partnership's financial expenditure and plans for expenditure, and that there was one instance where a budget was going to be exceeded, in relation to the building of a toilet block which was presented to the appropriate Council Committees' for consideration and approval. However, we noted that there was not a documented requirement for there to be formal approval granted from the Council, or one of its representatives, for spending decisions.

There is a risk that the Council are not kept informed of partnership spend, and do not give formal approval, if and when it is required. This could result in the Council incurring additional spend to which it has not committed.

Recommendation 9

Risk Rating: Low Risk

Summary of Weakness: There was not a documented delegation of approval for partnership spending decisions.

Suggested Actions: We recommend that the Council ensures it sets out the circumstances in which Partnership expenditure requires the Council's approval, e.g. spend over £x amount or spend in excess of x% of budget. The nominated Committee or Officer able to grant authority should also be formally specified.

Summary Response

Responsible Officer: Malcolm Roseburgh

Issue Accepted

Agreed Actions: Risk accepted - no formal documentation or set levels but current controls sufficient via partnership meetings, meetings with accountants, internal council line management and council financial procedures.

Implementation Date: N/A

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	17 December 2014	CATEGORY: RECOMMENDED
REPORT FROM:	HEAD OF INTERNAL AUDIT PARTNERSHIP	
MEMBERS' CONTACT POINT:	HEAD OF INTERNAL AUDIT PARTNERSHIP RICHARD BONEHAM richard.boneham@derby.gov.uk	DOC:
SUBJECT: WARD(S) AFFECTED:	Effectiveness of Audit Committees ALL	REF: TERMS OF REFERENCE: FM 09

1.0 Recommendations

- 1.1 To note the CIPFA guidance
- 1.2 To carry out a self-assessment based on the CIPFA template.

2.0 Purpose of Report

- 2.1 This report provides members with a synopsis of the latest Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Audit Committees, together with the self-assessment on good practice.

NOTE: It would be helpful if Members could review the self-assessment questionnaire in Appendix 3 prior to the Meeting.

3.0 Detail

- 3.1 In December 2013 CIPFA published "Audit Committees – Practical Guidance for Local Authorities and Police". This document sets out CIPFA's guidance on the function and operation of audit committees, giving their view of best practice. It includes their 2013 Position Statement which replaces the one issued in 2005. The Position Statement (see appendix 1) emphasise the importance of audit committees and their role as a key component of governance.
- 3.2 The Guidance states that the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.
- 3.3 The Guidance sets out the CIPFA position statement, then expands on;
 - The Purpose of Audit Committees
 - The Core Functions of an Audit Committee
 - Possible Wider functions of an Audit Committee
 - Independence and Accountability
 - Membership and Effectiveness – including potential causes of difficulty and potential improvement options

3.4 The Guidance specifies the key regulations which could be addressed by the terms of reference of an Audit Committee and provides some suggested Terms of Reference. A separate report to this meeting covers the draft amendments to the Committee's terms of reference.

3.5 A knowledge and skills framework for Audit Committee members is also provided (see Appendix 2) and a Self -assessment of good practice (see Appendix 3)

4.0 Financial Implications

4.1 None

5.0 Legal Implications

5.1 None

6.0 Corporate Implications

6.1 None

7.0 Community Implications

7.1 None

8.0 Background Papers

8.1 None

CIPFA Position Statement : Audit Committees in Local Authorities and Police

- 1 Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3 The core functions of an audit committee are to:
 - be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it and demonstrate how governance supports the achievement of the authority's objectives.
 - In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance and professionalism
 - Support the effectiveness of the internal audit process
 - Promote the effective use of internal audit within the assurance framework.
 - Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.
 - Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.
 - Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
 - Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
 - Review the financial statement, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 4 Audit committees can also support their authorities by undertaking a wider role in other areas including:

- Considering governance, risk or control matters at the request of other committees or statutory officers
- Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice
- Providing oversight of other public reports, such as the annual report.

5 Although no single model of audit committee is prescribed, all should:

- Act as the principal non-executive, advisory function supporting those charged with governance
- In local authorities, be independent of both the executive and the scrutiny functions: in police bodies, be independent of the executive or operational responsibilities of the police and crime commissioner or chief constable.
- Have clear rights of access to other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- Be properly accountable to the authority's board or equivalent bodies
- Meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- Be able to meet privately and separately with the external auditor and with the head of internal audit
- Include, as regular attendees, the chief financial officer(s) or appropriate senior and qualified substitute, the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required. The committee should have the right to call any other officers or agencies of the authority as required.
- Report regularly on their work, and at least annually report an assessment of their performance.

6 Good audit committees are characterised by:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- Unbiased attitudes – treating auditors, the executive and management fairly

- The ability to challenge the executive and senior managers when required.

Audit Committee Members – Knowledge and Skills Framework

Core areas of knowledge

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement, internal and external audit reports and risk registers
Audit Committee role and functions	An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.
Governance	Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance	The committee will plan the assurances it is to receive in order to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance.
Internal audit	An awareness of the key principles of the <i>Public Sector Internal Audit Standards</i> and the <i>local Government Application Note</i> . Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.	The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards. In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.
Financial management and accounting	Awareness of the financial statement that a local authority must produce and the principles it must follow to produce the. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial officer in Local Government</i> .	Reviewing the financial statements prior to publication asking questions. Receiving the external audit report and opinion on the financial audit. Reviewing both external and internal audit recommendations relating to financial management and controls. The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.
External Audit	Knowledge of the role and functions of the external auditor and who currently undertake this role. Knowledge of the key reports and assurances that external audit will provide. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.	The audit committee should meet with the external auditor regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising benefit from audit process. The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.
Risk management	Understanding of the principles of risk management, including linkage	When reviewing the AGS, the committee will consider the robustness of the authority's

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
	<p>to good governance and decision making.</p> <p>Knowledge of the risk management policy and strategy of the organisation.</p> <p>Understanding of risk governance arrangements, including the role of members and of the audit committee.</p>	<p>risk management arrangements and should also have awareness of the major risks the authority faces.</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and action plans to develop the application of risk management practice.</p>
Counter- fraud	<p>An understanding of the main areas of fraud risk the organisation is exposed to.</p> <p>Knowledge of the principles of good fraud risk management practice (Red Book 2)</p> <p>Knowledge of the organisation's arrangements for tackling fraud.</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangement should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</p>
Values of good governance	<p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff.</p> <p>Knowledge of the whistleblowing arrangements in the authority.</p>	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</p>
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<p><i>Effective Scrutiny of Treasury management</i> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:</p> <ul style="list-style-type: none"> • Regulatory requirements • Treasury risks • The organisation's treasury management strategy • The organisation's policies and procedures in relation to treasury management 	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p>

Specialist Knowledge that adds value to the Audit Committee

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	Professional qualification in accountancy	<p>More able to engage with the review of the accounts and financial management issues coming before the committee.</p> <p>Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussions of risks and resource issues.</p> <p>More able to engage with the external</p>

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
		auditors and understand the results of audit work.
Internal audit	Professions qualification in internal audit	This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing. The committee would be more able to provide oversight of internal audit and review the output of audit reports.
Risk management	Risk management qualification. Practical experience of applying risk management. Knowledge of risks and opportunities associated with major areas of activity.	Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice. Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers.
Governance and legal	Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law,	Legal knowledge may add value when the committee considers areas of legal risk or governance issues.
Service knowledge relevant to the functions of the organisation	Direct experience of managing or working in a service area similar to that operated by the authority. Previous Scrutiny Committee experience.	Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context.
Programme and project management	Project management qualifications or practical knowledge of project management principles.	Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews.
IT systems and IT governance	Knowledge gained from management or development work in IT	Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls.

Core Skills

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side-tracked by detail	When reviewing audit reports, finding will include areas of higher risk, or materiality to the organisation, but may also contain more minor errors or control failures. The audit committee member will need to pitch its review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanation while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility	The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication	Support the use of plain English in	The audit committee will seek to ensure that

Skills	Key elements	How the audit committee member is able to apply the skill
skills and focus on the needs of users	communications, avoiding jargon, acronyms, etc	external documents such as the Annual Governance Statement and the explanatory foreword to the accounts are well written for a non-expert audience.
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.
Meeting management skills	Chair the meeting effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

Self-assessment of Good Practice and Effectiveness

Good practice questions	Yes	Partly	No
Audit committee purpose and governance			
1 Does the authority have a dedicated audit committee?			
2 Does the audit committee report directly to full council?			
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			
4 Is the role and purpose of the audit committee understood and accepted across the authority?			
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?			
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
Functions of the committee			
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? <ul style="list-style-type: none"> • Good governance • Assurance framework • Internal audit • External audit • Financial reporting • Risk management • Value for money • Counter-fraud and corruption 			
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			
10 Where coverage of core areas has been found to be limited, are plans in place to address this?			
11 Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?			
Membership and support			
12 Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills among the membership 			

Good practice questions	Yes	Partly	No
<ul style="list-style-type: none"> • A size of committee that is not unwieldy • Where independent members are used, that they have been appointed using an appropriate process. 			
13 Does the chair of the committee have appropriate knowledge and skills?			
14 Are arrangements in place to support the committee with briefings and training?			
15 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
16 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?			
17 Is adequate secretariat and administrative support to the committee provided?			
18 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
19 Has the committee evaluated whether and how it is adding value to the organisation?			
20 Does the committee have an action plan to improve any areas of weakness?			

Evaluating the effectiveness of the audit committee

Key

- 5 Clear evidence is available from a **number** of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are **clearly identifiable**.
- 4 clear evidence from **some** sources that the committee is actively and effectively supporting improvement across some aspects of this area
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also **significant gaps**
- 2 There is some evidence that the committee has supported improvements, but the **impact** of this support is **limited**.
- 1 **No evidence** can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation examples – areas of strength and weakness	Overall assessment; 5 – 1 (see key above)
Promoting the principles of good governance and their application to decision making	Providing robust review of the AGS and the assurances underpinning it. Working with key members/governors to improve their understanding of the AGS and their contribution to it. Supporting review/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation examples – areas of strength and weakness	Overall assessment; 5 – 1 (see key above)
Contributing to the development of an effective control environment	Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g..risk management benchmarking. Monitoring improvements. Holding risk owners to account for major / strategic risks.		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeing to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.		
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.		
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangement against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2) Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation examples – areas of strength and weakness	Overall assessment; 5 – 1 (see key above)
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.		

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	17 December 2014	CATEGORY: RECOMMENDED
REPORT FROM:	HEAD OF INTERNAL AUDIT PARTNERSHIP	
MEMBERS' CONTACT POINT:	HEAD OF INTERNAL AUDIT PARTNERSHIP RICHARD BONEHAM richard.boneham@derby.gov.uk	DOC:
SUBJECT: WARD(S) AFFECTED:	Terms of reference ALL	REF: TERMS OF REFERENCE: FM 09

1.0 Recommendations

1.1 It is good practice to review the Committee's terms of reference on an annual basis.

2.0 Purpose of Report

2.1 This report outlines the suggested amendments to the Committee's terms of reference following the annual review.

3.0 Detail

3.1 The Sub-Committee's terms of reference were set by Council in June 2006. These are shown in **Appendix 1**. Good practice recommends that Audit Committees review their terms of reference on a regular basis, preferably annually.

3.2 In December 2013 CIPFA published "Audit Committees – Practical Guidance for Local Authorities and Police". The guidance provides suggested terms of reference. The review has taken this guidance into account when drafting the revised terms of reference. The revised terms of reference are shown in **Appendix 2**, with the changes highlighted.

4.0 Financial Implications

4.1 None

5.0 Legal Implications

5.1 None

6.0 Corporate Implications

6.1 None

7.0 Community Implications

7.1 None

8.0 Background Papers

8.1 None

AUDIT SUB-COMMITTEE – TERMS OF REFERENCE – JUNE 2006

Statement of Purpose

The purpose of the Audit Sub-Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, and to provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment.

The Audit Sub-Committee will also oversee the Authority's corporate governance arrangements.

Specific Terms of Reference

1. Audit Activity

External audit

- a) To consider any matters arising from the External Auditor's annual letter (after presentation to Full Council), relevant reports and the report to those charged with governance. In certain instances, these reports may also be reported to the appropriate policy committee or Full Council.
- b) To consider specific reports as agreed with the External Auditor.
- c) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- d) To liaise with the Audit Commission on the appointment of the Council's External Auditor.

Internal audit

- e) To consider (but not direct) Internal Audit's strategy, operational plan and performance.
- f) To consider the Audit Manager's Annual Report and opinion, and a summary of internal audit activity.
- g) To consider summaries of specific internal audit reports, as requested.
- h) To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.

Overall

- i) To ensure that there are effective relationships between External and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- j) To confirm the joint working arrangements between Internal and External Audit.
- k) To commission work from Internal and External Audit subject to approval by the Responsible Finance Officer.

2. Regulatory Framework

- a) To maintain an overview of the Council's Constitution in respect of Financial Regulations and Procedure Rules, Contract Procedure Rules and Codes of Conduct and behaviour.
- b) To review any issue referred to it by the Chief Executive or Director, or any Council body.
- c) To monitor the effective development and operation of risk management and corporate governance in relation to financial matters.
- d) To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and corruption strategy.
- e) To oversee the production of the Authority's Statement on Internal Control and to recommend its adoption.
- f) To consider the Council's arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice.
- g) To consider the Council's compliance with its own and other published standards and controls.

3. Accounts

- a) To review the Annual Statement of Accounts and specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the annual audit that need to be brought to the attention of the Council.
- b) To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

AUDIT SUB-COMMITTEE – TERMS OF REFERENCE - REVISED

Statement of Purpose

The Audit Sub-Committee is a key component of the Council's corporate governance. It provides a high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit Sub-Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, and to provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment.

The Audit Sub-Committee will also oversee the Authority's corporate governance arrangements.

Specific Terms of Reference

1. Audit Activity

External audit

- a) To consider any matters arising from the External Auditor's annual letter (after presentation to Full Council), relevant reports and the report to those charged with governance. In certain instances, these reports may also be reported to the appropriate policy committee or Full Council.
- b) To consider specific reports as agreed with the External Auditor.
- c) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- d) ~~To liaise with the Audit Commission on the appointment of the Council's External Auditor.~~

Internal audit

- e) To consider (but not direct) Internal Audit's strategy, operational plan and performance.
- f) To consider the ~~Audit Manager's~~ **Head of Internal Audit's** Annual Report and opinion, and a summary of internal audit activity.
- g) To consider summaries of specific internal audit reports, as requested.
- h) To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.**
- i) To approve the Internal Audit charter**
- j) To approve significant interim changes to the annual audit plan and resource requirements.**
- k) To consider reports dealing with the management and performance of the providers of Internal Audit services.**
- l) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.**
- m) To consider a report on the effectiveness of Internal Audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.**
- n) To support the development of effective communication with the Head of Internal Audit.**

Overall

- o) To ensure that there are effective relationships between External and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- p) To confirm the joint working arrangements between Internal and External Audit.
- q) To commission work from Internal and External Audit subject to approval by the Responsible Finance Officer.

2. Regulatory Framework

- a) To maintain an overview of the Council's Constitution in respect of Financial Regulations and Procedure Rules, Contract Procedure Rules and Codes of Conduct and behaviour.
- b) To review any issue referred to it by the Chief Executive or Director, or any Council body.
- c) To monitor the effective development and operation of risk management and corporate governance in relation to financial matters.
- d) To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and corruption strategy.
- e) To oversee the production of the Authority's **Annual Governance Statement on Internal Control** and to recommend its adoption.
- f) To consider the Council's arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice.
- g) To consider the Council's compliance with its own and other published standards and controls.

3. Accounts

- a) To review the Annual Statement of Accounts and specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the annual audit that need to be brought to the attention of the Council.
- b) To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	17TH DECEMBER 2014	CATEGORY: DELEGATED
REPORT FROM:	MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) Ardip.kaur@south-derbys.gov.uk	DOC:
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE – REVIEW OF WORK PLAN 2014/15	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

1.1 That progress on the Action Plan for 2014/15 is considered and noted.

2.0 Purpose of Report

2.1 To review progress associated with updating and strengthening the Council's Corporate Governance arrangements as set out in the approved work plan. This plan was approved by the Committee in June 2014 and in accordance with Council policy, this report provides a six monthly update.

3.0 Detail

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

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

What is Corporate Governance?

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

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

The Purpose of the Local Code of Governance

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

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

How Governance Arrangements are Measured

3.5 The local code is based on six core principles:

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

3.6 The Council's Governance arrangements are overseen by a corporate group of senior officers consisting of

- Legal and Democratic Services Officer (Monitoring Officer)
- Director of Finance and Corporate Services
- Director of Community and Planning Services
- Policy & Communications Manager

3.7 On an on-going basis, this group monitors and reviews a detailed self-assessment. This is effectively a checklist which assesses the documents and processes, together with any other means used to measure compliance

with the six supporting principles. This is reported in detail to the Committee in June and is considered as part of the Annual Governance Statement.

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

3.9 This is then formulated into an annual work plan that aims to meet any new requirements or identified areas of risk. The work plan approved for 2014/15 with progress is set out in **Appendix 1**. This shows that all actions are on track or have been completed as planned.

4.0 Financial Implications

4.1 None.

5.0 Corporate Implications

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

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

6.0 Community Implications

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

7.0 Background Papers

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

APPENDIX 1: GOVERNANCE WORK PLAN 2014/15

Work Area	Timescale	Responsible Officer	Action/Comment
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	Reviews to be held in December 2014 and June 2015
Introduce a new Leadership and Development Programme for Managers	Commencing in October 2014	Director of Housing and Environmental Services	This will help to provide managers with the attributes required in order to take the Council forward within a slimmer management structure
Update Induction training for Members	March 2015	Legal and Democratic Services Manager	To review the induction process for Members ahead of the next District Council Election in May 2015
Development of Neighbourhood Plans for local communities	March 2015	Director of Community and Planning Services	Continue to provide support to Parishes as necessary through the Local Plan consultation and adoption process
Expand the publication of “open data” in accordance with the new Transparency Code for Local Government	March 2015	Director of Finance and Corporate Services	This has been completed. However, some further requirements have now been set out regarding Fraud, Contracts and data format. This will need to be reviewed and an area on the web site needs to be developed to consolidate all data, in a standard format.
Implement a Data Management Policy	September 2014	Director of Finance and Corporate Services	Completed, subject to Audit review.