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Chief Executive

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Date: 13th September 2016

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 21 September 2016 at 16:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**
Councillor Grant (Chairman), Councillor Ford (Vice-Chairman) and Councillor Mrs Wyatt.

Labour Group
Councillors Dunn and Shepherd.



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AGENDA

Open to Public and Press

- 1** Apologies.

- 2** To receive the Open Minutes of the Meetings held on 30th March 2016 and 15th June 2016
Audit Sub-Committee 30th March 2016 Open Minutes **3 - 5**

Audit Sub-Committee 15th June 2016 Open Minutes **6 - 9**

- 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** AUDIT RESULTS REPORT ISA 260 REPORT FOR THE YEAR ENDING 31st MARCH 2016 **10 - 42**

- 7** INTERNAL AUDIT PROGRESS REPORT **43 - 59**

Exclusion of the Public and Press:

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

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

AUDIT SUB-COMMITTEE

30th March 2016

PRESENT:-

Conservative Group

Councillor Grant (Chairman), Councillor Ford (Vice Chairman) and Councillor Mrs. Wyatt.

Labour Group

Councillors Dunn and Councillor Shepherd.

AS/38 **APOLOGIES**

No apologies for the Meeting had been received.

AS/39 **MINUTES**

The Open Minutes of the Meeting held on 17th February 2016 were taken as read, approved as a true record and signed by the Chairman.

AS/40 **DECLARATIONS OF INTEREST**

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

AS/41 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/42 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED TO SUB-COMMITTEE

AS/43 **PROPOSED INTERNAL AUDIT PLAN 2016-17**

The Audit Manager presented the report to the Committee in accordance with the Public Sector Internal Audit Standards (PSIAS), which requires Internal Audit to develop a risk-based plan to direct their work in the forthcoming financial year. Highlighting that around 60% of the proposed plan relates to corporate activities so that the key financial systems such as IT, HR, Governance and Procurement, which underpin the service delivery, are covered.

The Plan included a proposal that the following service areas would undergo a detail audit in 2016/17:

- Leisure Centres
- Housing Repairs and Improvements
- Housing Allocations and Homelessness
- Parks and Open Spaces
- Travellers Sites
- The Pest Control Service

Queries raised by Councillors relating to the frequency of audits for areas such as safeguarding children, young people and vulnerable adults, business continuity, ICT and the process of risk rating were responded to and noted.

RESOLVED:-

That the proposed Audit Plan for 2016-17 be considered and approved for implementation, subject to any changes agreed by the Audit-Sub Committee.

AS/44 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

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

EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11

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

The Meeting terminated at 4.15pm.

COUNCILLOR J GRANT

CHAIRMAN

AUDIT SUB-COMMITTEE

15th June 2016

PRESENT:-

Conservative Group

Councillor Grant (Chairman), Councillor Ford (Vice Chairman) and Councillor Mrs. Wyatt.

Labour Group

Councillor Dunn.

AS/1 **APOLOGIES**

Apologies for absence were received from Councillor Shepherd (Labour Group).

AS/2 **DECLARATIONS OF INTEREST**

Councillor Ford declared a personal interest in Item 5 by virtue of his acquaintance with Mr Clarke of the external auditors.

AS/3 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/4 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED TO SUB-COMMITTEE

AS/5 **LOCAL GOVERNMENT SECTOR UPDATE TO MARCH 2016**

The external audit representative presented the report to the Sub-Committee, highlighting the current local authority devolution position, changes in

Business Rates legislation, auditor contractual arrangements and the use of capital receipts.

The Chairman queried the reference to highways assets changing in 2017, but was assured that this was a matter for Tier One authorities.

Councillor Dunn referred to Business Rates retention and how the Council might protect itself from the loss of large rates assessments. The Director of Finance and Corporate Services confirmed that as the Council was a member of the Derbyshire Business Rates Pool it was not eligible for the government safety net provisions, as any losses were spread across the Pool. As retention was moving towards 100%, the Director stated that the requirement for the Pool may diminish or cease.

RESOLVED:-

- 1) *That the Committee considered the key questions raised by the Council's External Auditors contained in their quarterly sector update.***

- 2) *That the Fee Letter for 2016/17 was approved.***

AS/6 **INTERNAL AUDIT PROGRESS REPORT.**

The internal auditor presented the report to the Sub-Committee, drawing particular attention to issues identified at Rosliston Forestry Centre, resulting in a moderate risk statement. The Cultural Services Manager confirmed that the audit had focused on different areas, on request, and this had led to an anticipated lower audit rating. All issues had been accepted and action being taken to address them. The Manager referenced two areas in particular, maintenance and the management contract, both subject to review. He confirmed that a report containing a project plan and the contract renewal was being submitted to the Finance and Management Committee, with one relating to the maintenance issue to follow.

The internal auditor also noted the improvement in recommendation implementation, with those outstanding down from above 40 last year to 28 this year. Councillor Dunn queried the position regarding the installation of tracking systems on Council vehicles. The Director of Finance and Corporate Services confirmed that the matter, which also involved the procurement of a traffic management system, had been deferred for completion later in the year. The Chairman requested an update on the situation for the next meeting of the Audit Sub-Committee.

RESOLVED:-

That the report of the Audit Manager was considered and noted

AS/7 **INTERNAL AUDIT ANNUAL REPORT 2015/16.**

The internal auditor presented the report to the Sub-Committee.

Councillor Ford queried the ethical audit into declarations of interest and its 'reasonable' rating, for which the auditor gave an explanation.

The Chairman referred to the cash collection issue. The Director of Finance and Corporate Services clarified that the matter had been investigated by the Council's external contractor before audit were asked to review. This had led to disciplinary action and the external contractor had made good the reported loss.

Councillor Dunn referred to the number of weak controls in Corporate Services; the auditor confirming that the findings posed no major concerns, especially compared to that found elsewhere.

RESOLVED:-

Members considered and noted the Annual Internal Audit Opinion for 2015/16.

AS/8 **LOCAL CODE OF CORPORATE GOVERNANCE – ANNUAL REVIEW 2015/16.**

RESOLVED:-

- 1) That the annual assessment of the Council's Local Code of Corporate Governance for 2015/16 was approved.***
- 2) That the completion of the work plan to strengthen the Council's governance arrangements in 2015/16 was noted.***

AS/9 **ANNUAL GOVERNANCE STATEMENT 2015/16.**

The Monitoring Officer presented the report to the Sub-Committee, highlighting a typographical error within Section C Internal Audit should have referred to the 2015 Account and Audit Regulations , not 2003. The external auditor also requested that against the Value for Money Assessment, reference be made to it relating to 2014/15.

RESOLVED:-

- 1) ***That the Annual Governance Statement, incorporating the above two amendments, was recommended to the Finance and Management Committee for the year ended 31st March 2016 and for its publication within the Statement of Accounts for 2015/16.***
- 2) ***The Leader of the Council and Chief Executive Officer were authorised to sign the Annual Governance Statement.***

AS/10 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

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

EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11

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

The Meeting terminated at 4.45pm.

COUNCILLOR J GRANT

CHAIRMAN

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	21st SEPTEMBER 2016	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/accounts/final accounts 1516/audit findings cover sept 16
SUBJECT:	AUDIT RESULTS REPORT ISA 260 REPORT FOR THE YEAR ENDING 31st MARCH 2016	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 05

1.0 Recommendations

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

2.0 Purpose of Report

2.1 For Ernst and Young (EY) as the Council's appointed auditors, to present their statutory annual report on the Council's accounts and financial statements for 2015/16. This satisfies their obligation to report their findings to management and those charged with governance under International Auditing Standard (ISA) 260.

3.0 Detail

3.1 EY's report is attached. Audit Managers of EY will attend the meeting and present the report to the Committee.

3.2 In summary, the report provides details on, together with any issues arising from, the Audit of the Council's annual accounts, financial statements and its governance arrangements for 2015/16.

3.3 Consequently, the report provides and 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 22nd September 2016 for formal adoption and publication.

Value for Money and the Use of Resources

- 3.4 In addition, the report assesses overall value for money arrangements at the Council. Consequently, the Auditors also provide an opinion on whether, overall, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Letter of Representation

- 3.5 At the end of the Audit, the Council is required to provide a Letter of Representation. This is attached to the report. It requires the Council's Chief Finance (Section 151) Officer to provide assurances about the status of the accounts and financial statements.
- 3.6 It also confirms that the appropriate law, regulations and codes of practice have been complied with and that no irregularities exist that could have a material effect on the financial statements.
- 3.7 Essentially, it confirms that there are no material issues or transactions known, other than those already reported and disclosed that could materially affect the accounts for 2015/16.
- 3.8 Following this and subject to any issues raised, the Director of Finance will officially sign the letter to finalise this particular part of Audit work for the year.

4.0 Financial Implications

- 4.1 None.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 None directly.

7.0 Background Papers

None

South Derbyshire District Council

Audit Results Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016

21 September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Key Findings
Status of the audit	<p>We have substantially completed our audit of the financial statements of South Derbyshire District Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items, we expect to issue an audit opinion in the form which appears in Appendix D:</p> <ul style="list-style-type: none"> ▶ Final review and casting of the final financial statements; ▶ Audit completion steps including our subsequent events review; and ▶ Receipt of the signed management representation letter. <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are completing the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We currently have no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Objections	<p>We have not received any objections to the 2015/16 accounts from members of the public.</p>
Audit differences	<p>We have identified 2 unadjusted audit differences within the draft financial statements, which management have chosen not to adjust. We ask the Audit Committee to consider approving management's rationale as to why these corrections have not been made and, if approved, include this in the Letter of Representation. Appendix A to this report sets out the uncorrected misstatement. We do not consider this to be material to our audit opinion.</p> <p>A small number of audit adjustments were made during the course of our work, the largest being:</p> <ul style="list-style-type: none"> • An adjustment to remove £523k of income from the CIES that had been incorrectly recognised during the year; • Reclassification of land valued at £200k from Community Assets to Other Land and buildings. <p>Other adjustments related to amendments to disclosures within the financial statements.</p> <p>Further details are set out at Appendix A.</p>
Scope and materiality	<p>In our audit plan presented at the February Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £884k based on 2% of expenditure at cost of services level in 2014-15. We have reassessed this based on the actual results for the financial year resulting in an increase in materiality to £921k.</p> <p>The threshold for reporting audit differences which impact the financial statements increased from £44k to £46k.</p> <p>The following area is one where misstatement at a level lower than our overall materiality level might be considered as sensitive in nature. For this area we developed an audit strategy specific to address this:</p>

Area of Work	Key Findings
	<ul style="list-style-type: none"> ▶ Remuneration disclosures including payment to the highest paid employees and directors. <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following significant audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"> ▶ Risk of management override. ▶ Revenue and expenditure recognition. <p>In addition, we identified one 'other' risk:</p> <ul style="list-style-type: none"> ▶ Consideration of the valuation of the Council's asset base <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>
Other reporting issues	<p>We have no other matters we wish to report.</p>
Control observations	<p>We have adopted a fully substantive approach and have therefore not tested the operation of controls. We have identified a control finding from our testing of payroll transactions.</p>
Value for Money conclusion	<p>As set out in our Audit Plan, we identified a significant risk around financial resilience and the Council's need to identify savings and efficiencies of £1.5m in order to achieve financial balance over the medium term. These savings are in the context of a medium term financial plan that currently projects the level of general fund reserves dropping below the minimum level of £1m from 2019-20 and projected deficits in excess of available reserves from 2020-21.</p> <p>On the basis of the work performed, we propose to issue an unqualified value for money conclusion.</p> <p>Further details are included at Section 4 to this report.</p>

We would like to take this opportunity to thank Kevin and the Council's staff for their assistance and cooperation during the course of our work.

Steve Clark
 Partner
 For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

2.1 The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2.2 Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- ▶ Report on an exception basis on the Annual Governance Statement;
- ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- ▶ Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

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

3. Financial statements audit

3.1 Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity’s controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant financial statements risk	EY’s audit response	Assurance gained and issues arising
Risk of management override		
<p>As identified in ISA (UK and Ireland) 240 ‘The Auditor’s responsibilities relating to fraud in the audit of financial statements’, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> ▶ Made inquiries of management about risks of fraud and the controls put in place to address those risks. ▶ Reviewed accounting estimates for evidence of management bias. ▶ Developed a testing approach to journal entries. ▶ Tested the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Assessed key accounting estimates for evidence of management bias. ▶ Remained sceptical for the existence of any significant unusual transactions. 	<p>Our audit work has not identified any evidence of management override of controls.</p> <p>In particular, our testing of journal entries has not identified any significant issues.</p>
Revenue and expenditure recognition		
<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at South Derbyshire District Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> ▶ There is little incentive to manipulate revenue recognition. ▶ Opportunities to manipulate revenue recognition are very limited. 	<ul style="list-style-type: none"> ▶ Reviewed and tested revenue and expenditure recognition policies; ▶ Reviewed, tested and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ▶ Developed a testing strategy to test samples of material revenue and expenditure streams; and ▶ Reviewed and tested revenue cut-off at the period end date. 	<p>Our testing of income and review of transactions after the Balance Sheet date has identified an adjustment to the income as presented in the draft financial statements.</p> <p>During the year, the Council raised an invoice for Section 106 amounts to a third party to the value of £970k.</p> <p>After the year-end, it was identified that the correct amount should be £447k and a credit note was issued.</p> <p>The credit note was not coded to 2016/17 and therefore 2015/16 income</p>

Significant financial statements risk	EY's audit response	Assurance gained and issues arising
<p>However, revenue in this context has been modified by Practice Note 10 which states that auditors should also consider the risk that material misstatements due to fraudulent financial reporting may arise for the manipulation of expenditure recognition.</p> <p>Having considered the factors for expenditure recognition, we believe the risk lies within other operating expenditure and in particular the completeness of short term creditors (specifically accruals), cut off procedures over expenditure and the completeness of 'other service expenditure' (as defined by the Council in its financial statements).</p>	<p>▶ Reviewed post year-end transactions for evidence of unrecorded liabilities at the Balance Sheet date.</p>	<p>and the corresponding debtor was overstated by £523k.</p> <p>This error has no impact on the reported General Fund Balance of the Council as the income was taken to an earmarked reserve.</p> <p>Following discussion with management, the Council has amended the financial statements to correct for this matter.</p> <p>Our audit work has not identified any further significant issues in respect of revenue or expenditure recognition.</p>

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other financial statement risk	EY's audit response	Assurance gained and issues arising
Asset valuation		
<p>During the year the Council valued its portfolio of land and building assets. This resulted in a small increase in the value of Council assets.</p>	<p>We performed procedures to confirm that the Council had appropriately accounted for valuation movements including sample testing of valuations back to the report of the valuer to confirm appropriate amendments had been made to carrying values in the asset register.</p> <p>We considered the qualifications and independence of the valuer engaged to perform the valuation.</p>	<p>Our testing confirmed that the Council has appropriately accounted for the changes in valuation and included relevant disclosures in the financial statements.</p> <p>We are satisfied that the valuer is appropriately qualified and experienced and independent of the Council.</p> <p>In conducting sample testing of the valuation of individual assets, we identified that one asset had been incorrectly classified as a community asset. Following discussion with management this asset has been reclassified to 'Other Land and Buildings.'</p> <p>There are no further matters to note.</p>

In addition to the findings of work on the areas specifically identified within our Audit Plan, we have identified a number of additional findings which we draw to your attention below.

Financial Statement area	Findings	Outcome
Bad debt Provision		
We have reviewed the Council's Bad Debt Provision for prudence and compliance with relevant policies.	Review of the bad debt provision for Council tax arrears identified that, in calculating the provision for 2015-16 the Council omitted outstanding arrears of £568k relating to 2014-15. The impact of this is that the overall Council tax bad debt provision is understated by £279k. The proportion of this attributable to the Council is £31k.	Following discussion with management, the Council have not adjusted the financial statements to amend for this finding. We have therefore reported this in the schedule of unadjusted misstatements and included a specific representation on this in the Letter of Representation.
Council Tax and NNDR arrears		
As part of our procedures to confirm the existence of the Council's debtor balances at the year-end, we have reviewed Council Tax and NNDR arrears.	In testing and verifying the year-end Council Tax and NNDR arrears we identified that arrears were offset with pre-paid amounts in the Balance Sheet. This resulted in understatement of debtors and creditors by £286k.	The Council has not amended the Financial Statements in respect of this finding. We have therefore reported this in the schedule of unadjusted misstatements and included a specific representation on this in the Letter of Representation.
Financial Instruments		
As part of our review of material financial statement disclosures, we considered the financial assets and liabilities reported in the financial instruments note.	Our review of the content of the financial assets and liabilities reported in the note identified that the Council had incorrectly included assets and liabilities that are statutory in nature or do not meet the definition of financial instruments. This included Council Tax and NNDR balances along with pre-paid amounts. As a result, financial assets were overstated by £1.8m.	The Council has amended the Financial Statements in respect of this finding.

3.2 Opening balances

We have performed relevant audit procedures on the Council's opening balances confirming that they have been correctly rolled forward from the 2014/15 audited financial statements.

3.3 Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;

- ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- ▶ Any significant difficulties encountered during the audit; and
- ▶ Other audit matters of governance interest.

We have no matters we wish to report.

3.4 Control themes and observations

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

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

During our audit procedures we did identify one finding relating to the operation of internal control at the Council, particularly regarding payroll.

Our testing of a sample of 60 payroll transactions during the year back to supporting documentation including contracts of employment, identified eight instances where there was no signed contract for Council employees. We performed alternative audit procedures to satisfy ourselves that these individuals were legitimate employees of the Council and were being paid appropriately.

We recommend that the Council review procedures to ensure that signed contracts of employment are retained and held on file for all of its employees.

3.5 Annual Governance Statement

We have reviewed the Annual Governance Statement for consistency with our knowledge of the Council and the underlying systems of governance and control including the findings of Internal Audit. We can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

3.6 Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

3.6.1 Whole of Government Accounts

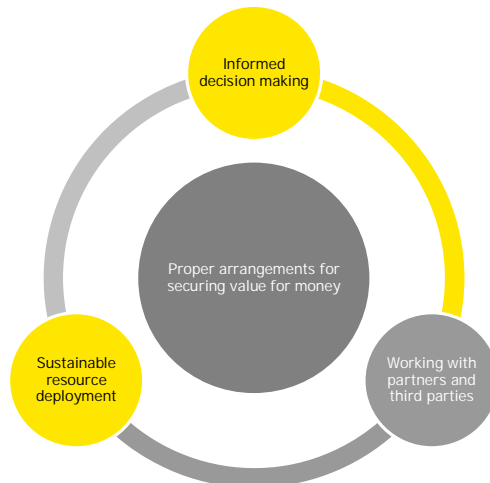
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

This work has yet to be completed and we will report any matters that arise to the Audit Committee.

4. Value for money

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

For 2015/16 this is based on the overall evaluation criterion: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."



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

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

4.1 Risks

As set out in our Audit Plan, we identified a significant risk around the Council's financial resilience over the medium term. This is specifically due to the Council's need to identify savings and efficiencies of £1.5m in order to achieve financial balance over the medium term. These savings are in the context of a medium term financial plan that currently projects the level of general fund reserves dropping below the minimum level of £1m from 2019-20 and projected deficits in excess of available reserves from 2020-21.

4.1.1 Significant Risk - findings

Reduced levels of central government funding mixed with challenging local socio-economics and demographics means the Council needs to identify a significant amount of efficiency and cost savings in the next three to five years.

In setting the 2016-17 budget and updated Medium Term Financial Plan (MTFP) in February 2016, the Council noted a savings requirement of £1.5 million over the life of the Plan in order to preserve a minimum level of general reserves of £1 million to 2020.

The current Medium Term Financial Plan indicates that the Council expects to move into annual deficit position from 2017/18, requiring cumulative savings/efficiencies of £5.9m over this period to retain a balanced position without the use of reserves. This is equivalent to a 13% reduction on 2015/16 expenditure levels. At this stage there is a cumulative budget gap of £0.9 million over the next three years.

The MTFP sets out the scale of savings the Council expects to have to make in the period 2016/17 to 2010/21. This was updated as part of the 2016/17 budget approval above and will be refreshed again in September 2016.

An analysis of the Council's forecast financial performance over the next four years is included in the table below:

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Identified surplus (deficit)	857	-337	-1443	-2086
Cumulative surplus/ (deficit)	857	520	-923	-3,009
Identified savings/income/efficiencies	N/a	0	0	0
Cumulative Budget Gap	N/a	N/a	-923	-3,009
Cumulative deficit as a % of 2015/16 Gross Expenditure	N/a	N/a	2%	6.5%

The Council has a strong track record of delivering budget surpluses and has prudently increased the level of its reserves in recent years, anticipating the challenges of the future. It is therefore essential that the Council recognise the scale of the challenge ahead and the current expectation that these reserves will be used up over the term of the current financial plan. Officers and Members will therefore need to focus on plans to develop savings and efficiency plans, increase sources of income and challenge service delivery models over the coming months.

A summary of the detailed work completed as part of our response to the identified significant risk is set out below:

- Considered the extent to which savings identified for 2016/17 have been realised to date.
- Considered the progress made by the Council in identifying savings necessary to reduce the 2017/18 budget gap.
- Reviewed the appropriateness of the assumptions built into the 2016/17 budget and MTFs in more detail.
- Considered the impact on the Council's finances of any errors identified by our 2015/16 audit

4.2 Overall conclusion

Based on the work performed and key findings as set out above, we expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources. This is based on the Council's past record of financial management and delivering financial sustainability, the current level of reserves available and the plans to deliver a balanced position over the next three years

Appendix A – Detailed audit findings

Unadjusted misstatements

The following differences have been identified during the course of our audit and have not been considered material by management or by us for adjustments. We are bringing them to the Committee's attention to enable you to form your own view on these items.

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Balance Sheet – Debtors	(279)	
CIES – Cost of Services - expenditure		31
Balance Sheet - Creditors	(248)	
Being adjustment to increase Bad Debt Provision charge due to error in calculation of the provision element relating to Council Tax.		
Balance Sheet - Debtors	(286)	
Balance Sheet - Creditors	(286)	
Being adjustment to account for Collection Fund debtors and creditors on a gross basis.		
Cumulative effect of adjusted differences	(31)	31

Corrected audit differences

The following corrected differences, which are greater than £46k, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
CIES – Income		(523)
Balance Sheet – Debtors	(523)	
Being adjustment to remove income and debtor incorrectly recognised.		
Cumulative effect of adjusted differences	(523)	(523)

Disclosures

Disclosure	Explanation
Note 9 – PPE	An asset valued at £200k and included as a 'Community Asset' was found to be incorrectly classified as such. This asset has been reclassified to 'Land and Buildings' assets.
Note 11 – Financial Instruments	Financial assets overstated by £1,814k due to the inclusion of prepaid amounts and statutory debtors. There is no impact on the reported financial position of the Council as this is a disclosure issue only.

In addition to the above, we requested a small number of other narrative and disclosure adjustments to be made within the financial statements.

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 17 February 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee in September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 17 February 2016.

Appendix C – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

	Predecessor auditor fee	EY planned fee	EY forecast fee
Financial statements and VFM conclusion	65,700	49,275	49,275

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix D – Draft audit report

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

Opinion on the Council’s financial statements

We have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Director of Finance and Corporate Services’ Responsibilities, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Derbyshire District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Conclusion on South Derbyshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in

its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Stephen Clark (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Birmingham

Appendix E – Management representation letter

DATE

Ernst & Young
1 Colmore Square
Birmingham
B4 6HQ

This letter of representation is provided in connection with your audit of the financial statements of South Derbyshire District Council (“the Council”) for the year ended 31/03/2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of South Derbyshire District Council as of 31/03/2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because they do not materially impact the reported financial position of the Authority.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Cabinet and Audit committees held through the Financial Year to the most recent meeting on the following date: 26/07/2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the Financial Year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements

H. Retirement benefits

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

I. Segmental reporting

1. I have reviewed the operating segments reported internally to the Authority and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:
 - The nature of the services
 - The nature of the processes
 - The type or class of customer for the services.

Yours faithfully,

Schedule of Unadjusted Audit Differences

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Balance Sheet – Debtors	(279)	
CIES – Cost os Services - expenditure		31
Balance Sheet - Creditors	(248)	
Being adjustment to increase Bad Debt Provision charge due to error in calculation of the provision element relating to Council Tax.		
Balance Sheet - Debtors	286	
Balance Sheet - Creditors	(286)	
Being adjustment to account for Collection Fund debtors and creditors on a gross basis.		
Cumulative effect of adjusted differences	(31)	31

Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about South Derbyshire District Council's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Annual Audit Letter/Audit Results Report
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan and Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan <p>Breakdown of fee information at the completion of the audit</p>	<p>Audit Plan</p> <p>Audit Results Report</p> <p>Annual Audit Letter (if considered necessary)</p>
<p>Certification work</p> <p>Summary of certification work undertaken</p>	Certification Report

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Email: kevin.stackhouse@south-derbys.gov.uk

Our Ref: **u/ks/accounts/final accounts 1516/ISA**
260/Letter of Representation

Date:

Dear Sirs

This letter of representation is provided in connection with your audit of the financial statements of South Derbyshire District Council ("the Council") for the year ended 31/03/2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of South Derbyshire District Council as of 31/03/2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the Council's financial position and of its expenditure and income in accordance

with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the Auditor because they do not materially impact the reported financial position of the Council.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements.

We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud (regardless of the source or form and including without limitation, any allegations by "whistle-blowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and its Committees held through the Financial Year to the most recent meeting on the following date: 26/07/2016.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the Financial Year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Accounting Policies to the financial statements all guarantees that we have given to third parties.

4. No claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements

H. Retirement benefits

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

I. Segmental reporting

1. I have reviewed the operating segments reported internally to the Authority and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:
 - The nature of the services
 - The nature of the processes
 - The type or class of customer for the services.

Yours faithfully,

Kevin Stackhouse

Director of Finance and Corporate Services

Schedule of Unadjusted Audit Differences

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Balance Sheet – Debtors	(279)	
CIES – Cost os Services - expenditure		31
Balance Sheet - Creditors	(248)	
Being adjustment to increase Bad Debt Provision charge due to error in calculation of the provision element relating to Council Tax.		
Balance Sheet - Debtors	286	
Balance Sheet - Creditors	(286)	
Being adjustment to account for Collection Fund debtors and creditors on a gross basis.		
Cumulative effect of adjusted differences	(31)	31

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	21st SEPTEMBER 2016	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 reports/quarterly report cover
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

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

2.0 Purpose of Report

- 2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit between 1st June and 31st August 2016.

3.0 Detail

- 3.1 The detailed report is attached.

4.0 Financial Implications

- 4.1 None.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 None directly.

7.0 Background Papers

- 7.1 None

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 21st September 2016



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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Providing Excellent Audit Services in the Public Sector

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.

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 31st August 2016.

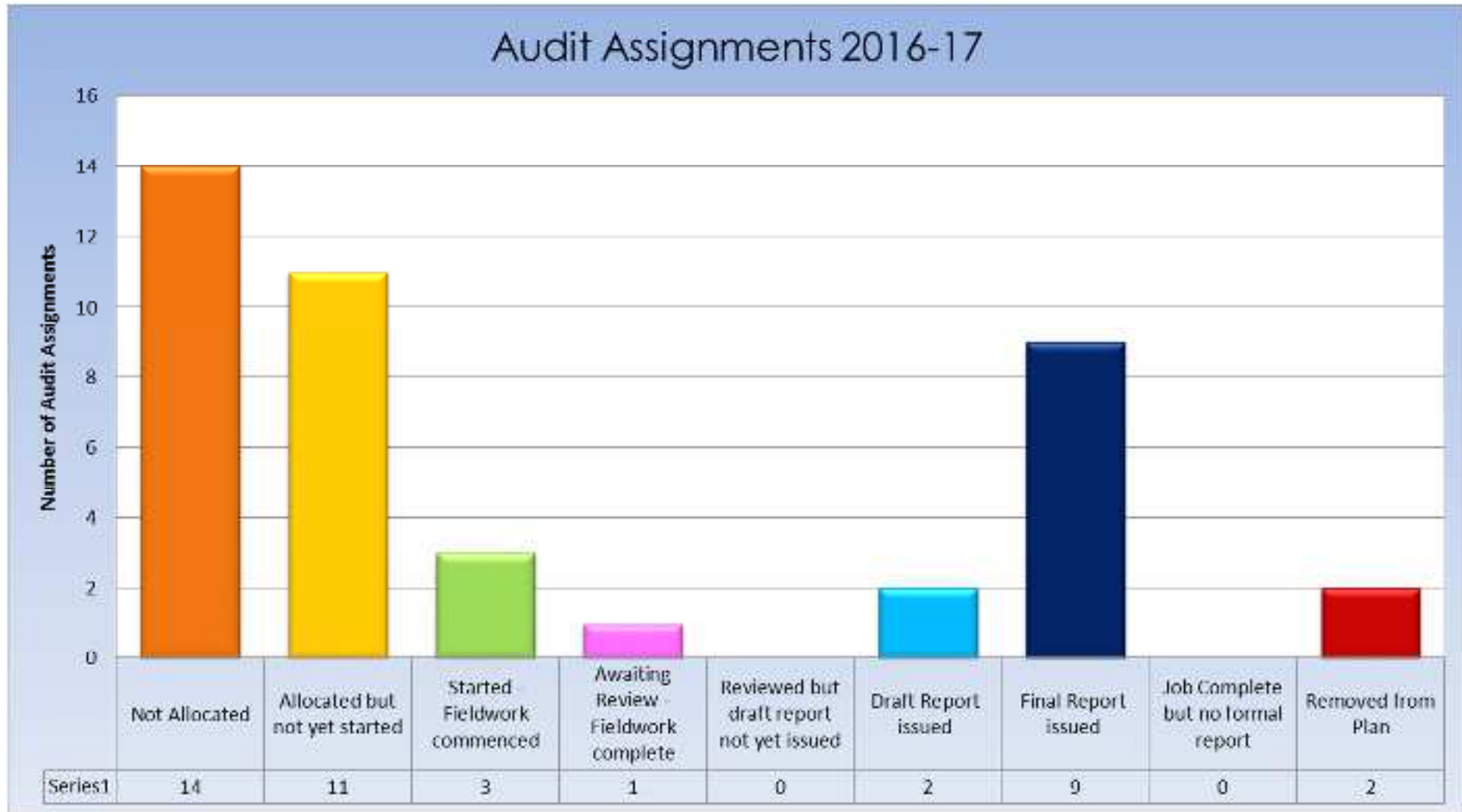
Audit Plan Assignments	Type of Audit	Current Status	% Complete
Banking Services	Systems/Risk Audit	Allocated	0%
Council Tax 2016-17	Key Financial System	Allocated	10%
NDR 2016-17	Key Financial System	Allocated	0%
Housing Benefit & Council Tax Support 2016-17	Key Financial System	Allocated	5%
Records Management	Governance Review	Allocated	5%
Data Quality & Performance Management	Governance Review	Allocated	10%
Safeguarding	Governance Review	Allocated	0%
Land Charges	Systems/Risk Audit	Allocated	10%
Cleaning Services	Systems/Risk Audit	Final Report	100%
Allocations & Homelessness	Systems/Risk Audit	Fieldwork Complete	80%
Gypsy Sites	Systems/Risk Audit	Allocated	5%
Pest Control	Systems/Risk Audit	Final Report	100%
Empty Homes HCA Grant 2016-17	Grant Certification	Allocated	0%
Main Accounting System (MTEP) 2015-16	Key Financial System	Draft Report	95%
Change & Configuration Management	IT Audit	In Progress	75%
Client Monitoring - Corporate Services Contract	Procurement/Contract Audit	Allocated	30%
Petty Cash & Inventories	Systems/Risk Audit	Draft Report	95%
Fixed Assets 2015-16	Key Financial System	In Progress	70%
Members' Allowances	Systems/Risk Audit	Final Report	100%
Whistleblowing Investigation	Investigation	In Progress	75%

Another 13 planned assignments (not shown above) have not been allocated yet. Another 6 finalised assignments (not shown above) have already been reported to this Committee.

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments Chart



South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st June 2016 and 31st August 2016, the following audit assignments have been finalised since the last Progress Report was presented to this Committee (the overall control assurance rating is shown in brackets):

- Members Allowances 2015-16 (**Comprehensive**).
- Pest Control (**Comprehensive**).
- Cleaning Services (**Comprehensive**).

No audits attracted a 'Limited' control assurance rating during the period and as such it is not necessary to bring any particular assignment to the Sub-Committee's attention.

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

Members Allowances 2015-16

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the operation of the Members Allowance Scheme and related payments to members.

From the 10 key controls evaluated in this audit review, 8 were considered to provide adequate control and 2 contained weaknesses. The report contained 2 recommendations, both of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- An element of the basic members allowance was paid as non-taxable, but the Payroll Manager and Head of Organisational Development could not confirm whether this was correct. (**Low Risk**)

- There was no requirement for members to provide receipts when making travel and subsistence claims. Additionally, we noted that some Members regularly made late claims. (**Low Risk**)

Both of the control issues raised within this report were accepted and positive action had already been implemented for one. For the other issue, action was agreed to be undertaken by 30th September 2016.

Pest Control

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the process for the treatment of pests at premises; how these appointments were booked, managed, paid for and recorded. The audit also considered legislative enforcement action, linked to pests, that was undertaken by the Council.

From the 36 key controls evaluated in this audit review, 29 were considered to provide adequate control and 7 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. Another 4 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- There were no checks to ensure that the Pest Control Officer held a valid driving license. (**Low Risk**)
- It was not possible to confirm that customers had been charged for the Pest Control services in two instances in the sample. (**Low Risk**)
- Four out of 20 cases in the sample did not have complete records within the Civica system, despite the issues having been resolved. (**Low Risk**)

South Derbyshire District Council – Internal Audit Progress Report

All 3 of the issues raised within this report were accepted. Management agreed to take actions to address 2 of the issues by October 2016 and the remaining issues by April 2017.

Cleaning Services

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the controls in place around the schedule of cleaning, policies and procedures, training, stock control and re-ordering, financial management and health & safety.

From the 22 key controls evaluated in this audit review, 19 were considered to provide adequate control and 3 contained weaknesses. The report contained 1 recommendation, which was considered a low risk. Another 3 minor risk issues were highlighted for management's consideration. The following issue was considered to be the key control weakness:

- Cleaning supplies held at the Depot and the Community Rooms was not securely stored to avoid items being misappropriated or available to other staff and members of the public. (Low Risk)

The issue raised within this report was accepted. Management took action to address the issue with immediate effect.

Plan Changes

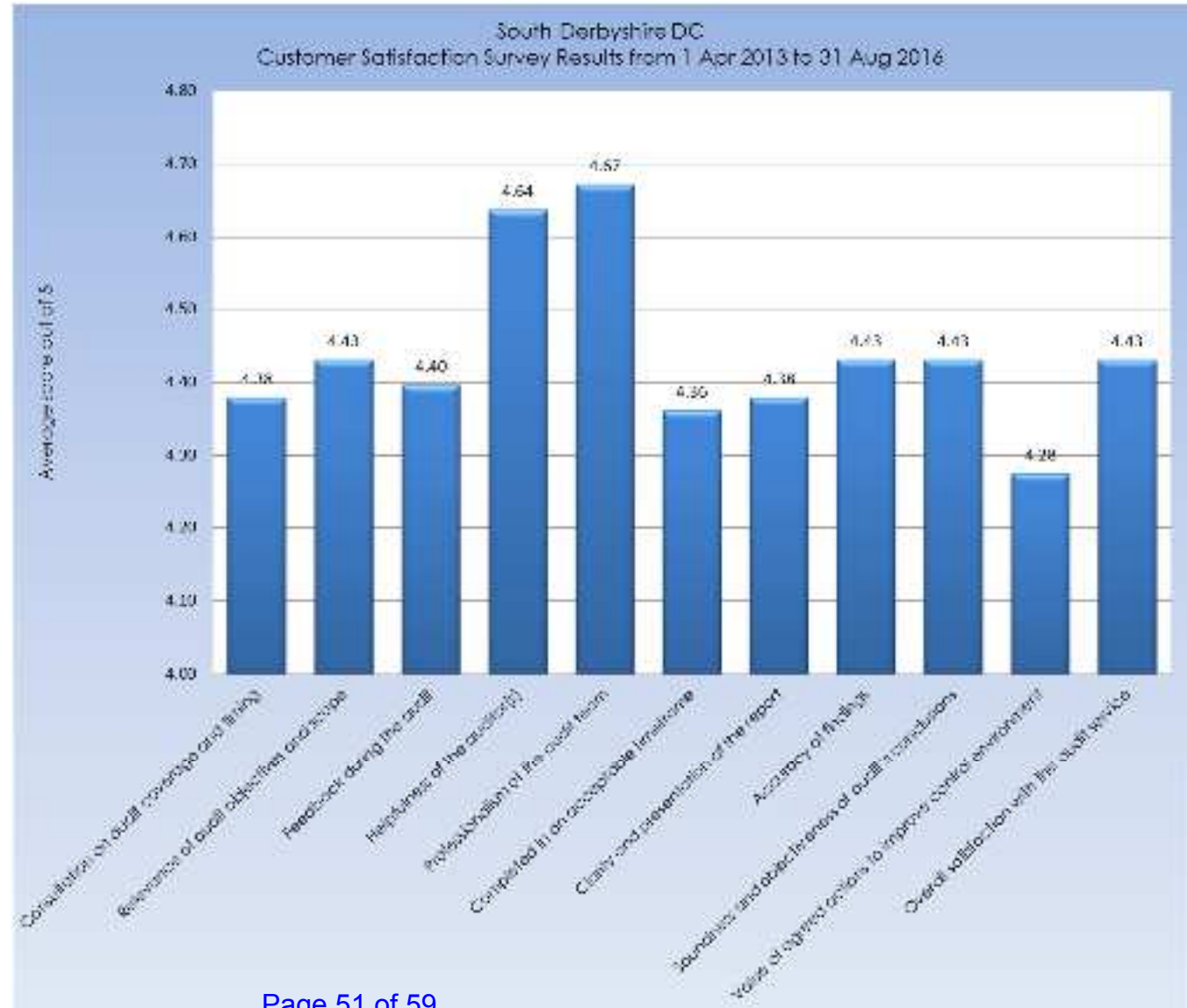
During the period it has been necessary to make some alterations to this year's Audit Plan. This is due to the ongoing assistance being provided to support the Council's Whistleblowing Investigation. As such it has now been necessary for to remove the Housing Repairs (Planned & Responsive Maintenance) Service Contracts and Procurement planned audits from this year's Plan to accommodate the time already spent dealing with the Whistleblowing issue.

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 58 responses received between 1st April 2013 and 31st August 2016. The overall average score from the surveys was 48.8 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 7 occasions.



South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

Since 1st April 2013, we have sent 91 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 91 sent we have received 58 responses.

31 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.

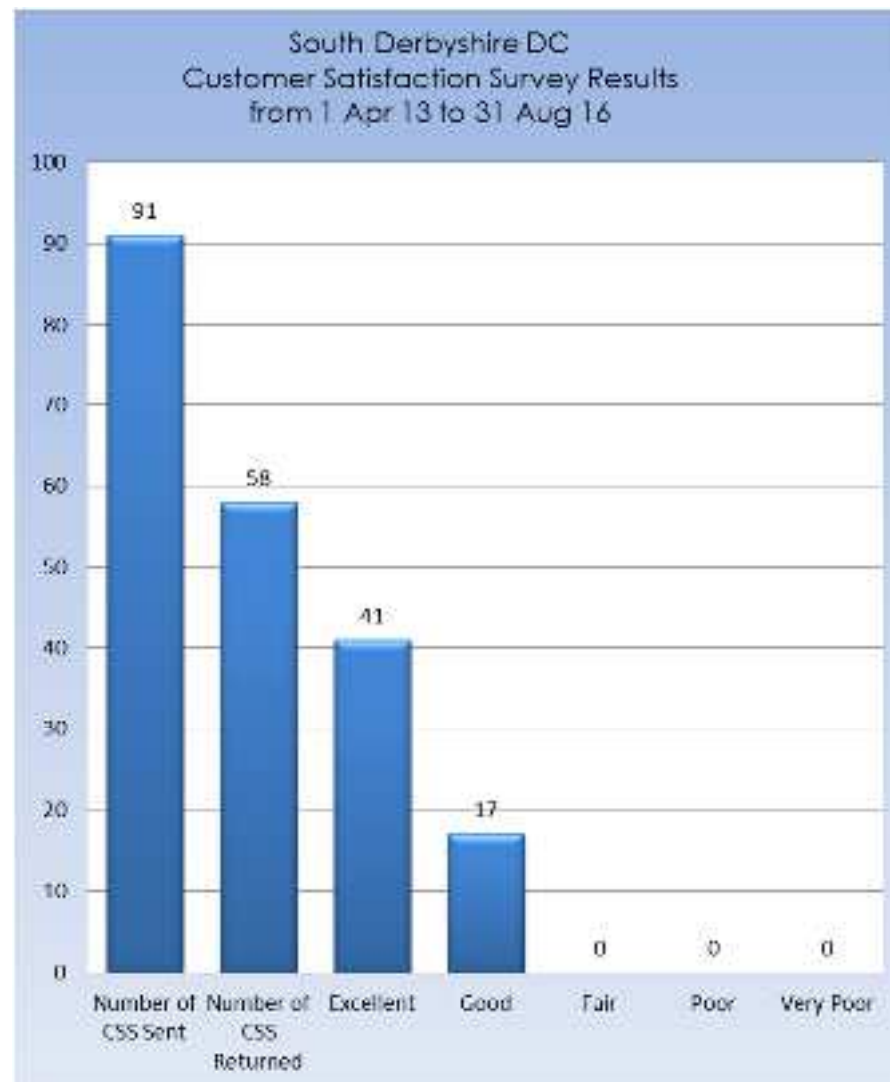
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Corporate Governance	27-May-16	Legal and Democratic Services Manager & Monitoring Officer
Cleaning Services	23-Aug-16	Housing Asset 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 41 of 58 responses categorised the audit service they received as excellent, another 17 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

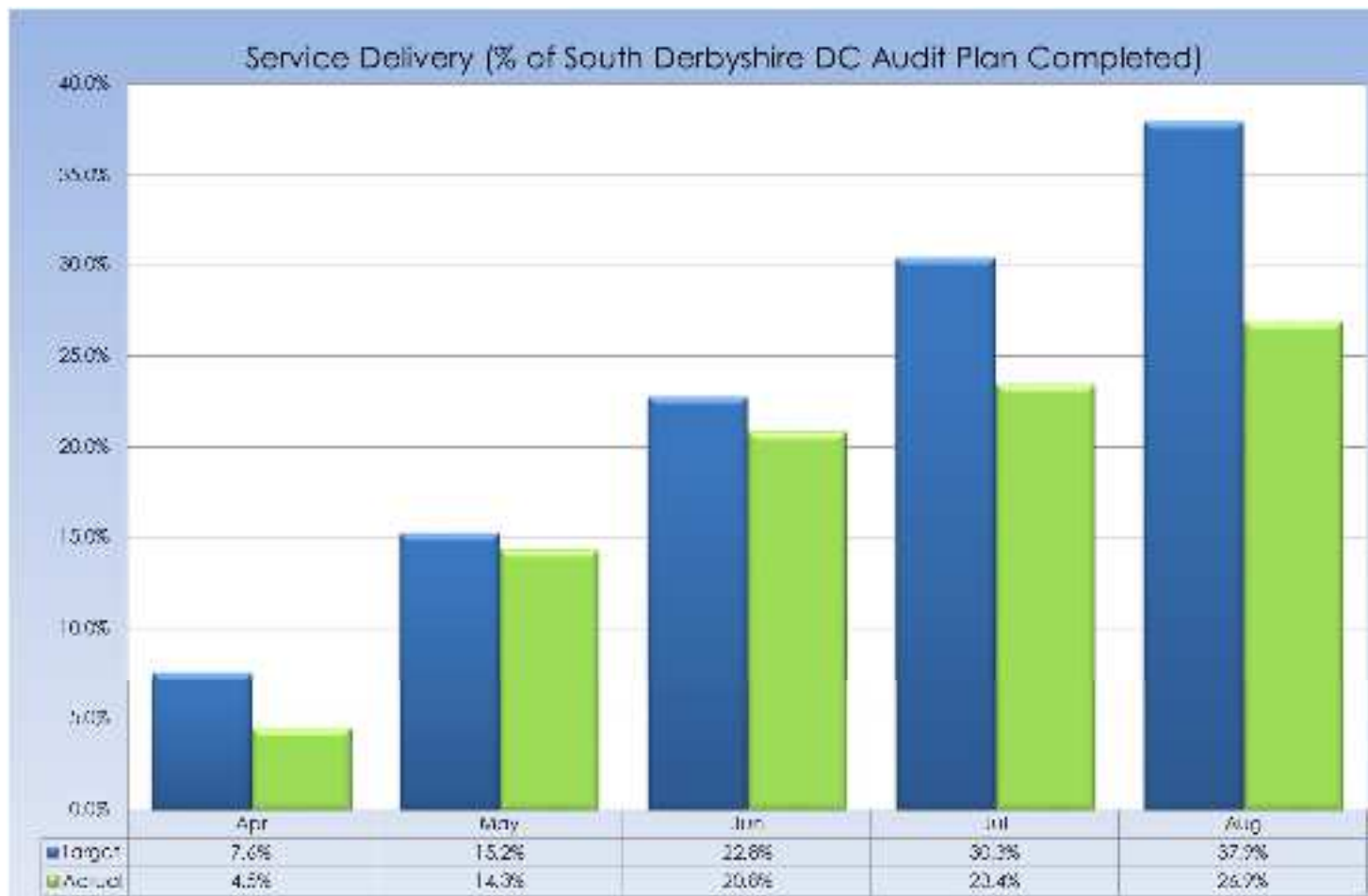
Audit Performance

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 2016-17 Audit Plan (including incomplete jobs brought forward) after 5 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:

- **Action Due** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Future Action** = Action is not due yet, so Audit has not followed up.
- **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	Action Due	Future Action	Total
Low Risk	430	16	13	6	0	22	487
Moderate Risk	91	6	1	4	1	3	106
Significant Risk	7	0	0	0	0	0	7
Critical Risk	0	0	0	0	0	0	0
	528	22	14	10	1	25	600

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

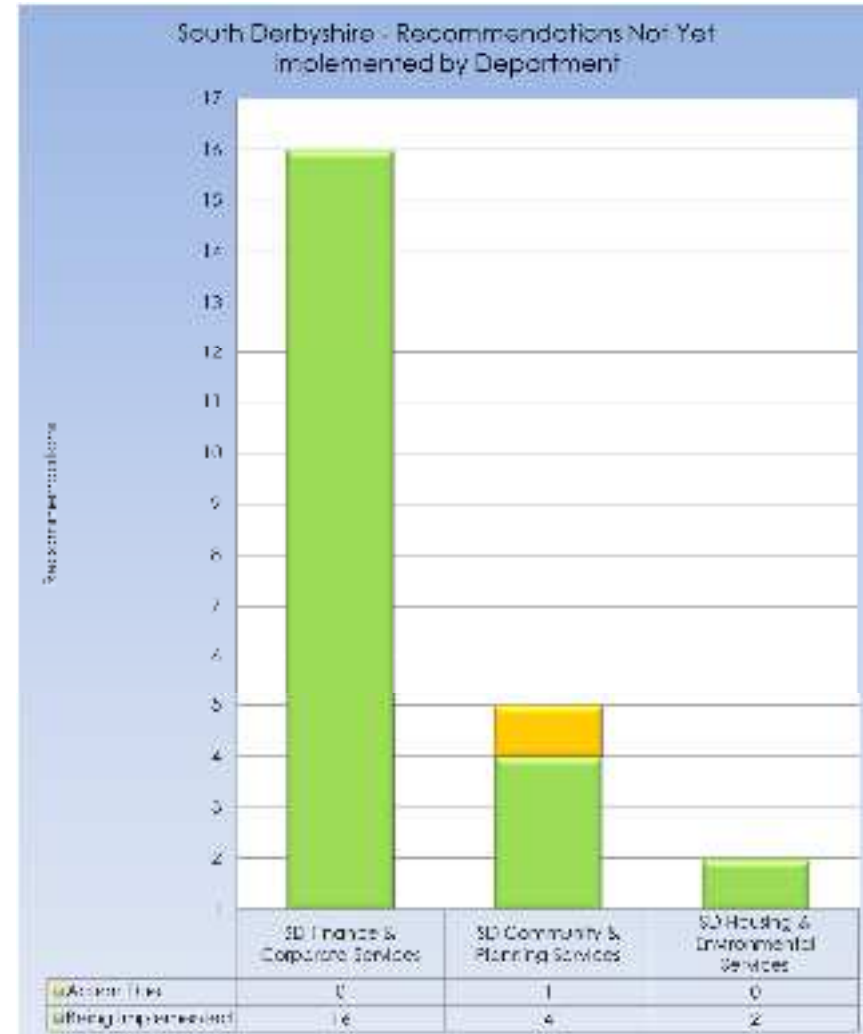
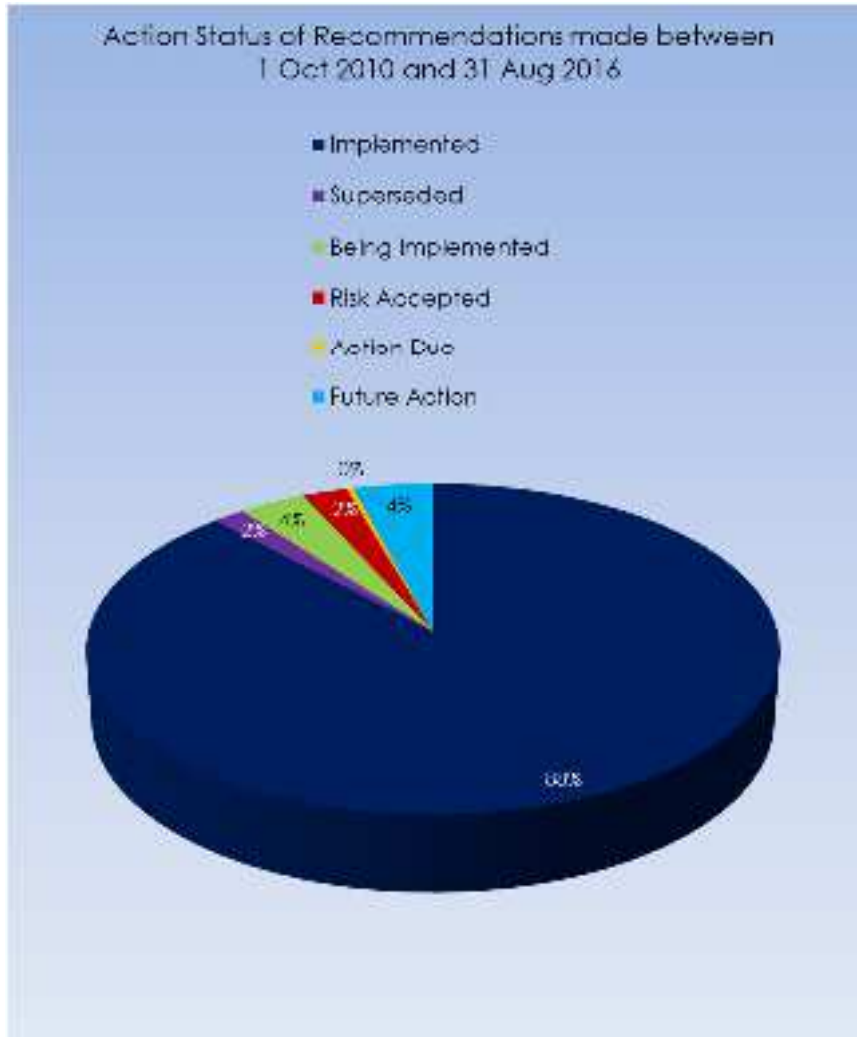
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being Implemented	16	4	2	22
Action Due	0	1	0	1
	16	5	2	23

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. As stated earlier in this report, we will now only provide full details of each moderate, significant or critical risk issue where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). All the risk accepted issues shown above have already been reported to this Committee.

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

At a previous meeting we agreed that we would no longer bring every outstanding recommendation in detail to this Committee. Instead we have sought to highlight those which we believe deserve Committee's attention, either through the level of risk associated with the control issue or the length of the delay in implementing agreed actions or our inability to obtain satisfactory progress information from Management. Accordingly, the following are detailed for Committee's scrutiny:

Corporate Services

Car Allowances

Control Issue 4 - 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 - This will be considered as part of the pay and grading review in 2016/17.

Original Action Date 30 Jun 11 **Revised Action Date** 1 Apr 17

Council Tax / NNDR / Cashiering 2013-14

Control Issue 3 – The error reports and zero liability bills highlighted by the Council Tax billing runs had not been corrected.

Risk Rating – Low Risk

Status Update –The exercise is being treated as data cleansing from the implementation of Academy, and will be a task allocated to apprentices. Staff shortages led to this being returned to a low priority status, to revisit in summer once annual billing and year end are out of the way. Continued lack of resource has impacted on progress.

Original Action Date 31 Dec 14 **Revised Action Date** 31 Oct 16

Risk Management

Control Issue 4 – Although the FIU Annual Report acted as a Fraud Plan and an Internal Audit Plan was developed on an annual basis, there was not a clear link between the two, and officers working in the Fraud Investigation Unit indicated that there was opportunity for clo.

Risk Rating – Low Risk

Status Update – Over the last few months, the Council's service delivery model for detecting and preventing fraud has been changing quite fundamentally since the transfer of the previous fraud officer to the DWP. The Council is currently developing a partnership with other Derbyshire Districts regarding a new system which has recently been implemented. This is being used to target areas of corporate fraud across the County. In addition, the Council has agreed in principle to buy-in its fraud service from Derby City Council in the future. There has been some positive dialogue and a way forward set out. Derby is currently recruiting to new posts and when this has been completed, an SLA will be drawn up and resources allocated to SDDC. In the meantime, there is no formal Fraud Plan that links to Internal Audit but in principle this should still be developed. It is considered that this not a weakness as such, but clearly linking fraud and audit would strengthen service delivery and possibly lead to some efficiencies. This should still be reviewed when the new fraud service is implemented.

Original Action Date 31 Dec 15 **Revised Action Date** 31 Oct 16

South Derbyshire District Council – Internal Audit Progress Report

Data Protection & Freedom of Information

Control Issue 6 – There were no formal review and verification procedures in operation for ensuring that access to directories on the Council's file servers was restricted to authorised users only. This can lead to inappropriate access provision to personal or sensitive data leading to privacy violations.

Risk Rating – Low Risk

Status Update – The relevant information assets have been identified and most owners have now been identified and housekeeping of files has taken place to strengthen capacity and storage. A couple of service units are still working through the procedure. When this has been completed, IT will complete the review of files and change the file structure. A final data base of information assets and owners will be held centrally by the IT Helpdesk to ensure that updates to information are properly controlled and authorised.

Original Action Date 26 Feb 16 **Revised Action Date** 31 Oct 16

Business Continuity

Control Issue 11 – The Business Impact Assessment had received no recent formal update. There was no documentation to support any updates in recent years.

Risk Rating – Moderate Risk

Status Update This has effectively been fully actioned now, subject to sign-off by the Resilience Liaison Group in November.

Original Action Date 30 Sep 15 **Revised Action Date** 30 Nov 16

Council Tax / NNDR / Cashiering 2015-16

Control Issue 2 – Recovery of Council Tax debt was being hindered as data on Council Tax accounts were not being cleansed, to maintain relevance and accuracy. It was not immediately obvious which debts were longstanding irrecoverable debts on indefinite hold (which could be written off) and which were current debts on hold that needed to be progressed..

Risk Rating – Moderate Risk

Status Update – The review of outstanding debts and cleansing of records is a large-scale job which requires resource allocation – a revised action-by date has been agreed for the end of March 2017 and will be included going forward as an end-of-year task.

Original Action Date 30 Jun 16 **Revised Action Date** 31 Mar 17

Control Issue 6 – Permanent recovery holds were in place on accounts for precepting bodies which prevented simple reminders being issued when a debt remained unpaid. As recovery action was not taking place, the accounts should have been subject to review and any unpaid amounts pursued.

Risk Rating – Moderate Risk

Status Update – Initial discussions have commenced in the best way to carry out a yearly review of internal and precepting bodies accounts. This needs to be a cost effective work process dealing with the accounts in bulk not individually.

Original Action Date 1 Aug 16 **Revised Action Date** 31 Mar 17

South Derbyshire District Council – Internal Audit Progress Report

CRM Security Assessment

Control Issue 1 – 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.

Risk Rating – Low Risk

Status Update – Currently testing the new CRM upgrade. Remaining effort before go-live is 10 days of IT testing. In addition the customer services team are also testing, and so are the Depot team. Go-live estimate October / November 2016.

Original Action Date 30 Apr 15 **Revised Action Date** 30 Nov 16

Control Issue 3 – 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.

Risk Rating – Moderate Risk

Status Update Currently testing the new CRM upgrade. Remaining effort before go-live is 10 days of IT testing. In addition the customer services team are also testing, and so are the Depot team. Go-live estimate: October / November 2016.

Original Action Date 31 Aug 15 **Revised Action Date** 30 Nov 16

Data Quality & Performance Management 2014-15

Control Issue 6 – There was no documented methodology for producing the Speed of Planning Applications performance figures.

Risk Rating – Low Risk

Status Update – The Planning Section were originally waiting for Northgate PS to supply the necessary software required for a system update before they recorded the required process. Northgate have now provided the upgrade (in a fashion) to accommodate the statutory requirements. This

only occurred within the last few months and we have still been working out how our processes work around these updates. A new member is due to staff start and as part of her training this will be one of the first processes documented. A documented methodology should be available around early to mid-October 2017.

Original Action Date 1 Jul 15 **Revised Action Date** 17 Oct 16

Housing & Environmental Services

Vehicles, Plant & Equipment

Control Issue 3 – 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 – The spreadsheet has been significantly improved but the view is to acquire a tracking system with fleet management functionality, revised target date to end of March. Due to changing priorities, workload and staffing issues a new action date has been agreed with the Director of Housing and Environmental Services. The new plan is for a draft strategy to be completed by 1st July 2015, to be taken to Committee on 12th August 2015. Due to start procurement once strategy approved (Dec 2015), this will be one of the tasks for the temporary transport project manager.

Original Action Date 30 Nov 14 **Revised Action Date** 16 Dec 16

South Derbyshire District Council – Internal Audit Progress Report

Community & Planning Services

Bereavement Services

Control Issue 2 – 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.

Risk Rating – Low Risk

Status Update – A policy decision from members would be required as to a charge being set as not one currently listed in the Fees & Charges structure. We will include a charge in this year's budget setting, web site has been updated and policy and charges will be updated once formalised. Seeking advice on policies and pricing through APSE. Once feedback/advice has been received a new policy will be written on the extension of Grants. Hopefully this will ready Sept/Oct to be included within the fee setting programme for 2017/18.

Original Action Date 31 Mar 15 **Revised Action Date** 1 Dec 16

Planning & Building Control Fees

Control Issue 3 – Income received via the planning portal was not readily identifiable within the Council's Financial Information system.

Risk Rating – Low Risk

Status Update – NGPS call logged but no suitable / practical solution provided.

Original Action Date 31 Jul 15 **Revised Action Date** 31 Dec 16

Rosliston Forestry Centre

Control Issue 2 – There was no action plan in place to facilitate officers with the ending of the current management arrangements at Rosliston Forestry Centre and to have the new management arrangements in place by the required date.

Risk Rating – Moderate Risk

Status Update – Joint funded project officer to be employed to progress options appraisal and procurement. Post currently being advertised.

Original Action Date 30 Jun 16 **Revised Action Date** 31 Oct 16

Control Issue 5 – There was not a maintenance plan in place for Rosliston Forestry Centre. Historic inspections and Condition Surveys flagged multiple issues at the site over a number of years, but these were not addressed due to financial restrictions.

Risk Rating – Moderate Risk

Status Update – No Response Received.

Original Action Date 31 Aug 16 **Revised Action Date**

Economic Development

Control Issue 1 – The Economic Development Strategy was out-of-date and required refreshing.

Risk Rating – Low Risk

Status Update – Work has continued on the strategy but it is not complete and has been rolled over into 2016/17 and now appears as a project in the new Corporate Plan. Consultation work was completed during the Autumn/Winter, including events with businesses (on 29 Sept).

Original Action Date 31 Dec 15 **Revised Action Date** 31 Oct 16