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Date: 7 June 2016

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 15 June 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.



AGENDA

Open to Public and Press

- 1** Apologies.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** LOCAL GOVERNMENT SECTOR UPDATE TO MARCH 2016 **3 - 18**
- 6** INTERNAL AUDIT PROGRESS REPORT **19 - 39**
- 7** INTERNAL AUDIT ANNUAL REPORT 2015-16 **40 - 52**
- 8** LOCAL CODE OF CORPORATE GOVERNANCE - ANNUAL REVIEW 2015-16 **53 - 82**
- 9** ANNUAL GOVERNANCE STATEMENT 2015-16 **83 - 105**

Exclusion of the Public and Press:

- 10** The Chairman may therefore move:-
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 11** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	15th JUNE 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/EY/quarterly update cover
SUBJECT:	LOCAL GOVERNMENT SECTOR UPDATE TO MARCH 2016	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 01

1.0 Recommendation

- 1.1 That the Committee consider the key questions raised by the Council's External Auditors contained in their quarterly sector update.
- 1.2 That the Fee Letter for 2016/17 is approved.

2.0 Purpose of Report

- 2.1 To provide a quarterly report from the Council's External Auditors. This is aimed at briefing the Committee on the latest developments and audit matters affecting the Local Government Sector. It also sets out the level of fees set by Public Sector Audit Appointments Ltd under their national scale of charges.

3.0 Detail

- 3.1 The quarterly update is attached.

4.0 Financial Implications

- 4.1 The proposed fees set out in the Auditor's letter are within the Council's budget for 2016/17.

5.0 Corporate Implications

- 5.1 None

6.0 Community Implications

- 6.1 None

Local government audit committee briefing

March 2016

Contents at a glance

Government and economic news

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governance**

Regulation news

**Key questions for the
audit committee**

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

Devolution

In EY's report 'From Whitehall to Townhall Preparing for devolution to England's city regions' it is noted that the UK has lagged behind other countries in decentralising its governance. But in recent years, 'localism' has gained momentum. In the last Parliament, the coalition government took a number of steps to empower city regions – through the creation of local enterprise partnerships, and City and Growth Deals – and the pace of change is quickening.

Large parts of England have started to agree Devolution Deals, which transfer powers in policy areas such as housing, planning and transport, education, employment, skills, health and policing. Eight deals have been announced so far, with five metro areas agreeing to directly elected mayors, and almost every other part of the country is involved in discussions. The recent progress is testament to the credibility that local government has established – with both the government and the public – as local leaders with a vision for local economies and wise stewards of public funds.

The UK is at an early stage of the devolution journey; much work still needs to be done. But the prize could be considerable. If managed well, it could help stimulate local economies to achieve higher levels of job creation and growth; improve public service outcomes through better local coordination of resources and funding; revitalise local democracy through more accountable governance; and improve the sustainability of public finances.

In this short report we look at progress so far and outline the factors that have driven success in winning more powers. We reflect on the readiness of different areas to make a success of devolution and speculate on the long-term impact on local government.

The debate will continue for some time to come, and lessons will be learned along the way. Drawing on our experience of working with a number of local authorities and cities, we are committed to helping facilitate debate and sharing best practices to help local government deliver the best services and outcomes to their communities and citizens.

Retention of business rates

The Government has announced that for 2016/17, Councils across England expect to collect £23.5 billion from business rates. This is an increase of approximately £400 million, in part it is believed this is due to an increase in the number of new businesses across the country.

Under existing rules, councils are expected to retain £11.75 billion of the rates collected; however, in the 2016 Budget, George Osborne indicated that from 2017, 100% business rates retention would be piloted in Greater Manchester and Liverpool City Region, and that in London the share retained would be increased.



Government and economic news

Budget 2016

16 March saw the publication of Budget 2016.

On public finances, the Chancellor announced that a departmental efficiency review was expected to identify a further £3.5 billion of savings in 2019/20. Employer pension contributions for public sector pensions are also set to increase from 2019/20, with a reduction in the public service pension scheme discount rate.

Some other announcements included:

- ▶ All schools are expected to either become academies by 2020, or to have an academy order in place to convert by 2022.
- ▶ New mayoral devolution deals will be agreed with the West of England, East Anglia and Greater Lincolnshire. Additional deals will be agreed with Greater Manchester and Liverpool City Region; including working towards the devolution of criminal justice powers. Previously agreed deals will also receive unringfenced funding totaling £2.86 billion to support local priorities.
- ▶ Starting from 1 April 2017, business rates will be cut for half of all properties. Small business Rate Relief will be permanently doubled from 50% to 100%, and the threshold from which this applies will be increased so that it applies to properties with a rateable value of £12,000 and below. The threshold for the standard business rates multiplier will also be increased to those with a rateable value of £51,000. The budget comments that local government will be compensated for the loss of income as a result of these measures.

- ▶ From 2020, business rates annual indexation will be based on CPI rather than RPI. The government will also aim to introduce more frequent business rate revaluations. The government intends to outline options for achieving this in a discussion paper.
- ▶ The government will work with local authorities across England to standardise business rate bills and to provide ratepayers with the option of receiving and paying bills online by April 2017.
- ▶ The government plans to support Local Government Pension Scheme administering authorities' plans to establish a smaller number of British Wealth Funds by combining assets into larger investment pools by 2018. These pools are expected to deliver annual savings of £200-300 million or more.

Off-Payroll working in the public sector

Budget 2016 included an announcement that it would reform the 'intermediaries' legislation' for public sector engagements.

This legislation dates back to 2000, and requires individuals who are working through an intermediary company to pay approximately the same tax and National Insurance contributions as they would if they were direct employees. Typically, intermediary companies have been an individual's own limited company. There is widespread non-compliance, perhaps because many find these rules confusing.

From April 2017, the liability to pay the correct employment taxes will transfer from the worker's own company to the public sector body that is paying the company. These changes, which are intended to be introduced by the 2017 Finance Bill, will be subject to consultation.



Accounting, auditing and governance

PSAA Corporate Plan

Public Sector Audit Appointments (PSAA) published its Corporate Plan 2015-2018 in early 2016. PSAA was set up to manage the audit contracts which were originally let by the Audit Commission, and to put arrangements in place to support the new audit regime established through the Local Audit and Accountability Act 2014.

The Corporate Plan sets out three options available to audited bodies for appointing auditors from the financial year 2017/18 and onwards for NHS bodies and smaller local authorities; and from the financial year 2018/19 and onwards for principal local authorities and criminal justice bodies:

- ▶ Undertake an individual auditor procurement and appointment exercise.
- ▶ Undertake a joint audit procurement and appointing exercise with other audited bodies, e.g., those in the same locality.
- ▶ Join a 'sector led body' arrangement.

The Local Government Association's subsidiary, the Improvement and Development Agency (IDeA), has said that it wishes to secure the establishment of a sector led body to support audit appointments. It also considers that PSAA would be well placed to fulfil this role. Since local government bodies need to appoint auditors for the 2018/19 financial year by 31 December 2017, arrangements for a sector led body will need to be in place in 2016 to prepare for contract letting.

The Corporate Plan also includes the PSAA's current plans around redistribution of surplus fees to audited bodies:

1. For NHS bodies, the anticipated amount for redistribution is approximately 10% of 2016/17 scale audit fees, with expected payments in 2017.
2. For local government bodies, the anticipated amount is approximately 15% of 2017/18 scale audit fees, with expected payments in 2018.

The redistribution is subject to confirmation and approval from the PSAA Board.



Accounting, auditing and governance

Flexibility on use of capital receipts in Local Government

In the 2015 Spending Review, the Government announced its intention to give local authorities the right to use capital receipts on the revenue costs of certain projects.

Two final directions for local government were issued in March 2016; one covering police and crime commissioners, and the other covering councils and fire authorities. There is also a general direction with further guidance.

These direct local government bodies to treat expenditure which is 'designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector

delivery partners' as capital expenditure for expenditure incurred for the three financial years commencing 1 April 2016.

Expenditure which is treated as capital under these directions can only be funded from capital receipts which have been received in the same time period.

The general direction also states that each authority will need to disclose a Strategy which sets out the individual projects that will be funded or part funded through capital receipts flexibility. This should be presented to full Council or the equivalent either as part of the annual budget setting process, through the Mid-Term Financial Plan or equivalent, or as part of the Efficiency Plan.

The strategy setting out these projects should be prepared in advance of the start of each financial year where possible, or presented to full Council or the equivalent as soon as possible.



Regulation news

The state of health care and adult social care in England

The Care Quality Commission has, based on a body of evidence across health and social care, published the above report aiming to give a full picture of the quality of care in England and identify and share key aspects of high-quality care/driving improvement.

Amongst the key messages in the report are:

- ▶ **Safety** – safety remains the biggest concern across all services, with 13% of hospitals, 10% of adult social care services, and 6% of primary medical services rated as inadequate for safety. The report highlights the rating of significant numbers of services as 'requires improvement'. Safety is seen to be affected by various factors including, ineffective safety and risk management systems, failure to fully investigate and learn from incidents, and, (in hospitals and adult social care) concerns with the adequacy of staffing numbers and skill mix.
- ▶ **Delivering quality under pressure** – efficiency savings, to meet the more complex needs of an older, changing population, at the same time as ensuring that the health and care system remains sustainable for the future, nearly 60% of adult social care and over 80% of GP practices were rated good or outstanding. At the same time the report highlights variation in quality, including between different services from the same provider and between different providers.
- ▶ **Ability to improve** – the report highlights an increase in enforcement actions from 4% in 2013/14 to 7% in 2014/15, and that initial results show that, on re-inspection, more than half of services were able to improve their ratings within six months.
- ▶ **What it takes to be outstanding** – the report emphasises that high-quality care can be provided under constrained financial conditions through managing resources well. Good and Outstanding providers are not simply relying on more money, the report highlighting that over 90% were also good or outstanding for their leadership.
- ▶ **Data and transparency** – across all sectors, continuing development of better data, which is available to all stakeholders is seen as important, particularly for adult social care and community and mental health services. In the absence of such information, understanding the quality of care beyond inspections, (or assessing the impact that changes are having on quality of care) is difficult.



Regulation news

Personalised commissioning in adult social care

The National Audit Office (NAO) has recently published a report on commissioning in adult social care. Although personal budgets became mandatory for all eligible users from April 2015 under the Care Act, the NAO has concluded that the Department of Health (DH) requires a deeper understanding of implementing personalised commissioning in the best ways.

Long-term community care accounted for £6.3 billion of local authority spend in 2014/15, and the DH has plans to extend this.

The NAO also highlighted a difference in expectations between the DH and local authorities. Local authorities expect that savings can be made by personalising care, whereas DH anticipates improved value for money through improved outcomes. The Care Act guidance noted that responding to the needs of users and their desired outcomes could increase the cost of care, whereas

some local authorities are finding personalising commissioning challenging because of their need to reduce overall spending.

Current monitoring arrangements do not allow the Department to wholly understand how personal budgets and direct payments can lead to improved outcomes. Nor has it looked at how personal budgets can work when finances are challenged.

Amyas Morse, Head of the NAO, said:

“Giving users more choice and control over their care through personal budgets and direct payments can improve their quality of life, but much of the positive evidence for personalised commissioning of adult care services is old. The Department now needs to gain a better understanding of the different ways to commission personalised services for users, and how these lead to improvements in user outcomes.”



Regulation news

Highways Network Asset

CIPFA has published a consultation on the **Draft Code of Practice on the Highways Network Asset** (HNA Code) with a closing date of 6 April 2016.

The draft HNA Code includes the following definition of the Highways Network Asset:

Highways Network Asset is a network and grouping of interconnected inalienable components, expenditure on which is only recoverable by continued use of the asset created, i.e., there is no prospect of sale or alternative use. The interconnected network is made up of carriageways, footways and cycleways and the structures, street lighting and other assets that are directly associated with them.

CIPFA is producing a series of briefings to support local authorities in the implementation of the new measurement requirements. The second briefing in this series is available from the CIPFA website, and includes guidance on reporting requirements for 2015/16. It notes that the requirements to restate opening balances at 1 April 2015 and prior year comparatives in the financial statements for 2016/17 relating to the Highways Network Asset has now been removed. Please liaise with your auditor to discuss how this will affect your organisation.

2016/17 work programme and scales of fees

The PSAA has published the work programme and scale of fees for 2016/17 audits of principal audited bodies. This set out the work the auditors will undertake for 2016/17 with associated scale fees for individual audited bodies. The key points are:

- ▶ No change to the overall work programme for 2016/17.
- ▶ Scale fees for 2016/17 have been set at the same level as the 2015/16 fee.

<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/>



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

What assumptions have we included regarding business rates income in our medium term financial plan, and how is this impacted by the changes announced in Budget 2016, such as the increase in Small Business Rates Relief?

Have we determined how we will procure our external audits for the financial year 2018/19 and onwards?

Have we discussed and considered the advantages and disadvantages of the three possible approaches to procurement?

Have we considered how we can use capital receipts to support revenue projects?

Have we considered whether our savings requirements in the short and medium term impact on our capacity to meet the objectives of Personalised Commissioning and how we can address this?

Have we considered the impact of the Highways Network Assets, and are we prepared for this change?



Find out more

Devolution

The full EY report is available at
<http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-From-Whitehall-to-Townhall>

Retention of business rates

See the government announcement at:
<https://www.gov.uk/government/news/record-business-rates-predicted-as-devolution-revolution-kicks-off>

Budget 2016

The full budget report is available at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf

See also EY's Budget alerts at:
<http://www.ey.com/UK/en/Services/Tax/Budget>

Off-payroll working in the public sector

Read more about the government's proposed changes at:
<https://www.gov.uk/government/publications/off-payroll-working-in-the-public-sector-reforming-the-intermediaries-legislation>

PSAA Corporate Plan

To read the Corporate Plan in full – visit:
<http://www.psa.co.uk/wp-content/uploads/2016/01/PSAA-Corporate-Plan-2015-2018.pdf>

Flexibility on use of capital receipts in Local Government

See the final guidance and the issued directions at:
<https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts>

The state of health care and adult social care in England

Visit: <http://www.cqc.org.uk/content/state-care-201415>

Personalised commissioning in adult social care

Find out more at:
<https://www.nao.org.uk/press-releases/personalised-commissioning-in-adult-social-care/>

Highways network asset

Read the consultation and respond via the CIPFA website at:
<http://www.cipfa.org/policy-and-guidance/consultations/hna-consultation>

For further guidance on the implementation of the Highways Network Asset, see:
<http://www.cipfa.org/policy-and-guidance/local-authority-highways-network-asset>

2016/17 work programme and scales of fees

For further information:
<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/>

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ED None

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South Derbyshire District Council
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18 April 2016

Ref: SC/MG

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Dear Frank

Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at South Derbyshire District Council.

Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For South Derbyshire District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;

- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Grant Thornton Actual fee 2014/15 £
Code of Audit Practice fee	49,275	49,275	65,700
Certification of housing benefit subsidy claim	13,590	16,313	24,440

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £15,716.25.

Audit plan

Our plan is expected to be issued by March, 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss

this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are:

Stephen Clark
Partner

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Tel: 0161 333 3280

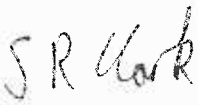
Michael Green
Manager

MGreen11@uk.ey.com

Tel: 0161 333 2603

We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours faithfully



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

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	15th JUNE 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 February and 31st May 2016.

3.0 Detail

- 3.1 The detailed report is attached.

4.0 Financial Implications

- 4.1 None directly.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 None directly.

7.0 Background Papers

- 7.1 None

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 15th June 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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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 May 2016.

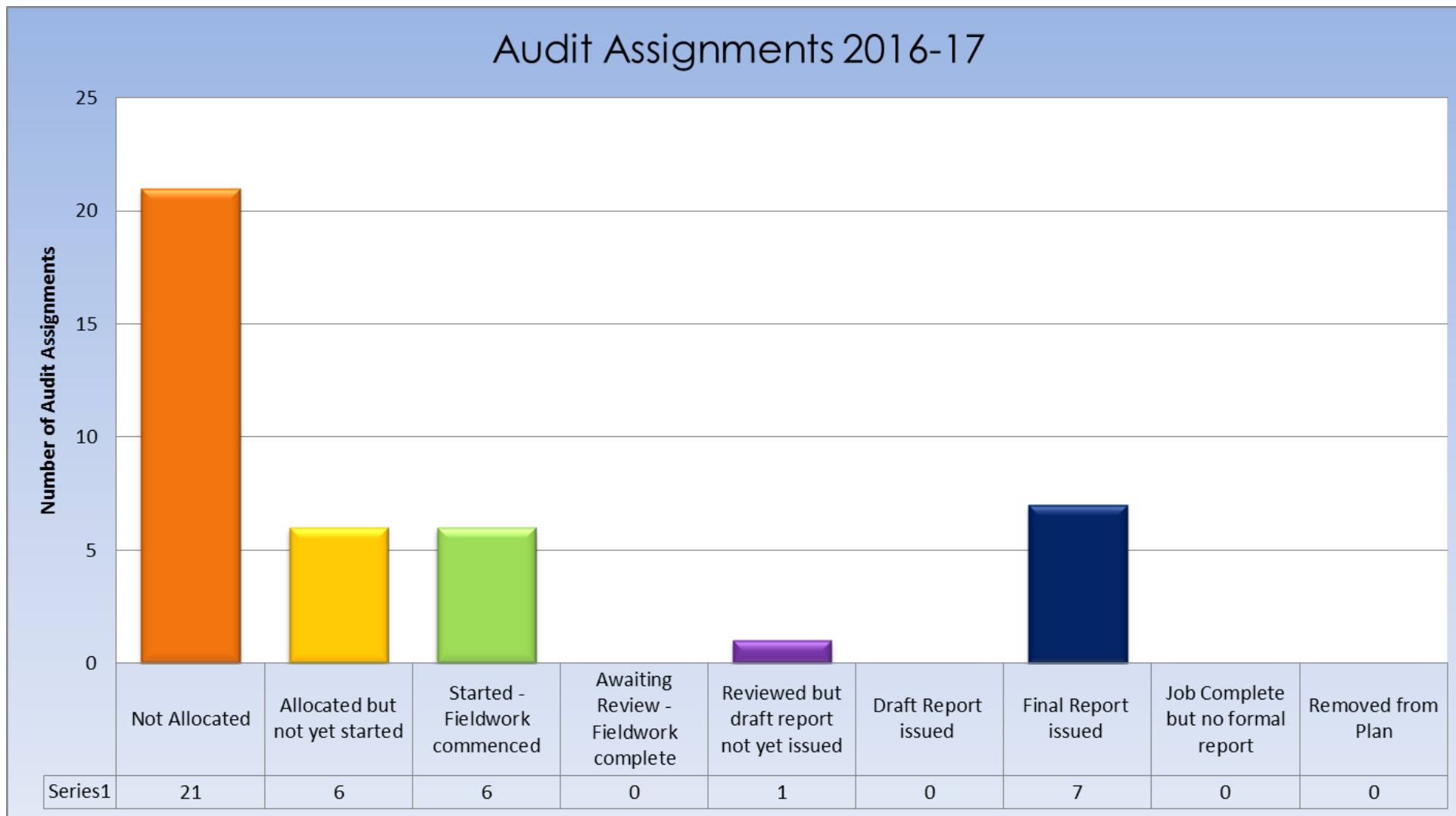
Audit Plan Assignments	Type of Audit	Current Status	% Complete
South Derbyshire – Council Tax 2016-17	Key Financial System	Allocated	0%
South Derbyshire - Records Management	Governance Review	Allocated	5%
South Derbyshire - Data Quality & Performance Management	Governance Review	Allocated	0%
South Derbyshire - Safeguarding	Governance Review	Allocated	0%
South Derbyshire - Land Charges	Key Financial System	Allocated	10%
South Derbyshire - Cleaning Services	Key Financial System	In Progress	20%
South Derbyshire - Pest Control	Key Financial System	In Progress	60%
Whistleblowing Investigation	Investigation	In Progress	45%
South Derbyshire - Main Accounting System (MFTP) 2015-16	Key Financial System	In Progress	70%
South Derbyshire - Council Tax / NNDR / Cashiering 2015-16	Key Financial System	Final Report	100%
South Derbyshire - Housing Benefits & Council Tax Support 2015-16	Key Financial System	Final Report	100%
South Derbyshire - Creditors / Debtors 2015-16	Key Financial System	Final Report	100%
South Derbyshire - Information@Work	IT Audit	Final Report	100%
South Derbyshire - Change & Configuration Management	IT Audit	In Progress	75%
South Derbyshire - Client Monitoring - Corporate Services Contract	Procurement/Contract Audit	Allocated	10%
South Derbyshire - Corporate Governance	Governance Review	Final Report	100%
South Derbyshire - Petty Cash & Inventories	Systems/Risk Audit	Reviewed	90%
South Derbyshire - Fixed Assets 2015-16	Key Financial System	In Progress	60%
South Derbyshire - Members' Allowances	Systems/Risk Audit	Draft Report	95%
South Derbyshire - Rosliston Forestry Centre	Systems/Risk Audit	Final Report	100%

Another 21 planned assignments (not shown above) have not been allocated yet.

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Audit Coverage

Progress on Audit Assignments Chart



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Audit Coverage

Completed Audit Assignments

Between 1st February 2016 and 31st May 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):

- Payroll / Officers Expenses & Allowances 2015-16 **(Comprehensive)**.
- Land Sales **(Comprehensive)**.
- Development Control **(Comprehensive)**.
- Rent Accounting **(Reasonable)**.
- Council Tax / NNDR / Cashiering 2015-16 **(Reasonable)**.
- Housing Benefits & Council Tax Support 2015-16 **(Reasonable)**.
- Creditors / Debtors 2015-16 **(Reasonable)**.
- Information@Work **(Reasonable)**.
- Corporate Governance **(Comprehensive)**.
- Rosliston Forestry Centre **(Limited)**.

The Rosliston Forestry Centre audit attracted a 'Limited' control assurance rating and as such it is necessary to bring that particular assignment to the Sub-Committee's attention.

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

Payroll / Officers Expenses & Allowances 2015-16

Overall Control Assurance Rating: **Comprehensive**

This audit focused on ensuring that robust systems were in place regarding the payment of expenses and allowances claimed for reimbursement by officers at the Council.

From the 11 key controls evaluated in this audit review, 8 were considered to provide adequate control and 3 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:

- Personal and sensitive information on employees was being saved on the Finance network (S\Finance\payroll) that was not suitably restricted and could be accessed by members of the Finance team who did not require this for work purposes. **(Low Risk - Risk accepted)**
- Periodic reconciliation between the Payroll and the Human Resources systems were not being undertaken to ensure that the two records of employees agreed. **(Low Risk - Risk accepted)**

Both of the control issues raised within this report were accepted, but Management has decided not to take any mitigating action and has chosen to accept the risk.

Land Sales

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the processes in place to approve the sale of land, ensuring sales were achieved to maximise income for the Council at their highest value and that all details of transactions were being appropriately recorded.

From the 12 key controls evaluated in this audit review, 10 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:

- We confirmed that there was no procedural guidance in place to support the process to dispose of land. Although there were

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some procedures specific to domestic land, there was no overarching procedural guidance. (Low Risk)

- The Council had identified all land surplus to requirements and had created a Portfolio of Land. The document was last reviewed in July 2015. The Corporate Asset Manager had not set a timeframe for review for this document. (Low Risk)

Both of the control issues raised within this report were accepted and positive actions were agreed to address each of these by 1st August 2016.

Development Control

Overall Control Assurance Rating: **Comprehensive**

This audit focused on ensuring that Planning Enforcement activities were dealt with effectively, were adequately documented and controlled, and, that appropriate enforcement action had been taken where necessary.

From the 17 key controls evaluated in this audit review, 16 were considered to provide adequate control and 1 contained a weakness. The report contained 1 recommendation, which was considered a low risk. The following issues were considered to be the key control weaknesses:

- Although checks were undertaken on outstanding enforcement case files, these were not carried out on a regular basis and no evidence was available to demonstrate that these checks had been performed. (Low Risk)

The issue raised within this report has been accepted and action will be taken to address this by 31st March 2016.

Rent Accounting

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that the annual rent increase had been correctly applied in accordance with Council policy. The audit also sought to ensure that regular reconciliations were being undertaken

between the Council's housing system (Orchard) and other key financial systems. Finally, the audit reviewed the system in place surrounding rent accounts with credit balances.

From the 13 key controls evaluated in this audit review, 7 were considered to provide adequate control and 6 contained weaknesses. The report contained 6 recommendations, all 6 of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The calculation of the annual rent increase to be charged to Council tenants had not been signed and dated by the officer undertaking the calculation. (Low Risk)
- The calculation record of gross rents was not subject to a check by a second officer within Finance. (Low Risk)
- Computer generated control totals from the gross rent calculation record were not being used to ensure that the correct number of properties had been updated with the correct rental values. (Low Risk)
- Documentary evidence was not available to confirm that checks had been undertaken on tenants rent accounts to ensure they had been updated correctly with the annual rental increase charge. (Low Risk)
- Reconciliations between the Council's Orchard Housing system, Agresso Finance system and cash receipting system were not always completed in a timely manner and did not record the name of the officer preparing the reconciliation, the name of the officer reviewing the reconciliation or the dates when it had been prepared and reviewed. (Low Risk)
- Although weekly reviews were in place to check the housing benefit payments up-loaded to the interface with the Orchard system, no checks were in place to make sure the correct amounts had been actually posted to the Orchard housing system. (Low Risk - Risk accepted)

All 6 issues raised within this report have been accepted. Action will be taken to address 5 of the issues raised by 31st March 2016. In respect of

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the remaining issue, officers have chosen to accept the risk as an alternative compensating control is in operation.

Council Tax / NNDR / Cashiering 2015-16

Overall Control Assurance Rating: **Reasonable**

This audit focused on a number of elements within Council Tax, Non-Domestic Rates (NDR) and Cashiering, in order to give assurance to the Council that these key systems were operating effectively and correctly.

From the 63 key controls evaluated in this audit review, 55 were considered to provide adequate control and 8 contained weaknesses. The report contained 9 recommendations, 6 of which were considered a low risk and 3 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Council was relying on the Valuation Office Agency (VOA) to process all Council Tax reports submitted in a timely manner and were not asking for long outstanding items to be prioritised. (Low Risk)
- 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. (Moderate Risk)
- Attachments of earnings orders were not being effectively monitored to identify when payments were not forthcoming from employers. (Low Risk)
- The team were relying on the VOA to process all Non-Domestic Rates reports submitted in a timely manner and were not verifying if this work was being done. (Low Risk)
- Non-Domestic rate Arrears which could have been collected were not being pursued because holds had been left on accounts and not subjected to review. (Moderate Risk)
- 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. (Moderate Risk)

- Decisions of actions to be taken, agreed at performance monitoring meetings with the Enforcement Agents were not being formally minuted and the meetings were being held quarterly instead of monthly as stipulated in the agreement. (Low Risk)
- Regular reconciliations were not being promptly undertaken between caseload listings held by the Council and the Enforcement Agents records, to ensure a coherent response to debtor queries. (Low Risk)
- Old Non-Domestic Rates account balances, where there was no potential for income, had been left on the system. This does not follow the corporate debt recovery policy which states "that prompt and regular write off of such debts is good practice as it maintains the accuracy of the collection databases." (Low Risk)

All 9 issues raised within this report have been accepted and action was agreed to address 6 of the issues by the end of June 2016, a further 2 by the end of October 2016, with the 1 remaining action to be taken by 28th February 2017.

Creditors / Debtors 2015-16

Overall Control Assurance Rating: **Reasonable**

This audit focused on the controls in operation over the creditors and debtors functions of the Council, covering security of cheques, amendments to supplier details and the approval of invoices. We also covered debts raised by the Council, how these were monitored and debt recovery procedures.

From the 29 key controls evaluated in this audit review, 23 were considered to provide adequate control and 6 contained weaknesses. The report contained 4 recommendations, all 4 of which were considered a low risk. The following issues were considered to be the key control weaknesses:

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- Spoilt cheques were being recorded and retained by the Finance Section instead of destroying them. (Low Risk)
- The system flag which identified existing customers in debt was easily disregarded and two examples were identified where customers had continued to accumulate debt and use the Council's facilities whilst recovery action was being taken against them. (Low Risk)
- We confirmed with the Finance Section that there was no second independent check on what reminder letters were being suppressed. (Low Risk)
- We confirmed that two direct debit payments had payment request forms in place, but had not been approved by a budget manager. (Low Risk)

Positive action was agreed for each of the 4 issues raised. Three recommendations had already been implemented with the remaining issue due for implementation by 1st July 2016.

Creditors / Debtors 2015-16

Overall Control Assurance Rating: **Reasonable**

This audit focused on the security, configuration and management of the Council's live Information@Work application and supporting server infrastructure.

From the 59 key controls evaluated in this audit review, 45 were considered to provide adequate control and 14 contained weaknesses. The report contained 9 recommendations, all 4 of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- There were 224 accounts within the SDDC\Domain Images and/or SODOR\Domain Images groups which did not have an active application account in Information@Work. This could be exploited to bypass the application and expose the highly personal and sensitive documents stored on the Images\$ share (D:\Images) on the document cache server to unauthorised access. (Moderate Risk)

- The local SDDC-VM-IAWCH-L\Images group had FULL control over the directory which stored the Information@Work documents on the document cache server. Such elevated access could be misused to allow a user to maliciously or inadvertently add users to the access control list, exposing the highly personal and sensitive data within the documents to unauthorised access leading to privacy violations. In addition, a user could maliciously remove genuine access from users and administrators, or service accounts, such as those associated with virus scanners and backup applications. (Moderate Risk)
- There were over 40 different combinations of security permissions assigned to users, and only 30 accounts were being granted permissions through a security profile (role based security model). Using roles allows for group management of privileges assigned by function and reduces the likelihood of wrongfully assigned privileges which may expose the integrity, availability and confidentiality of documents processed by the application. (Low Risk)
- 6 of the SQL authentication accounts with access to the live Information@Work database server were not subject to either password complexity or expiry policies. Furthermore, 2 of the accounts had weak corresponding passwords. Weak password policies give rise to weak password selections, and weak passwords are a primary target to gain unauthorised access to service critical database servers. (Moderate Risk)
- The MSSQLServer and SQLServer agent services were both running under the security context of a local administrator account (sddc\svc_iawservice). Were there a bug in the service code, malicious users could exploit this to gain administrator permissions over the Information@Work database server, which could affect the integrity, availability and confidentiality of the System. (Low Risk)
- The GUEST account was enabled in all system and user databases on the Information@Work database server. This can expose the data within these databases to unauthorised access, potentially leading to privacy violations. (Low Risk)

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- The system database 'model' had never been backed up on the live Information@Work database server. If this database were damaged with no backup at all available, any specific template information would be lost and would need to be recreated manually, potentially affecting the availability of the System, or the recoverability of the system in disaster scenarios. (Low Risk)
- The page verification on a number of databases, including the live Images database, was TORN_PAGE_VERIFACATION. To effectively identify and deal with database corruption before the Council faces potential data loss situations, it is recommended that this configuration is set to CHECKSUM. (Low Risk)
- A number of user and system databases on the live Information@Work database server had never had a successful DBCC CHECKDB. It is a mandatory DBA task to run this regularly to catch any database corruption as soon as possible before it poses a data loss or availability risk to the Information@Work application. (Low Risk)

All 9 of the issues raised were accepted and 1 of the issues had already been addressed. Positive actions were agreed to address the remaining 8 issues by the end of October 2016, subject to external confirmation from the application development specialists.

Corporate Governance

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the effectiveness of controls within:

- The process for compilation of the Council's Annual Governance Statement.
- The communications protocol for ensuring proper scrutiny of the Council's functions.
- The process for ensuring Member and officer training with regard to governance.

From the 13 key controls evaluated in this audit review, 11 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:

- Formal written procedural guidance had not been produced to support the process for completing the Annual Governance Statement. (Low Risk)
- We confirmed there that was no process of monitoring to ensure that mandatory and other training courses were being undertaken by staff and managers. (Low Risk)

Both of the control issues raised within this report were accepted and positive actions were agreed to address these control issues by 30th June 2016 and 1st October 2016.

Rosliston Forestry Centre

Overall Control Assurance Rating: **Limited**

This audit focused on existing and developing arrangements at the Centre, including:

- The re-contracting the management of the Centre.
- The programme for repairs and maintenance at the site.
- The monthly payments and reconciliations of financial data from the Management Company.
- Income collected by Council Officers at the Centre and how this is stored, recorded and paid in.

From the 22 key controls evaluated in this audit review, 6 were considered to provide adequate control and 16 contained weaknesses. The report contained 11 recommendations, 8 of which were considered a low risk and 3 a moderate risk. The following issues were considered to be the key control weaknesses:

- No firm decisions had been taken about the running of Rosliston Forestry Centre when the current management contract comes to an end. (Moderate Risk)
- There was no action plan in place to facilitate officers with the ending of the current management arrangements at Rosliston

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Forestry Centre and to have the new management arrangements in place by the required date. (Moderate Risk)

- Formal decisions regarding procurement activity in respect of the future management arrangements at Rosliston Forestry Centre had not been agreed between the Partners. (Low Risk)
- There was not a regular programme of building and site inspections at the Centre. (Low Risk)
- 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. (Moderate Risk)
- There were modest budgets for repairs and maintenance of the Rosliston Forestry Centre site. The budgets only covered responsive repairs and the 2014-15 expenditure on maintenance exceeded the budget provision. (Low Risk)
- There were insufficient procedures in place that covered the checking and reconciling of data in the Monthly Analysis Control Sheets. (Low Risk)
- The Management Company were providing electronic and hard copy versions of the Monthly Analysis Control Sheets to the Council on a timely basis, however, officers of the Council were not signing them to demonstrate that the payments in respect of the contract were legitimate. We also noted two instances where the hard copy sheets that had been signed by the Management Company and their Accountant had not been forwarded to the Accountancy team. (Low Risk)
- Officers at the Council were not checking the accuracy of the Monthly Analysis Control Sheet figures as they had not been provided with supporting documentation from the Management Company. Through the work of Internal Audit, minor issues were noted on the spreadsheets that informed the Monthly Analysis Control Sheets which led to omissions and in one case overstatement of an expenditure transaction. (Low Risk)

- Income could take up to a month from being received to being paid in. Additionally, officers based at Rosliston Forestry Centre had not been issued with paying in books yet to enable them to make deposits via the Post Office. (Low Risk)
- Insurance limits for storing cash and cheques in a locked drawer had been exceeded for one service area in July and August 2015. (Low Risk)

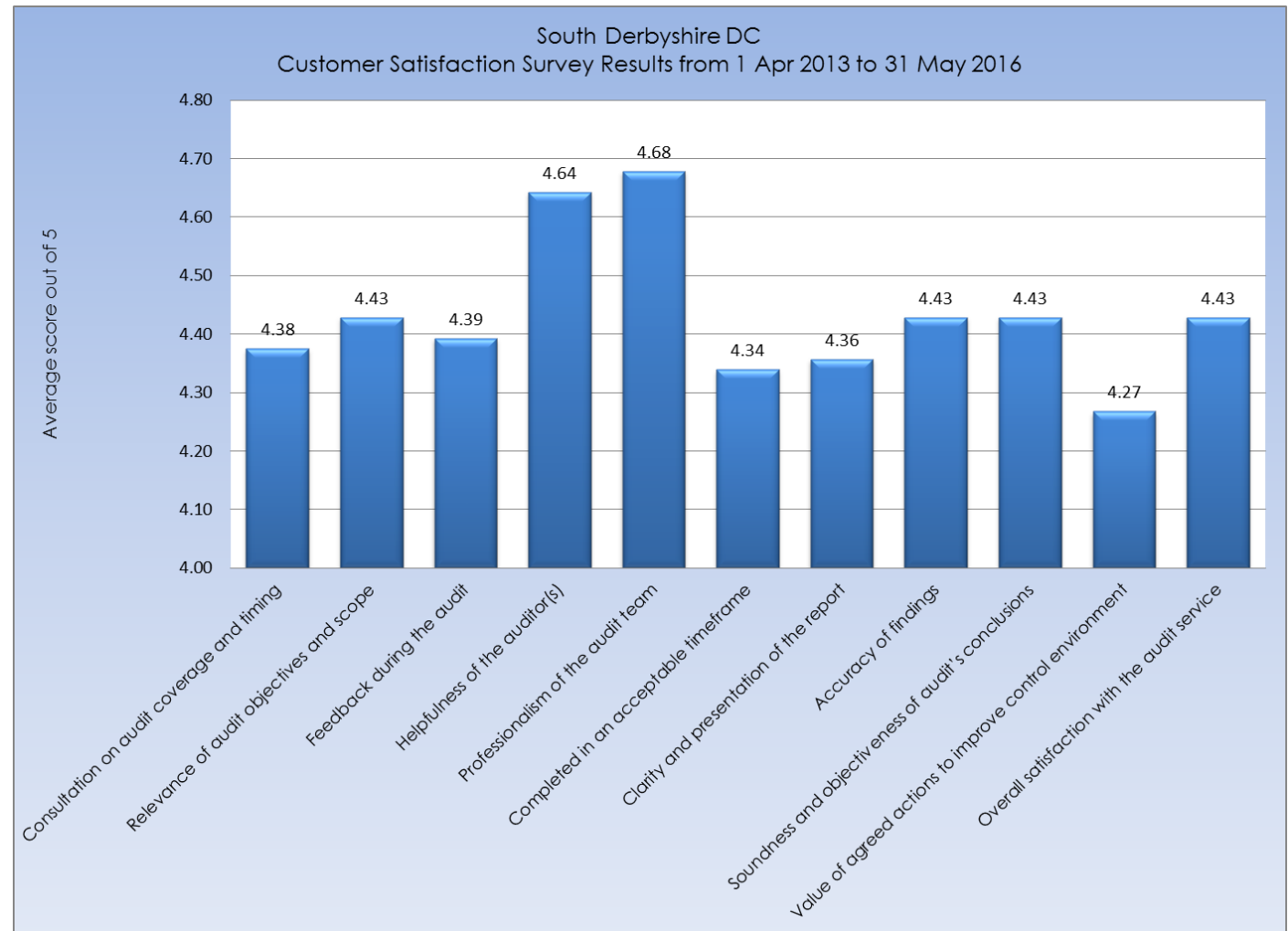
All of the issues raised within this report were accepted. Management had taken action to address 4 of the recommendations at the time of finalising this report. Management agreed to take actions to address 2 of the recommendations by 30th April 2016, 1 of the recommendations by 31st May 2016, 1 of the recommendations by 30th June 2016, 1 of the recommendations by 31st August 2016, 1 of the recommendations by 30th September 2016 and the final recommendation by 31st October 2016.

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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 56 responses received between 1st April 2013 and 31st May 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.



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Audit Performance

Customer Satisfaction

Since 1st April 2013, we have sent 87 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 87 sent we have received 56 responses.

Sixteen 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.

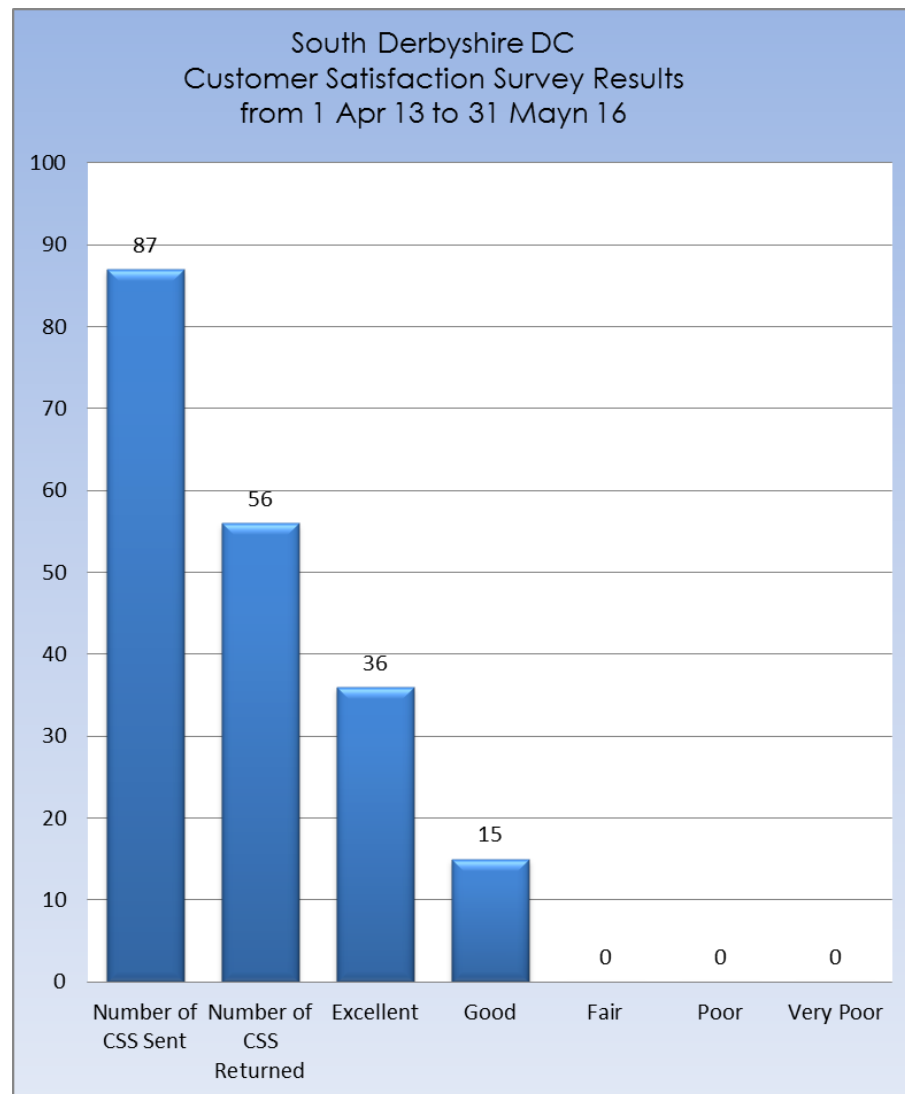
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Payroll / Officers Expenses 2015-16	07-Mar-16	Director of Finance & Corporate Services
Data Quality 2015-16	08-Jan-16	Head of Policy and Communications
Income & Tenancy Management	06-Nov-15	Housing Operations Manager
People Management	24-Sep-15	Director of Finance & Corporate Services
Land Sales	02-Feb-16	Corporate Asset Manager
Safer Neighbourhood Wardens	25-Nov-15	Environmental Health Manager
Treasury Management / Insurance 2015-16	28-Jan-16	Director of Finance & Corporate Services
Rosliston Forestry Centre	29-Apr-16	Cultural Services Manager
Creditors / Debtors 2015-16	12-Apr-16	Financial Accountant
Council Tax / NNDR / Cashiering 2015-16	09-May-16	Client Services Manager
Housing Bens & C Tax Support 2015-16	12-Apr-16	Client Services 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 40 of 56 responses categorised the audit service they received as excellent, another 16 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

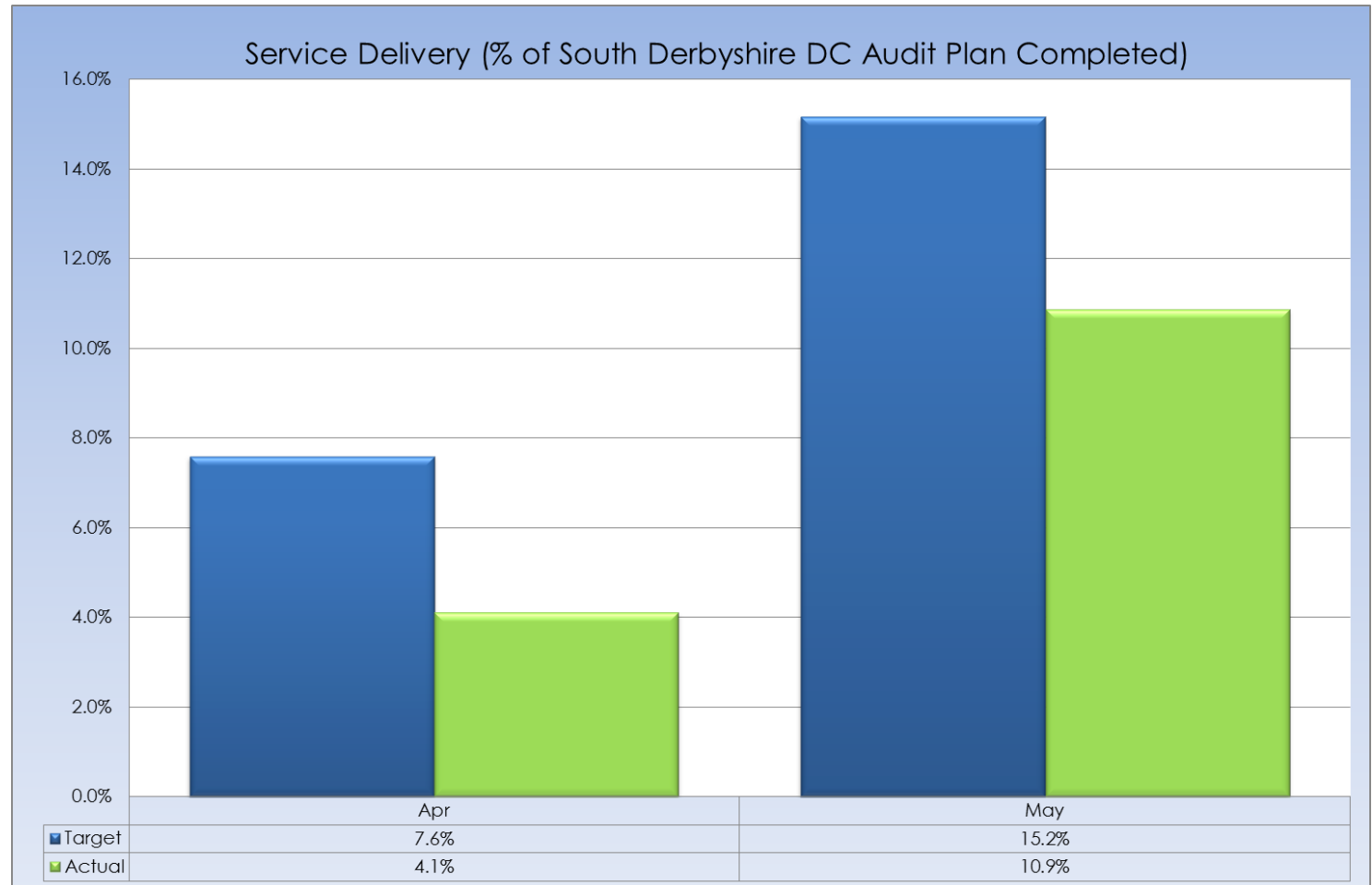
Audit Performance

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 2 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	406	21	13	6	1	36	483
Moderate Risk	87	6	1	4	0	8	106
Significant Risk	7	0	0	0	0	0	7
Critical Risk	0	0	0	0	0	0	0
	500	27	14	10	1	44	596

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

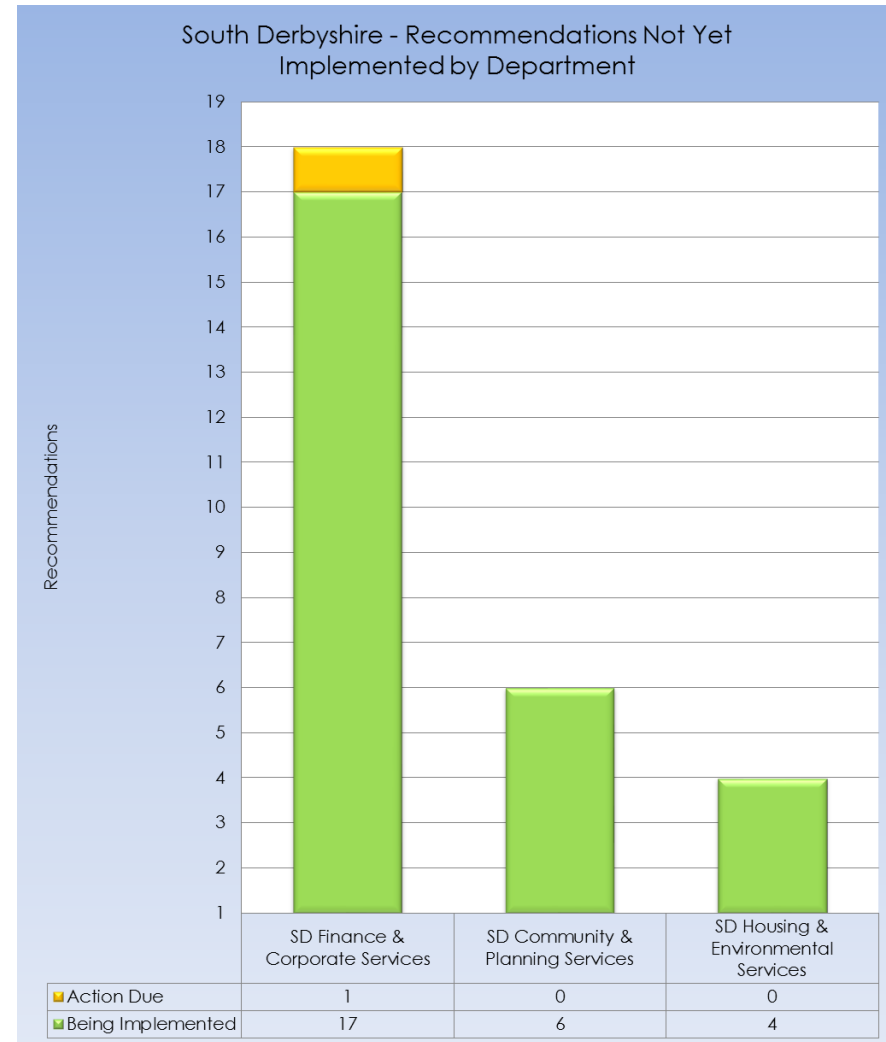
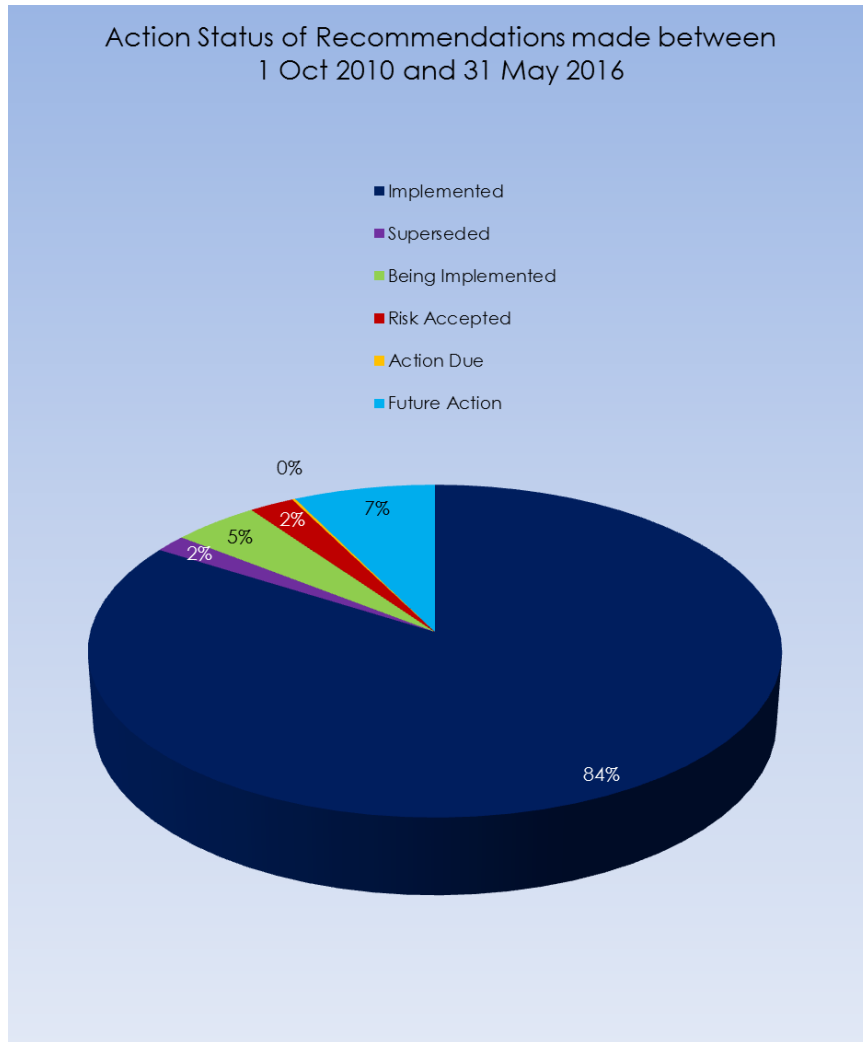
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being Implemented	17	6	4	27
Action Due	1	0	0	1
	18	6	4	28

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.

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Recommendation Tracking

Implementation Status Charts



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Recommendation Tracking

Recommendations Not Yet Implemented

At the last 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 – This action is due to be completed at the end of the calendar year. 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.

Original Action Date 31 Dec 14 **Revised Action Date** 30 Jun 16

Data Protection & Freedom of Information

Control Issue 4 – The Council's mobility assets (i.e. smartphones and tablets) were not all centrally managed by a mobile device management application. This can lead to unsecure devices being in operation processing personal and sensitive data, which could become vulnerable to unauthorised disclosure if lost or stolen.

Risk Rating – **Moderate Risk**

Status Update – Following the replacement of mobile devices with smartphones and tablets, Procurement is currently undertaking a final evaluation of 2 suppliers to supply an application fairly similar to that used for i-pads. The preferred system will then be selected and implemented.

Original Action Date 29 Oct 15 **Revised Action Date** 1 Jun 16

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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 liaison is now taking place with service managers to assign owners. An outline template for the documentation has been drawn up and once this has been completed, it will be held centrally by the IT Helpdesk to ensure that updates to the information are properly controlled and authorised

Original Action Date 26 Feb 15 **Revised Action Date** 1 Aug 16

Capacity Management

Control Issue 3 – There were a number of virtual and host servers with dangerous storage utilisation and memory utilisation statistics. Allowing production systems to exceed high risk capacity thresholds without following capacity plans can lead to performance, availability and reliability issues for business critical IT services.

Risk Rating – **Moderate Risk**

Status Update – We still have some servers in this audit recommendation that are subject to refresh, so I cannot say that we have addressed all issues.

Original Action Date 30 Oct 15 **Revised Action Date** 29 Jul 16

Control Issue 2 – The Council had not established capacity management plans for all critical IT services. Without establishing capacity plans for critical IT services, there is a risk that the Council could run out of capacity resources leading to service outages of critical IT services, or unacceptable performance, impacting service delivery.

Risk Rating – **Moderate Risk**

Status Update – The current process in place is being formally documented.

Original Action Date 26 Mar 16 **Revised Action Date** 30 Jun 16

Members Allowances

Control Issue 27 – Key financial rules and procedures documents had not been issued to Aurora.

Risk Rating – **Low Risk**

Status Update – No Response Received.

Original Action Date 1 May 16 **Revised Action Date** n/a

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 – Live implementation of new system will be approx June 2016.

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

Control Issue 3 – There were a number of configurations and maintenance issues exposing the SQL Server to serious performance and reliability issues.

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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 – Live implementation of new system will be approx June 2016.

Original Action Date 31 Aug 15 Revised Action Date 30 Jun 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 – Following computer virus affecting the council the list of services has been reviewed and BIA are partly completed at this time (some services to finalise). The countywide model is being used.

Original Action Date 30 Sep 15 Revised Action Date 30 Jun 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 Council's position is that we have a contract with Northgate PS to supply the software to undertake this task. Currently the software does not do this correctly. As such the Planning Section are waiting for Northgate to deal with this issue so that we can log the process as it should operate rather than logging the current process which will otherwise be irrelevant. We DO NOT have a date for when this issue will be resolved.

Original Action Date 1 Jul 15 Revised Action Date 1 Jan 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

Community & Planning Services

Bereavement Services

Control Issue 1 – Although there were some procedural guidelines and checklists in place, the documents were fragmented and the checklists were not always being properly completed.

Risk Rating – **Low Risk**

Status Update – I can confirm that the updating and pulling together of procedures is currently having to fit around day to day tasks and additional priorities so I envisage completion by 31 March 2016. Burial Procedural Document currently part written. Completion aimed for Audit Sub-Committee 15 June 2016.

Original Action Date 31 Mar 15 Revised Action Date 20 Jun 16

South Derbyshire District Council – Internal Audit Progress Report

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

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	15th JUNE 2016	CATEGORY: RECOMMENDED
REPORT FROM:	AUDIT MANAGER	
MEMBERS' CONTACT POINT:	ADRIAN MANIFOLD Adrian.manifold@centralmidlandsaudit.gov.uk (01332 643281)	DOC: u/ks/audit/internal audit/annual reports/HOA Opinion 2016
SUBJECT:	INTERNAL AUDIT ANNUAL REPORT 2015/16	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

1.1 To consider and note the Annual Internal Audit Opinion for 2015/16.

2.0 Purpose of Report

2.1 To set out the opinion of Internal Audit on the adequacy and effectiveness of the Council's internal control environment.

3.0 Detail

3.1 Under Audit regulations, the Internal Audit Manager is required to provide a written report to those charged with governance, which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. This is timed to support the Annual Governance Statement.

3.2 The audit opinion is based on the work undertaken by internal audit in 2015/16. In summary, based on the work undertaken during the year, the Audit Manager reached the overall opinion that *there is an acceptable level of internal control within the Council's systems and procedures.*

3.4 The detailed report, setting out how this opinion was reached, is attached.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 None directly

7.0 Community Implications

7.1 None directly

8.0 Background Papers

8.1 The Accounts and Audit Regulation 2015.

South Derbyshire District Council – Internal Audit Annual Report 2015-16

Audit Sub-Committee: 15th June 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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Introduction

How an Audit Opinion is Formed

A fundamental role of Internal Audit is to provide members and senior management with independent assurance on the Council's overall control environment, comprising the systems of governance, risk management, and internal control and to highlight control weaknesses together with recommendations for improvement. The annual Audit Plan sets out proposals on how this will be achieved in the year ahead.

The Audit Plan must incorporate sufficient work to enable the Head of Audit to give an opinion on the adequacy of the Council's overall control environment. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.

The audit work planned for 2015-16 has informed the Head of Audit's opinion on the internal control environment that exists within the Council. The Head of Audit reports his overall opinion to the Audit Sub-Committee on an annual basis.

The Head of Internal Audit provides this written report to those charged with governance which gives an opinion on the overall adequacy and effectiveness of the organisation's internal control environment. This is timed to support the Annual Governance Statement, which is also being presented to this Committee for review by Members before being signed off by the Leader of the Council and Chief Executive.

Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of financial and other management controls.

The Head of Audit's overall audit opinion is based on the work undertaken by internal audit in 2015-16. The reporting of the incidence of significant control failings or weaknesses has also been covered in the progress reports to the Committee on Internal Audit's progress against the annual audit plan.

Basis for Opinion

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.

In preparing the overall opinion, the Head of Audit has reviewed all audit activity carried out during 2015-16 and noted any issues arising from those audits that have carried forward into 2016-17. Each individual audit undertaken contains a control assurance rating (opinion) on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where weaknesses in control are identified, an action plan is agreed with management. Progress with these agreed actions is monitored by Internal Audit during the year through follow up audit work.

The Head of Audit will use the individual assurance ratings from the audits conducted in 2015-16 and the progress with agreed actions to form the overall opinion.

In presenting his opinion, the Head of Audit will identify where reliance has been placed on work by other assurance bodies. His opinion will be based on the work of Internal Audit and his understanding of work carried out by external assurance agencies.

In respect of the key financial systems of the Council, based on the Internal Audit work undertaken in the year, the Head of Audit will be able to give an overall assurance on the adequacy and effectiveness of the internal controls operating in these systems.

Head of Audit's Opinion 2015-16

Summary

Based on the work undertaken during the year, I have reached the overall opinion that **there is an acceptable level of internal control within the Council's systems and procedures**. I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered substantial.
- Only 2 reports provided a 'Limited' control assurance rating, all others were either 'Comprehensive' or 'Reasonable'.
- There wasn't any 'critical risk' or 'significant risk' recommendations made within any audit reports issued in 2015-16.
- There were no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2015-16.
- All but one of the issues raised within the internal audit reports have been accepted. This related to declarations of interest.
- Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all cases but seven low risk issues, where management has chosen to accept the risk.
- The Council's system of risk management was finalised in May 2015 and the overall level of assurance at that time was considered Comprehensive. Three of the four low risk recommendations made have now been addressed.
- Our overview of the Council's Data Quality through a combination of control self-assessment and specific audit testing deemed that the overall control environment was Comprehensive.
- Internal Audit's coverage during 2015-16 included an appropriate range of governance areas. The Ethical audit into Declarations of Interest attracted a 'Reasonable' rating.

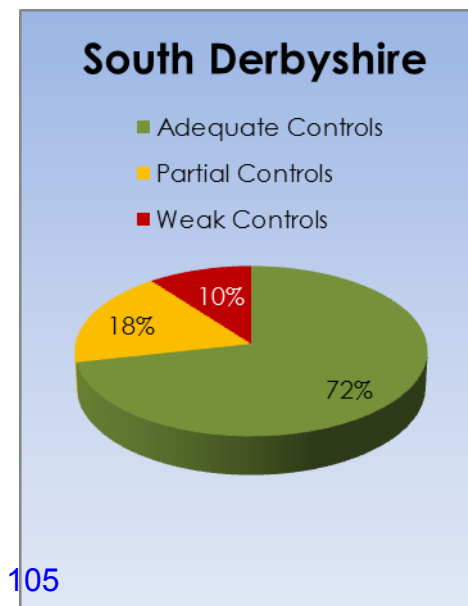
- Internal Audit investigated the circumstances which led to a cash collection discrepancy for the Council during 2015-16 and provided management with assurance that appropriate control improvements had been made.

This opinion is provided with the following caveats:

- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.

Controls Examined

For those audits finalised during 2015-16, we established the following information about the controls examined:

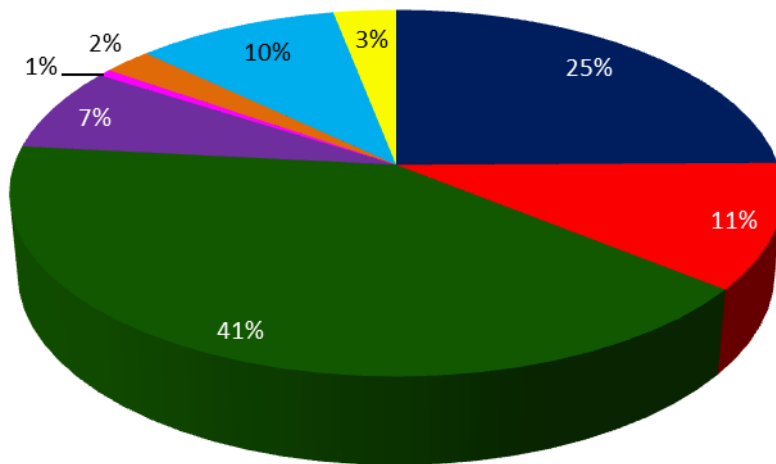


South Derbyshire	2015-16
Evaluated Controls	675
Adequate Controls	483
Partial Controls	122
Weak Controls	70

Audit Coverage

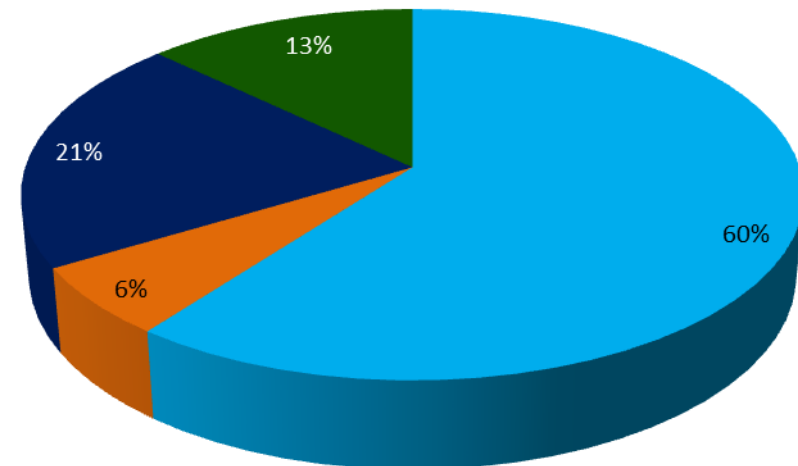
Coverage per Type of Audit 2015-16

- Key Financial System
- Governance Review
- Systems/Risk Audit
- IT Audit
- Procurement/Contract Audit
- Investigation
- Advice/Emerging Issues
- Follow-up



Coverage per Department 2015-16

- Corporate Services
- Community & Planning Services
- Housing & Environmental Services
- Advice & Management

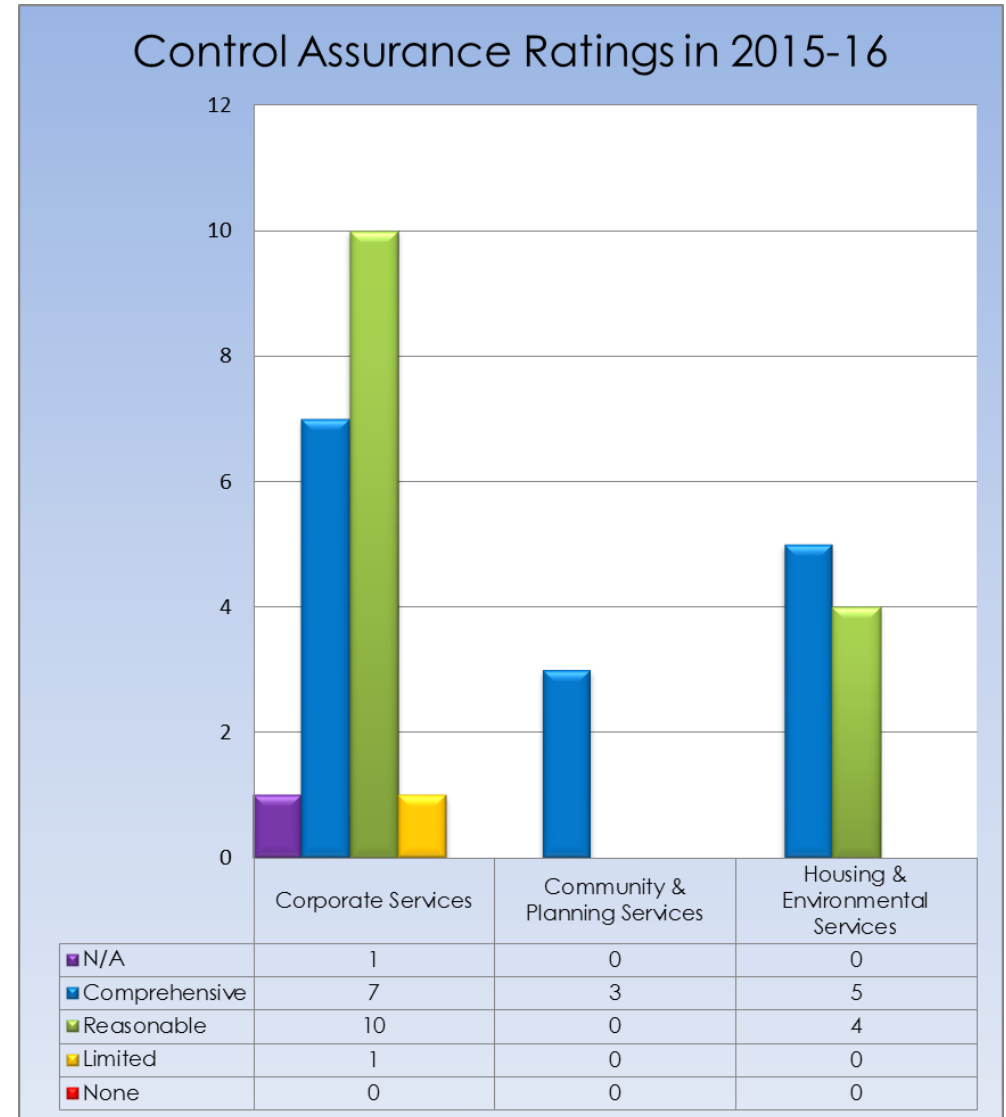


Control Assurance Ratings

All audit reviews contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. These are graded as either:

- **N/A** – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.
- **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.
- **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.
- **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.
- **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.

This report rating is determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. A summary of control assurance ratings given by directorate for 2015-16 is shown in the table across.



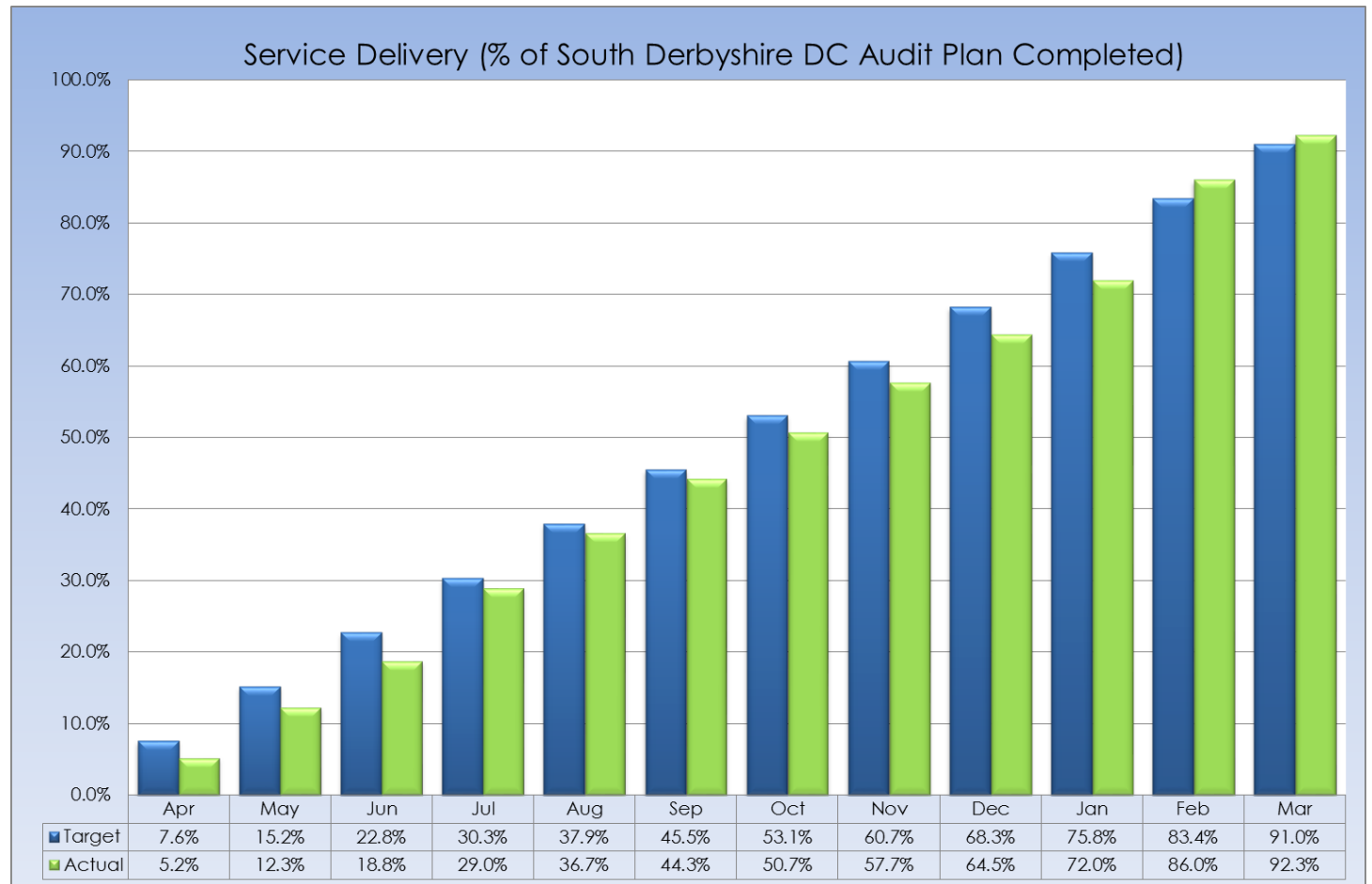
Performance Measures

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 2015-16 Audit Plan (including incomplete jobs brought forward from the 2014-15 Audit Plan) at the end 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.



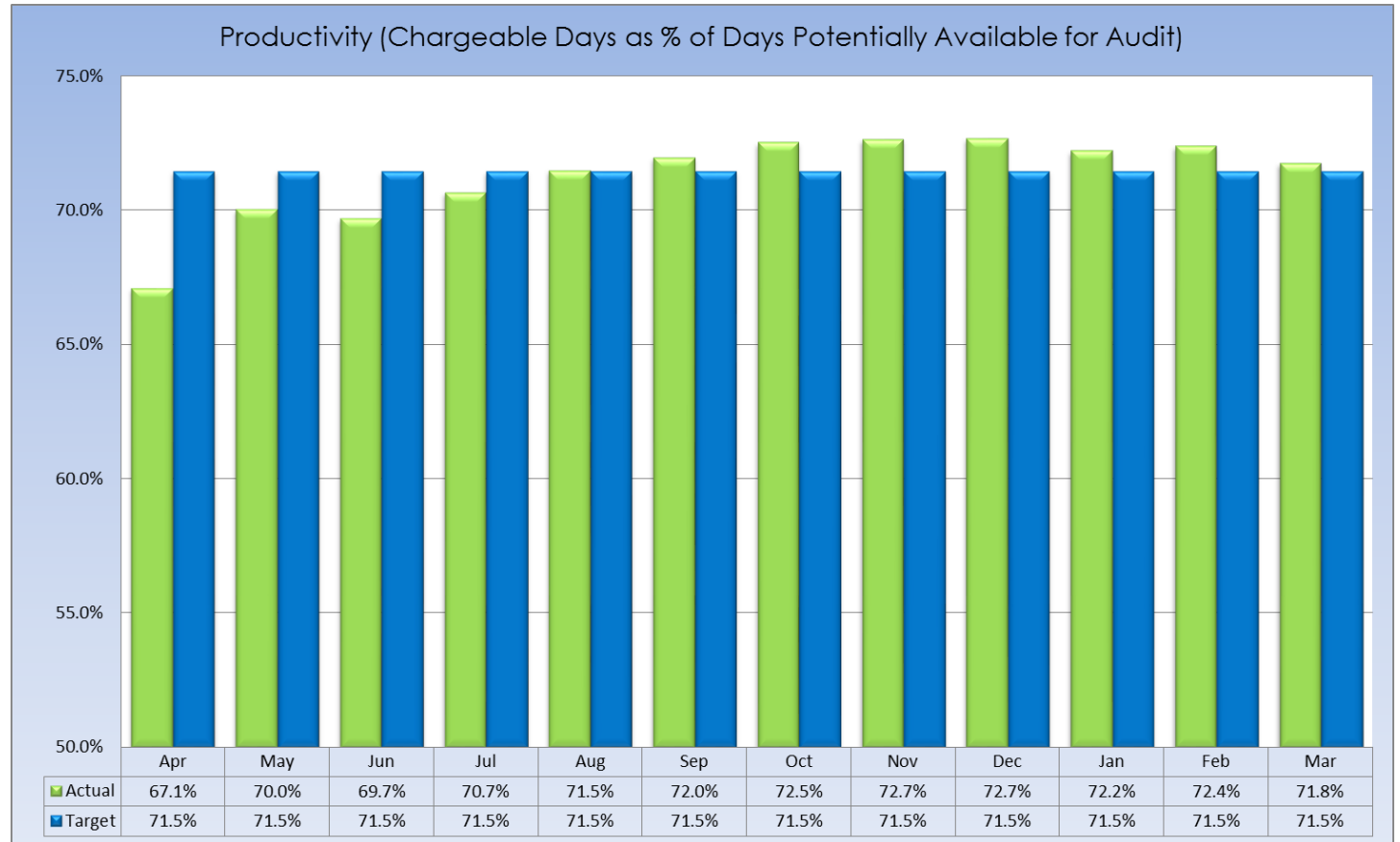
Performance Measures

Productivity (Chargeable Days as % of Days Potentially Available for Audit)

Audit staff record the time they spend on audit assignments, administration and management in our bespoke database. Every minute worked is logged against an appropriate code. This time is analysed and compared to planned audit work

Time is analysed between Productive and Non-productive time. We aim to achieve a target productive rate of 71.5% for the year. The average productive rate for the year was 71.8%.

The chart opposite shows how the productivity of the team has fluctuated over the year.



Customer Satisfaction Returns

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. Appendix A summarises the average score for each category from the 18 responses received. The average score from the surveys was 50.9 out of 55. The lowest score received from a survey was 40, while the highest was 55.

The overall responses are graded as either:

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

Overall 16 of 18 responses categorised the audit service they received as excellent and another 2 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.

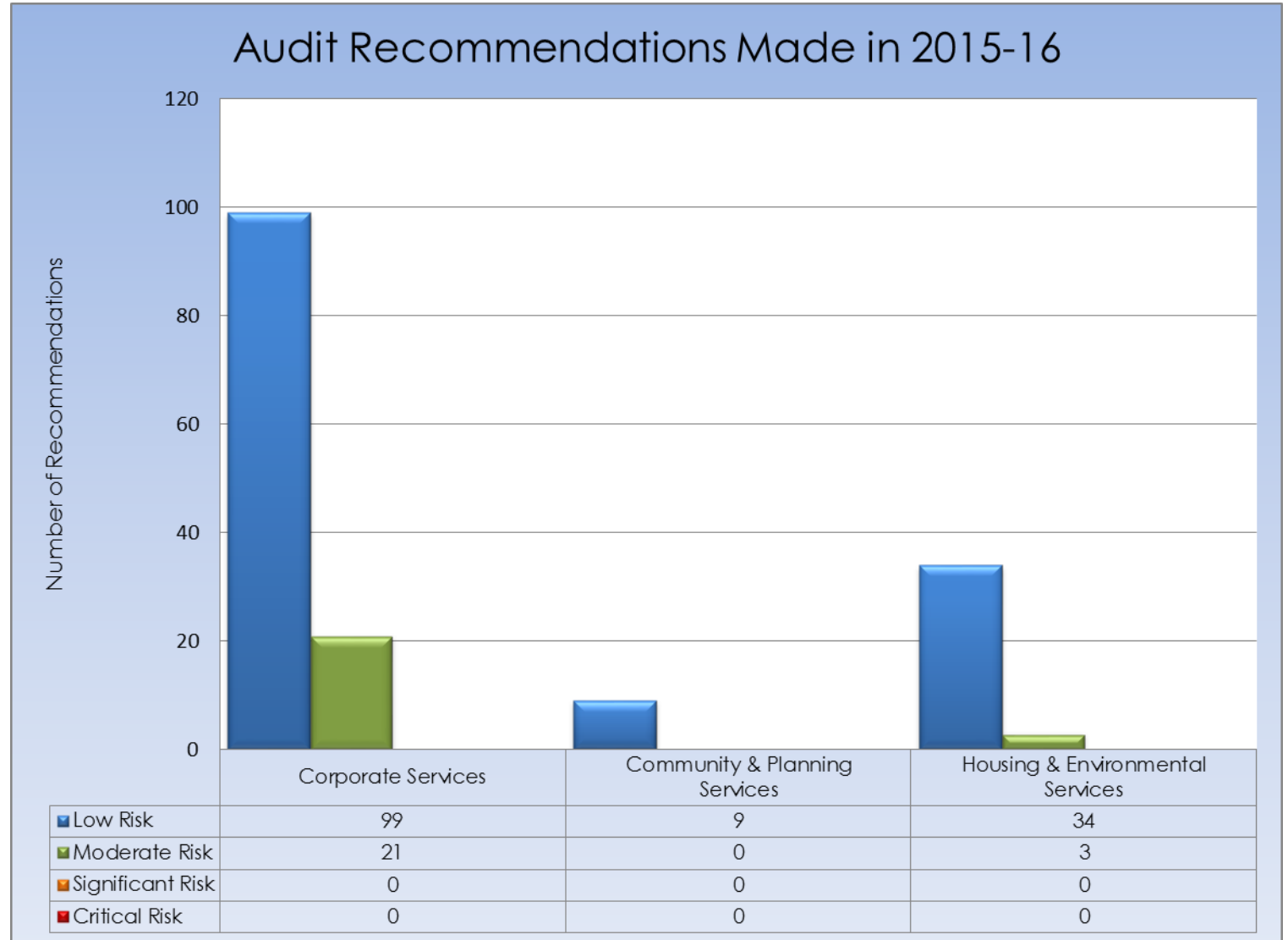


Audit Recommendations

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. A summary of recommendations made, by directorate, for 2015-16 is shown in the table across.



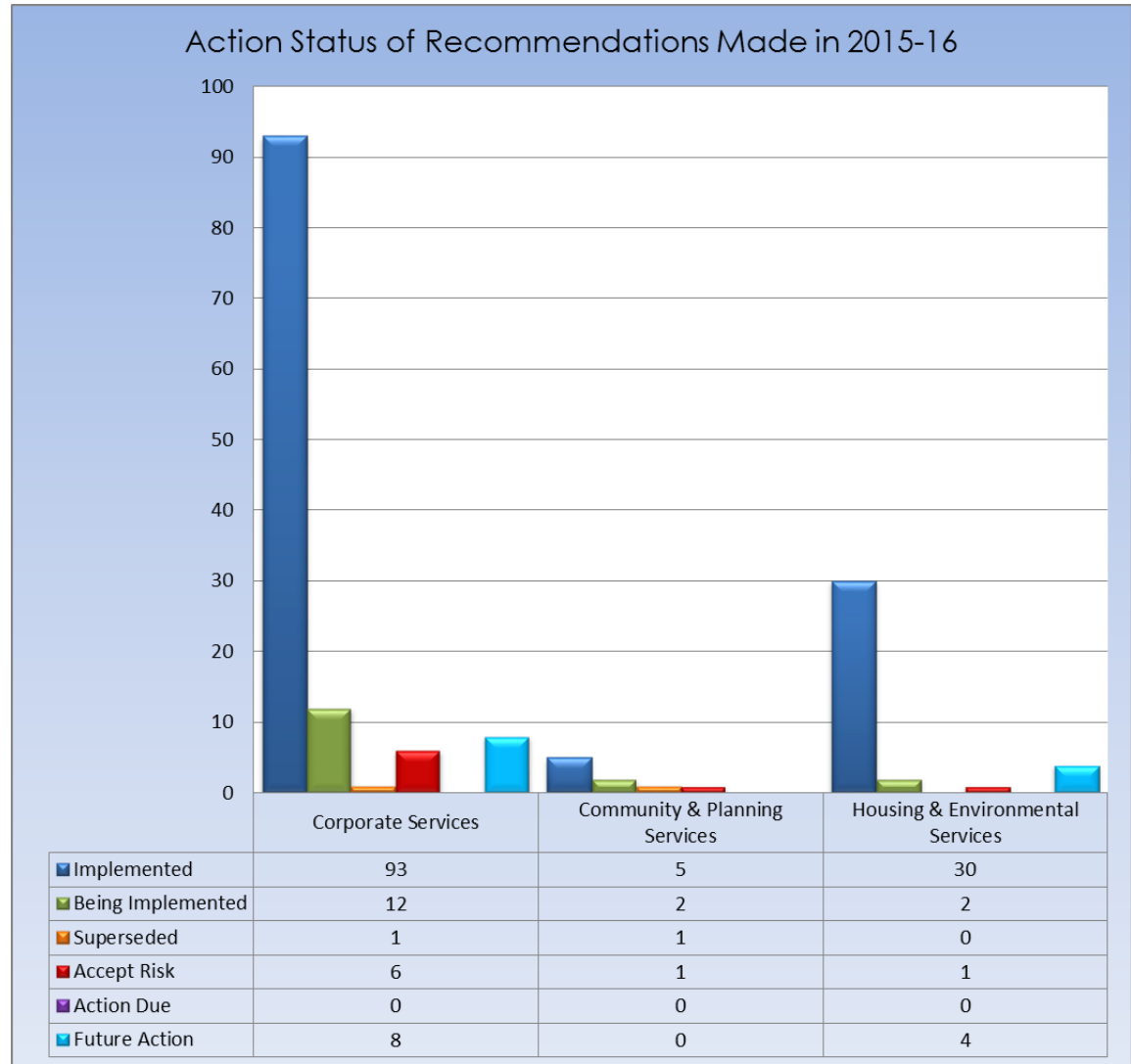
Recommendations Action Status

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.

Each recommendation made by Internal Audit has been 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:

- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **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).
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Accept Risk** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **Action Due** = Audit have been unable to ascertain any progress information from the responsible officer.
- **Future Action** = The recommendations haven't reached their agreed action date

A summary of the action status of recommendations by directorate for 2015-16 is shown in the table across.



REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	15th JUNE 2016	CATEGORY: DELEGATED
REPORT FROM:	LEGAL & DEMOCRATIC SERVICES MANAGER and MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR ardip.kaur@south-derbys.gov.uk	DOC:
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE – ANNUAL REVIEW 2015/16	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendation

- 1.1 That the annual assessment of the Council's Local Code of Corporate Governance for 2015/16 is approved.
- 1.2 That the completion of the work plan to strengthen the Council's governance arrangements in 2015/16 is noted.

2.0 Purpose of Report

- 2.1 To provide an annual assessment against the Council's Local Code of Corporate Governance, together with progress on the work plan contained in the statutory Governance Statement for 2015/16.

3.0 Detail

- 3.1 The current Local Code of Corporate Governance was adopted by the Council in 2008. It is based on a best practice document and principles which were founded by the professional organisations SOLACE and CIPFA. The local code provides evidence of how the Council has fulfilled or intends to fulfil its commitment to corporate governance.
- 3.2 Under its terms of reference, the Committee is required to review compliance against six core principles on which the Code is based. These principles and the local action plan are part of the Council's Annual Governance Statement; this is subject to External Audit review as part of the annual accounts process.

What is Corporate Governance?

- 3.3 Corporate Governance is the system by which a Council directs and controls its functions and relates to its community. Good Corporate Governance is essential in demonstrating there is credibility and confidence in the public services provided. Sound arrangements are founded upon openness, integrity and accountability, together with the over-arching concept of leadership.

The Purpose of the Local Code of Governance

- 3.4 The Local Code of Governance is a single document that aims:
- To serve as a management tool for reviewing and monitoring existing Corporate Governance arrangements.
 - To ensure that evidence about governance arrangements is available and to fulfil statutory commitments required in the Annual Governance Statement.
 - To help develop plans for improving arrangements for Corporate Governance

How Governance Arrangements are Measured

- 3.5 The local code is based on six core principles:
1. Focusing on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area.
 2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
 3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 5. Developing the capacity and capability of Members and Officers to be effective.
 6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.6 The detailed assessment for 2015/16 is detailed in **Appendix 2**. There are no major changes from the previous year; it is considered that the Council continues to have sound and adequate arrangements in place that meet the requirements of good corporate governance.

- 3.7 Generally, all areas are rated highly with any outstanding matters highlighted with an appropriate action point. The Committee are requested to broadly review Appendix 2 to satisfy itself that it generally accords with its view of the Council's arrangements.

Work Plan 2015/16

- 3.8 Actions identified in the Council's Annual Governance Statement for 2014/15 were completed in 2015/16. These are detailed in **Appendix 1**.

Work Plan 2016/17

- 3.9 The proposed work plan for 2016/17 is set out in the Annual Governance Statement which is subject to a separate report on this Committee's Agenda.

Updates to the Code

- 3.10 The current governance framework has existed in local government since 2006/07. This has recently been reviewed by CIPFA/SOLACE and an updated framework has been published. This will be effective from the financial year 2016/17.
- 3.11 The core principles and sub principles included in the revised framework are taken from an International framework: *Good Governance in the Public Sector*. From 2016/17, each council will need to demonstrate its governance structures comply with the revised framework and maintain a local code of governance. There will still be an annual requirement to publish an AGS.
- 3.12 The new framework will be considered and the implications for the Council will be reported to this Committee later in the year, 2016/17. It is not anticipated that any significant changes will be required to the Council's underlying structures and it should not affect the proposed work plan to strengthen those arrangements in 2016/17,

4.0 Financial Implications

- 4.1 None.

5.0 Corporate Implications

- 5.1 The Code covers all of the Council's activities and compliance with it affects all services.
- 5.2 The self assessment process is an important element in ensuring that the Council keeps under review its Local Code of Corporate Governance in order to continue to maintain the six core principles.

6.0 Community Implications

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

7.0 Background Papers

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

APPENDIX 1: GOVERNANCE WORK PLAN 2015/16

Work Area	Timescale	Responsible Officer (s)	Action/Comment
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	Completed and reported in to the Audit sub-Committee in December 2015 and June 2016
Development and implementation of a new Corporate Plan	September 2015 to December 2015	Senior Management Team	New plan adopted by the Council in April 2016.
Review of the Council's Constitution	July 2015	Legal and Democratic Services Manager	Completed and approved by Full Council in January 2016.
Strengthening the Council's Business Continuity arrangements	September 2015	Director of Finance and Corporate Services	Work plan was agreed by the Resilience Liaison Forum in April 2015. This has now been completed with further development work identified and being progressed. In particular, on drawing up service level continuity plans and this is an action for 2016/17.
Reviewing the Declarations of Interest Procedure	August 2015	Legal and Democratic Services Manager / Director of Finance and Corporate Services	Internal Audit review completed. Some low risk recommendations being implemented.

Self-Assessment of Performance under Local Code of Corporate Governance

PRINCIPLE 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

How the principles of corporate governance should be reflected
Exercising strategic leadership by developing and clearly communicating the Council’s purpose and vision and its intended outcomes for citizens and service users (1 – 4)
Ensuring that users receive a high quality service, whether directly or in partnership, or by commissioning (5 & 6)
Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money (7)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council’s current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
1) Develop and promote the Council’s purpose and vision	Chief Executive	Council’s Vision Statement – used as a basis for: <ul style="list-style-type: none"> • Corporate Plan 2016 to 2021 • Corporate Action Plan 2016/17 • Service Plans • Communications Strategy • Communications Campaigns • Consultation Strategy • Corporate Media Team • Annual Report • South Derbyshire’s Sustainable Community Strategy 2009-2029 • Area profile information • Corporate identity guidelines and branding 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
2) Review on a regular basis the Council's vision for the local area and its implications for the Council's governance arrangements	Chief Executive	<ul style="list-style-type: none"> • Quarterly review of corporate action plan • Periodic review of Sustainable Community Strategy with partners • Six monthly self-assessment of governance arrangements • Annual report on key partnerships South Derbyshire Partnership (SDP) and Safer South Derbyshire Partnership • 	4	Implementation of the Local Plan (Parts 1 and 2) subject to final review and adoption. This is expected later in 2016.
3) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Partnership Agreements/Terms of Reference in place for SDP and Safer South Derbyshire Partnership (SSDP) • South Derbyshire's Sustainable Community Strategy 2009-2029 • Community/Parish Plans in place • Neighbourhood plans in place for 2 parishes • Partnership Year End Reports • Service Planning • Partnership frameworks periodically reviewed by Internal Audit 	5	
4) Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Statutory Statement of Accounts • External Audit Management Letter • Annual Budget Report • Medium Term Financial Plan • Council Tax leaflet • Annual Report 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
5) Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Director of Finance and Corporate Services	This information is reflected in the Council's: <ul style="list-style-type: none"> • Performance Development Framework which contains Key Performance Indicators (KPIs) to measure outcomes in the Corporate Plan • Annual Ombudsman's Report • Compliments and Complaints Procedure • Overview and Scrutiny Committee • Achievement of Environmental Standard ISO14001 and ROSPA Gold Award 	5	
6) Put in place effective arrangements to identify and deal with failure in service delivery	Corporate Management Team	<ul style="list-style-type: none"> • Governance arrangements in place for the management of major contracts such as Corporate Services and Leisure Management Business Continuity Plan • Ombudsman's Complaints Procedure • Reporting of Complaints to Committee • Overview and Scrutiny Committee • Performance Management System • External Audit • Risk Management Strategy with reports to Committee • 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
<p>7) Decide how value for money is to be measured and make sure that the Council or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions</p>	<p>Director of Finance and Corporate Services</p>	<p>The results are reflected in the Council's performance plans and in reviewing the work of the Council e.g.</p> <ul style="list-style-type: none"> • Value for Money framework • Cost Comparator Assessment • Business Improvement Board • Service Planning • Procurement Strategy • Environmental Policy • Annual Audit Management letter • South Derbyshire's Sustainable Community Strategy • Maintenance of a prudential financial framework in line with CIPFA's code • Achievement of Environmental Standard ISO14001 • Rolling programme of Transformational Reviews through the Corporate Services Partnership 	<p>5</p>	

PRINCIPLE 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles

How the principles of corporate governance should be reflected
Ensuring effective leadership throughout the Council and being clear about Council functions and of the roles and responsibilities of the scrutiny function (8 & 9)
Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Council Members and Officers are carried out to a high standard (9 – 13)
Ensuring relationships between the Council and the public are clear so that each knows what to expect of the other (14 – 19)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
8) Set out a clear statement of the respective roles and responsibilities of Council Members and of senior officers	Director of Finance and Corporate Services Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Constitution • Member training and development programme for statutory functions such as Planning and Licensing • Role definitions of Senior Officers • Senior Officers job description • Officers Employment Procedure Rules • Protocol on Member/Employee Relations • Role Profiles of Members • Monitoring Officer Protocol • Section 151 Officer and Monitoring Officer report directly to the Chief Executive • The Council's CFO (Section 151 Officer) is a member of the Corporate Management Team 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
9) Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Constitution (part 3) • Scheme of Delegation (Updated in July 2013) • Monitoring Officer 	5	
10) Ensure the Chief Executive is fully responsible and accountable to the Council for all aspects of operational management	Chief Executive	<ul style="list-style-type: none"> • Constitution • Conditions of Employment • Scheme of Delegation • Statutory provisions • Job Description/Specification • Performance Management system • Annual Performance Development Review 	5	
11) Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Chief Executive	<ul style="list-style-type: none"> • Scheduled regular meetings with Leader/ Deputy of both the Controlling and Opposition Groups with the Chief Executive • Leading Members meet regularly with Corporate Management Team • Protocol on Member/Employee relations 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
12) Ensure the S151 Officer is fully responsible to the Council for giving appropriate advice on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	Chief Executive	<ul style="list-style-type: none"> • Section 151 Officer appointment • Statutory provision • Statutory reports • Budget documentation • Job Description/Specification • Committee report template • Annual Performance Development Review • Financial Procedure Rules and Regulations • Compliance with the statement on the role of the Chief Finance Officer in Local Government 	5	
13) Ensure the Monitoring Officer is fully responsible to the Council for making sure that agreed procedures are followed and that all applicable statutes and regulations are complied with	Chief Executive	<ul style="list-style-type: none"> • Monitoring Officer appointed • Job Description/Specification • Annual Performance Development Review • Monitoring Officer Protocol 	5	
14) Develop protocols to ensure effective communication between Members and officers in their respective roles	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Planning Good Practice protocol • Protocol on Use of IT by Members • Licensing Protocol and Procedure • Protocol on Member/Employee relations • Use of Member Champions • Members' Code of Conduct • Committee structure • Constitution 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
15) Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)	<p>Legal and Democratic Services Manager</p> <p>Director of Finance and Corporate Services</p>	<ul style="list-style-type: none"> • Independent Remuneration Panel – review of Members' Allowances and Chief Officer Salaries • Members' Allowances Scheme • National (NJC) Pay and Conditions • Contracts of Employment for Officers • Pay Policy published 	4	<i>Pay and grading exercise being undertaken in 2016 in accordance with the national Single Status agreement</i>
16) Ensure that effective mechanisms exist to monitor service delivery	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Data Quality Strategy and Action Plan • Data Quality Annual Audit • Scrutiny arrangements in place • Council wide Performance Management framework which includes key performance indicators 	5	
17) Ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms and, in consultation with the local community and other key stakeholders, that they are clearly articulated and disseminated	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Service Manager</p>	<ul style="list-style-type: none"> • Area Forums/Safer Neighbourhood meetings • Parish Liaison Meetings • Corporate Communications Team • Area Planning and Leisure Profiles • Corporate Consultation Strategy • Corporate Communications Strategy • 5 year medium term corporate and financial planning process • Annual reports • SDP • Local events – such as Liberation Day, South Derbyshire Day and Healthier South Derbyshire Day 	5	
The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance

<p>18) When working in partnership, ensure that Members are clear about their roles and responsibilities, both individually and collectively in relation to the partnership and to the Council</p>	<p>Director of Finance and Corporate Services</p>	<ul style="list-style-type: none"> • All Partnership agreements contain “terms of reference” • Constitution (Article 10) • Code of Conduct for Representatives on Outside Bodies • Member’s Role profiles 	<p>5</p>	
<p>19) When working in partnership:</p> <ul style="list-style-type: none"> ♦ ensure that there is clarity about the legal status of the partnership ♦ ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	<p>Director of Finance and Corporate Services</p>	<ul style="list-style-type: none"> • Legal status of lof Partnerships and authority to bind partners are defined in their “terms of reference” e.g. SDP, SSDP • A number of key partnerships in place e.g. Active Nation, Northgate, Law Public and Audit Partnership 	<p>5</p>	

PRINCIPLE 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

How the principles of corporate governance should be reflected
Ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance (20 – 22)
Ensuring that organisational values are put into practice and are effective (23 – 27)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
20) Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Chief Executive	<ul style="list-style-type: none"> • Core/Team Briefings • IIP Accreditation • Joint Consultative Committee • Joint Negotiating Group • Members' and Officers' Code of Conduct • Regular staff meetings • Committee Meetings open to public • "Better" Newsletter and Blogs • Employee Survey • PDR Scheme. • Competency Framework for all posts in the Council. • Planning for the Future sessions • Management Development Programme 	5	
21) Ensure that standards of conduct and personal behaviour expected of Members and officers, of work between Members and Officers and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols	Legal and Democratic Services Manager Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Members'/Officers' Code of Conduct • Complaints procedures • Ombudsman Complaints Procedure • Anti-fraud and corruption policy • Whistleblowing Policy • Protocols on Member/Employee Relations • Protocol on Use of IT for Members • Planning Code of Good Practice • Financial procedure rules • Induction process 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
		<ul style="list-style-type: none"> • Procurement Strategy • Employment policies • Code of Conduct for Representatives on Outside Bodies • Standards Committee with Independent persons • Performance Development Reviews for Officers • Members' Handbook • Performance Management system • Members' Register of Interests and Officer Gifts and Hospitality Register • Competency Framework for Senior Managers 		
22) Put in place arrangements to ensure that Members and Officers of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Members' and Officers' Code of Conduct • Standards Committee • Planning Code of Good Practice • Corporate Equality and Fairness Scheme • Equality and Fairness training • Member's Interests, Gifts & Hospitality Registers in place which are monitored • Employees sign-up to Conditions of Service as part of employment • Anti-fraud and Corruption Policy • Complaints procedure • Tendering and Procurement processes • Audit Sub-Committee review instances of fraud and corruption 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
22)		<ul style="list-style-type: none"> • Officer Gifts & Hospitality Register monitored 		
23) Develop and maintain shared values including leadership values for both the Council and officers, reflecting public expectations and communicate these with Members, officers, the community and partners	Chief Executive	<ul style="list-style-type: none"> • Corporate Leadership and Management Programme • Planning for the Future sessions • PDR Scheme • Competency Framework for all posts in the Council. • Corporate Plan • Codes of Conduct • Communicate via Team Brief/Blogs/Better • Staff Briefings • Corporate Communications Team • Communication Campaigns 	5	
24) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Codes of Conduct for Members and Officers • Standards Committee training • Equality training for staff/Members • Corporate Equality and Fairness Scheme • Leadership and Management Development Programme 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
Balance of Power and Authority				
25) Develop and maintain an effective Standards Committee	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Standards Committee established under Localism. • Annual Report to Full Council • Standard's hearings and outcomes • Training • Supported by legal professionals 	5	
26) Use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council	Chief Executive	<ul style="list-style-type: none"> • Various implications set out in all Committee agenda paperwork to aid decision making process • Open decision making structure • Appropriate use of "exempt reports" • Web based Committee documentation system 	4	Access to Information Regulations and committee work programmes to be reviewed
27) In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour, both individually and collectively	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Protocols for partnership working and minutes of meetings for major partnerships, i.e. SDP and SSDP • South Derbyshire's Sustainable Community Strategy 2009-2029 • Governance arrangements in place for other partnerships, e.g. Corporate Services and Audit 	5	

PRINCIPLE 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

How the principles of corporate governance should be reflected
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny (28 – 32)
Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs (33 – 34)
Ensuring that an effective risk management system is in place (35 & 36)
Using their legal powers to the full benefit of the citizens and communities in their area (37 – 39)

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
28) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Overview and Scrutiny Annual Report to Council • Training of Scrutiny Members • Call-in procedure • Annual scrutiny work plan • Scrutiny function make recommendations for budget reviews and resource allocations and have been active in pursuing external issues such as improved Broadband facilities for the District and the provision of health care facilities 	5	
29) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Committee report templates set out all relevant considerations • Web based Committee documentation system • Attendance by qualified and experienced Democratic Services professionals at all meetings to report discussions, decisions and to ensure proper conduct 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
30) Put in place arrangements to safeguard Members and Officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	Legal and Democratic Services Manager Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Members' and Officers' Code of Conduct • Protocol on Employee/Member Relations • Monitoring Officer in post • Whistleblowing Policy • Planning Code of Good Practice • Code of Conduct for Representatives on Outside Bodies • Training and induction process for Members • Gifts/Hospitality Register for Members and Officers 	5	
31) Develop and maintain an effective Audit Sub-Committee	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Committee in place with constituted Terms of Reference • Training for Committee Members • Annual self-assessment checklist • Audit Manager has direct access 	4	Keep under review requirement to have independent chair of Audit Sub-Committee.
32) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Comments, Compliments and Complaints Scheme • Open reporting of complaints to Finance and Management Committee • Ombudsman's Annual Letter reported • Ombudsman's Complaints Procedure • Whistleblowing Policy • Petitions Scheme 	5	
33) Ensure that those making decisions, whether for the Council or the partnership, are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Members' Induction Programme • Committee report template includes provision to show financial, legal, risk, environmental, etc. considerations • Committee timetable allows for consultation and review prior to report issue 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
33)		<ul style="list-style-type: none"> Open Member briefings for technical and complex reports Pre agenda meetings with both Lead and Opposition Groups 		
34) Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Legal and Democratic Services Manager	<ul style="list-style-type: none"> Committee template requires financial implications to be laid down in reports Draft reports discussed at pre-meetings Corporate Management Team oversee reports for major issues Advice provided on levels of reserves and balances Legal, HR and Finance implications flagged in Committee Reports 	5	
35) Ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their jobs	Director of Finance and Corporate Services	<ul style="list-style-type: none"> Risk Management Strategy and Policy Statement Included in Financial Procedure Rules Risk Analysis in Corporate Plan and Services Plans Emergency Planning system in place Business Continuity Plan and Business Impact Assessments in place 	4	Business Continuity Assessments being drawn up a service level for inclusion in the Business Continuity Plan
36) Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the Council have access	Director of Finance and Corporate Services	<ul style="list-style-type: none"> Whistleblowing reporting code available on website. Anti-fraud and Corruption Policy Monitoring Officer and S151 Officers in post 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance

37) Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their communities	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Constitution • Monitoring Officer/ S151 Officer • Member Protocol • Planning Code of Good Practice • Member Induction process • Standards Code of Conduct • 	5	
38) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Circulation of reports for consultation prior to going to Committee • Monitoring Officer and S151 Officers in post • Decisions and recommendations from policy committees 	5	
39) Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice – into their procedures and decision-making processes	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Monitoring Officer's provision • Job Description/Specification • Article 12 of the Constitution • Continuous professional training for Members and Officers where appropriate, for example in Planning and Licensing. • Decisions and recommendations from policy committees 	5	

PRINCIPLE 5: Developing the capacity and capability of Members and officers to be effective

How the principles of corporate governance should be reflected
<p>Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles (40 & 41)</p> <p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group (42 – 44)</p> <p>Encouraging new talent for Membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal (45 & 46)</p>

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
40) Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Training and Development Plan • E-Induction Programme for Officers • Induction Programme for Members • Performance Development Reviews for Officers • Member Champions for several work areas • E-learning resources • Training events for all Members • Access to regional training sessions and seminars 	5	
41) Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council	Chief Executive	<ul style="list-style-type: none"> • Job Description/Person Specifications • Article 11 in Constitution • Performance Development Reviews • S151 and Monitoring Officers have support from professional organisations 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
42) Assess the skills required by Members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Member and Officer training and development programme • Member and Officer training budget • PDR Scheme • IIP accreditation • Competency Framework for all posts in the Council. • Specific training for Standards, Planning, Licensing and Audit Sub-Committee • Development Programme for existing and aspiring managers • Planning for the Future sessions • Workforce Development Strategy and action plan reviewed on an annual basis 	5	
43) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	<p>Director of Finance and Corporate Services</p> <p>Legal and Democratic Services Manager</p>	<ul style="list-style-type: none"> • Training and development frameworks as above • PDR Scheme • Competency Framework for all posts in the Council. • IIP accreditation • Partnership with Law Public to provide resources and independent advice on legal issues as required • Use of field experts for major projects such as plans to deliver new housing and major procurement exercises 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to	Self-assessment score on how far the Council's	Actions to strengthen performance
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		demonstrate compliance	current processes and documentation meet the criteria (1-5)	
44) Ensure that effective arrangements are in place for reviewing the performance of the Council as a whole and of individual Members and agreeing an action plan which might, for example, aim to address any training or development needs	Director of Finance and Corporate Services Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Training and development courses • Call-in arrangements • Corporate action plan in place • Annual Report • Appointment of Training Champions • PDR Scheme and Training Plans for Officers • Workforce Development Strategy Scrutiny Function 	5	
45) Ensure that effective arrangements are in place, designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Corporate Equality and Fairness Scheme • Communities and Equalities Forum • Parish Liaison Meetings • Communication Strategy • Consultation Strategy • Area Forums • Flood Liaison Forums • Public participation at Planning meetings • Local Democracy Week • EIRA screening on key policy documents • Area Forums/Safer Neighbourhood Meetings 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
46) Ensure that career structures are in place for Members and Officers to encourage participation and development	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Leadership and Management Development Programmes • Post-entry Training Scheme • Career Graded Posts • Modern Apprenticeships • IIP accreditation • Workforce Development Strategy • Recruitment and Selection Policy • Role Profiles for Members • PDR Scheme • Competency Framework for all posts in the Council. 	5	

PRINCIPLE 6: Engaging with local people and other stakeholders to ensure robust public accountability

How the principles of corporate governance should be reflected
<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships (47 – 49)</p> <p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning (50 – 55)</p> <p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff (56)</p>

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
47) Make clear to ourselves, all Officers and the community to whom they are accountable and for what	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • South Derbyshire's Sustainable Community Strategy • Corporate Plan 2016 to 2021 • Job Descriptions • Person Specifications • Annual Report 	5	
48) Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required	Corporate Management Team	<ul style="list-style-type: none"> • Safer South Derbyshire Partnership • Parish Liaison Meetings/Flood Liaison Meetings • Area Forums/Safer Neighbourhood Meetings • Derbyshire Sustainable Community Strategy • SDP Board • Local (Derbyshire) Economic Partnership 	5	
49) Produce an annual report on the activity of the scrutiny function	Legal and Democratic Services Manager	<ul style="list-style-type: none"> • Annual report to Council in May <p style="text-align: center;">Page 79 of 105</p>	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
50) Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Communications Strategy, including campaign evaluation • Consultation Strategy • Website • Communities Forum • Corporate Communications Team • Monthly Media Report and analysis • Petitions 	5	
51) Hold meetings in public, unless there are good reasons for confidentiality	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Open Committee Meetings 	5	
52) Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Complaints Scheme • Tenants' forum • Communities Forum • Parish Liaison Meetings • Housing News • Crime and Disorder Partnership • Communications Strategy • Consultation Strategy • Equality and Fairness Scheme • Language Line/Translation Service • Area Forums/Safer Neighbourhoods 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
		<ul style="list-style-type: none"> • Petitions Scheme • Hearing Loops • Housing Allocation Policy with an easy read version • "Get South Derbyshire Active" Project • Unauthorised Encampment of Traveller's Policy • Youth Engagement through Sport Project • Neighbourhood Watch Schemes • Safer Neighbourhood Wardens • Liberation Day 		
53) Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Corporate Plan 2016 to 2021 • Consultation Strategy • Communications Strategy • Corporate Communications Team • Communication Campaigns • Area Forums • Parish Liaison Meetings • Petitions • Annual Report 	5	
54) On an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements, as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Annual financial statements • Corporate Plan 2016 to 2021 • Annual Service Plans • Annual Report • Annual Audit Management Letter • Year End Performance Reports • Council Tax Leaflet 	5	

The local code should reflect the requirements to:	Officer(s) responsible	Source documents/processes/other means that may be used to demonstrate compliance	Self-assessment score on how far the Council's current processes and documentation meet the criteria (1-5)	Actions to strengthen performance
55) Ensure that the Council as a whole is open and accessible to the community, service users and its officers and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Constitution • Consultation Strategy • Agenda and Minutes of Committee Meetings published on internet • Freedom of Information policy • Data Protection policy • Communications Strategy • Comments, Compliments and Complaints Scheme • Pay Policy Statement • Publication of information in accordance with the Transparency Code 	5	
56) Develop and maintain a clear policy on how Officers and their representatives are consulted and involved in decision making	Director of Finance and Corporate Services	<ul style="list-style-type: none"> • Constitution • Joint Consultative Committee • Joint Negotiating Group • "Better" Newsletter/Blogs • Team Meetings • Planning for the Future sessions • Trade Union's Local Facilities Agreement • Guidance on Organisational Change • Joint Health & Safety Committee • Employee Forum • Partnership Liaison Group 	5	

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	15th JUNE 2016	CATEGORY: RECOMMENDED
REPORT FROM:	LEGAL and DEMOCRATIC SERVICES MANAGER and MONITORING OFFICER	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR (01283 595715) ardip.kaur@south-derbys.gov.uk	DOC:
SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2015/16	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 04

1.0 Recommendations

- 1.1 To recommend to Finance and Management Committee the Annual Governance Statement (AGS) for the year ended 31st March 2016 and its publication within the Statement of Accounts for 2015/16.
- 1.2 To authorise the Leader of the Council and Chief Executive Officer to sign the Annual Governance Statement.

2.0 Purpose of Report

- 2.1 To submit the Council's Annual Governance Statement (AGS) for 2015/16 in accordance with the Accounts and Audit Regulations 2003 (as amended).

3.0 Detail

Background

- 3.1 Governance is about how South Derbyshire District Council ensures that it does the right things, in the right way, for the right people in a timely, inclusive, open and accountable manner. As such, it comprises the systems, processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages and leads its local community.

Annual Governance Statement

- 3.2 The AGS is the formal statement that records and publishes a council's governance arrangements; it is a statutory requirement to publish an AGS on an annual basis.

- 3.3 Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) states that the production and publication of the AGS, are the final stages of an on-going review of governance and not activities that can be planned and viewed in isolation. Compilation of the AGS involves the Council in:
- reviewing the adequacy of its governance arrangements
 - knowing where it needs to improve these arrangements
 - communicating to stakeholders how better governance leads to best quality public services
- 3.4 The proposed AGS for 2015/16 is attached. It is led by the Council's Monitoring Officer in consultation with the Council's Chief Officers. The AGS has been produced in accordance with the CIPFA guidelines and includes commentary on:
- the governance environment and how this is reviewed to determine its effectiveness; and
 - issues of significance that require addressing as part of the review of effectiveness
- 3.5 **Section D** of the Statement highlights those issues and matters dealt with under the Governance framework. This includes a summary of any complaints made against the Council by the Local Government Ombudsman and other Government agencies, together with any significant issues raised by Auditors and failures to operate within expected standards.

Compiling the AGS

- 3.6 The aim of the AGS is to set out established processes and to reflect on any matters arising during the year. Much of the content of the AGS should already be known and may have been reported and noted elsewhere in other Council forums.
- 3.7 As the governance framework at the Council is relatively well established, the existing AGS is used as the basis of the annual review. The lead officers in compiling and reviewing the AGS are the Monitoring and Chief Finance Officers.
- 3.8 In monitoring the AGS, these officers review policy committee reports and decisions, together with Management Team minutes to ensure that any relevant matters are included in the AGS.
- 3.9 Work in other forums such as the Health and Safety Committee, Licensing and Appeals Committee and [Page 94 of 95](#) Negotiating Group, where potential

matters affecting the AGS are reported, are also reviewed. These committees and forums are usually attended by the Monitoring and Chief Finance Officers.

- 3.10 In addition, investigations that may have been undertaken by the Information Commissioner, Data Protection Registrar and Local Government Ombudsman are also reviewed. Any legal action brought against the Council is also reviewed to determine its impact on the Council's governance arrangements.
- 3.11 When the draft statement is complete, the Chief Executive and other corporate directors are consulted and asked to highlight any other matters.

Work Plans

3.12 A work plan, considered and approved by the Committee in June 2015, was progressed during 2015/16 to address matters identified to maintain and strengthen the governance environment. These were:

- Continuing to review the Local Code of Corporate Governance half yearly
- Development and implementation of a new Corporate Plan
- Reviewing the Council's Constitution
- Strengthening Business Continuity arrangements
- Reviewing the Declarations of Interest procedure

3.13 These actions were all completed during the year.

3.14 The proposed work plan for 2016/17 is detailed in the AGS. These actions have been identified to maintain robust governance and to ensure arrangements keep abreast of a changing environment. The work programme includes:

- An independent review of the Council's policies regarding information governance and compliance. This follows a report that was considered and approved by the Finance and Management Committee in December 2015 to strengthen the Council's framework.
- A review of mandatory training courses. This follows an internal audit report in April 2016 regarding governance, which made some recommendations to ensure relevance and consistency of approach.
- A review of ICT disaster recovery procedures. This follows an independent report into the Council's procedures in April 2016 which

highlighted further process maps and documentation to be drawn up in the event of a disaster.

- A review of access to information regulations and committee work programmes. These have not been reviewed for several years and may require updating.
- To complete a final action in the business continuity work programme by ensuring that sufficient information is available at Directorate level to enable individual services to react to business continuity issues.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

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

5.2 Maintaining good governance is a key outcome in the new Corporate Plan adopted by the Council in April 2016. This reflects that sound governance should underpin all services and activities of the Council.

5.2 The AGS itself will be signed by the Council's Leader and most senior officer, the Chief Executive. This also emphasises that corporate governance is at the centre of the leadership and management of South Derbyshire District Council.

6.0 Community Implications

6.1 The AGS is designed to act as a public assurance statement that the Council has a sound system of corporate governance, designed to help deliver services in a proper, inclusive, open and accountable manner.

7.0 Background Papers

The Annual Governance Statement and Rough Guide published by the Chartered Institute of Public Finance and Accountancy.

ANNUAL GOVERNANCE STATEMENT 2015/16

A SCOPE OF RESPONSIBILITY

South Derbyshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act of 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Consequently, the Council has formulated a 'Local Code of Corporate Governance', which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. This Code is subject to a half-yearly review and is monitored by the Council's Audit Sub Committee. The Sub-Committee approved the Code for 2015/16 in June 2016 and this is at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1942/Committee/412/Default.aspx>

This Annual Governance Statement explains how South Derbyshire District Council has complied with the Local Code of Corporate Governance and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

B THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises:

- The systems and processes, culture and values, by which the Council is directed and controlled.
- The activities through which it accounts to, engages with and leads the community.

It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate economical, efficient and effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and strategic objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, in order to manage them efficiently, effectively and economically.

The Governance Framework detailed in this Statement has been in place at South Derbyshire District Council for the year ended 31st March 2016 to the date that the Annual Report and Statement of Accounts were approved.

C THE GOVERNANCE FRAMEWORK AT SOUTH DERBYSHIRE

The key elements of the systems and processes that comprise South Derbyshire District Council's Governance Framework are set out in the following sections.

Decision Making

The Council operates under a Constitution. This sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It sets out the individual roles and responsibilities of Members and the three statutory officers (i.e. the Head of Paid service, the Chief Finance Officer and the Monitoring Officer).

The Full Council makes decisions on key policies and sets the budget and levels of local taxation for the Council's services. The Constitution includes the delegation from Full Council down to the Policy Committees and provides a Scheme of Delegation to Officers.

Policy Making

This is facilitated through 3 policy committees which are responsible for the main service areas of the Council and are:

- Environmental and Development Services
- Housing and Community Services
- Finance and Management

Each Committee is governed by its own Terms of Reference, as laid down in the Constitution. Meetings of these committees are open to the public, except where issues of an exempt nature are being disclosed.

An Overview and Scrutiny Committee has 'call-in' powers to consider the appropriateness of Policy Committee decisions. It also shadows the policy committees, supports policy development and review, together with carrying out external reviews on issues that affect South Derbyshire.

Six Area Forums, a Parish Liaison Meeting and a Flood Liaison Meeting are well established and these meet throughout the year. These forums are designed to improve community involvement in decision-making and provide a continuous link with local residents, parish councils, the voluntary sector and other public bodies.

Governance and Accountability

The Council designated the Legal and Democratic Services Officer as its Monitoring Officer during 2015/16.

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of the Council's Paid Service (the Chief Executive) and Chief Finance Officer, the Monitoring Officer will report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration.

Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

In addition, the Council operates 2 regulatory committees focusing on Development Control (planning applications and enforcement) and a Licensing and Appeals Committee.

Furthermore, a Standards Committee, which contains independent (of the Council) members, oversees the conduct of elected councillors.

Accountability for the use of public funds and service provision is largely undertaken through the annual publication of a Statement of Accounts and an Annual Report.

The Local Code of Corporate Governance

The Council has adopted a National Code developed by CIPFA/SOLACE. The Code is subject to regular six monthly reviews by Senior Officers reporting to the Audit Sub-Committee. This helps to inform this Governance Statement.

Standards of Financial Conduct

Financial management is conducted in accordance with financial management and procedural rules, as set out in Part 4 of the Constitution. The Council has designated the Director of Finance and Corporate Services in accordance with Section 151 of the Local Government Act 1972.

This Officer is responsible for making arrangements for the proper administration of financial affairs in accordance with best professional practice.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

In addition, under the Code of Audit Practice, the Council has a responsibility to ensure that its affairs are managed in accordance with proper standards and to prevent and detect fraud and corruption. The Council has adopted a Fraud and Corruption Strategy.

The financial management system includes:

- A Medium Term Financial Plan
- An annual budget cycle incorporating Council approval for revenue and capital budgets, together with a Treasury Management Strategy
- Financial Procedure Rules that are reviewed as required
- Process and procedure guidance manuals
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Proper Accounting Practice and International Financial Reporting Standards
- Regular budget monitoring by budget holders through monthly financial monitoring reports
- Identification of financial risks that are regularly reviewed and updated

Standards of Overall Conduct

Members and Officers of the Council operate under codes of conduct. These codes provide a set of standards of conduct expected of employees at work and for councillors in performing their public duties. In addition, both Members and Officers are required to declare interests and register gifts and hospitality which are valued at over £100.

The codes take into account the requirements of the law and the provisions of official conduct in the appropriate National Conditions of Service (for employees).

The Council Leader and the Chief Executive are the Corporate Governance Champions for Members and Officers respectively, designed to create a climate of openness, support and respect, promoting a strong ethical culture and the values of good governance.

The Standards Committee hears Member Code of Conduct complaints referred by the Monitoring Officer in line with the procedure for considering such complaints. These are complaints against elected Members of the District Council and elected or co-opted Members of the Parishes of South Derbyshire. The Standards Committee is also informed of complaints not referred to them for consideration and dealt with by Monitoring Officer, with a summary of the outcome in relation to each matter.

Development of Members and Officers

Members and officers receive a formal induction tailored to their role in the Council, including when they take on new roles. The Council has adopted an e-induction system for Officers and induction training is undertaken by Members at the beginning of each four year term of office. Member role profiles exist under Section 6 of the Constitution.

Members also have access to regional training courses and seminars organised through the forum of East Midlands Regional Councils.

In addition, on an annual basis, existing and new Members of the Development Control, Standards and Licensing & Appeals Committees must attend training sessions to enable them to continue to sit on these Committees, to ensure that they are fully briefed on all new developments in these areas.

The Council provides a full range of development opportunities for Members with ad-hoc training and briefing sessions.

Establishing Council Objectives

These are set out in the Council's Corporate Plan. This is effectively the Council's business/forward plan, set for five years and reviewed on an annual basis. This plan sets out the Council's vision for South Derbyshire, its values and the priorities for delivering services for local communities.

The Sustainable Community Strategy for South Derbyshire (2009-2029) is co-ordinated by The South Derbyshire Partnership. This sets out the District wide priorities across a range of public service providers that include the District Council, County Council, Police, Health Authority and the Voluntary Sector. This plan aims to improve the overall economic, social and environmental wellbeing of South Derbyshire by addressing issues that are important to the local community, business and service providers.

Compliments and Complaints

The Council has a Corporate Compliments and Complaints Policy. This is used to help identify service improvements from compliments, complaints and other comments received. Information is collated centrally and reported half yearly to the Finance and Management Committee, where performance can be challenged and areas for improvement identified.

Arrangements are also in place for dealing with and monitoring Ombudsman's complaints and reporting annually to Full Council.

The Council also has arrangements in place for whistleblowing to which staff and all those contacting the Council have access. The confidential reporting code is reviewed regularly and publicised.

Organisational Assessment and Performance Review

The Council has in place a range of Key Performance Indicators (KPIs) which it uses to measure performance. Indicators are developed for each of the Council's main priorities in the Corporate Plan, alongside specific indicators in service plans.

In addition to the Annual External Audit placed upon the Council, the main organisational assessment is around Value for Money. This assessment is undertaken by the Council's External Auditors who judge and report on the Council's arrangements for:

- Securing financial resilience
- Challenging and improving value for money

From time-to-time, External Audit also undertakes specific detailed studies on a certain activity or aspect of the Council and makes recommendations for improvement where necessary.

Data Quality

A key element of reporting performance is the information that underpins it, i.e. data quality. This is to ensure that the Council arrangements for recording and collecting information are robust so that the evidence and management information is reliable. The Council has adopted a Strategy to govern data quality and its arrangements are subject to regular review, including an annual audit.

Data Management

The Council has a Data Retention Policy which set out its requirements to ensure compliance with Data Protection and Freedom of Information Requirements.

Business Improvement

To support service delivery, the Council has, through its Strategic Corporate Services Partnership with Northgate Public Services (NPS) a Business Improvement Team function. This is intended to co-ordinate greater efficiency and effectiveness in the use of Council resources and works to an improvement programme which is overseen by a Business Improvement Board.

Procurement

NPS also provide a dedicated central procurement unit to ensure that purchasing is legal, ethical and accountable and is carried out in accordance with regulatory and legislative requirements.

Continuous Service Review

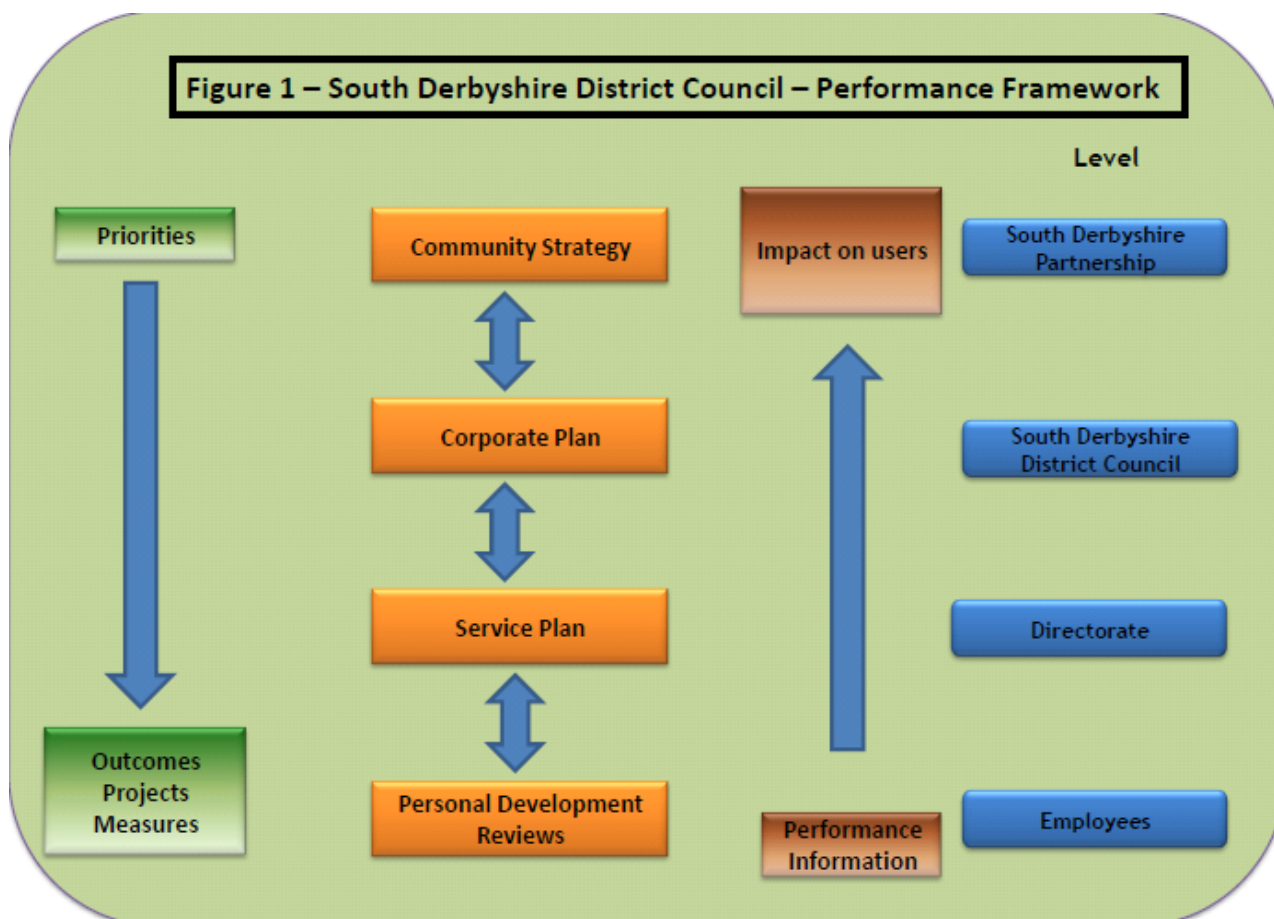
The Council reviews all service areas in the Council. This is designed to identify transformation and efficiency opportunities to ensure that services remain efficient and effective as possible.

A key aim is to identify efficiency savings and in particular cashable/budget savings without adversely affecting service delivery. This has seen significant changes made in "back office" services in particular in recent years.

Managing Performance

The Council's performance framework is largely developed from national requirements and regulatory frameworks, together with local issues that are emerging from the Sustainable Community Strategy. An outline of the framework and its components is shown in Figure 1, below.

Figure 1 – South Derbyshire District Council – Performance Framework



The **Community Strategy** sets the long-term vision and community goals for all agencies in South Derbyshire. This was reviewed in 2009 and a new Strategy implemented for the period 2009-2029.

The Council's **Corporate Plan** describes how the Council provides services to support the Community Strategy and focuses resources on key priorities, together with actions for improvement. This is an integral part of the Council's Performance Management Framework and the actions set out how key priorities are delivered together with measures of success. The development of the Corporate Plan takes place alongside the development of the Medium Term Financial Plan to ensure that the corporate priorities are fully resourced.

Service Plans are the cornerstone of the performance framework and demonstrate how each section of the Council will deliver improvements in line with priorities detailed in the Corporate Plan.

Performance Development Reviews provide employees with a clear understanding of how their work is enabling the Council to deliver the priorities detailed in the Corporate Plan, together with identifying their own individual training needs.

Partnership Working

The Council works in partnership with many other public agencies, including the voluntary sector and private organisations to deliver its services. The extent of these partnerships varies across the Authority.

The Council's most significant partnerships are the South Derbyshire Partnership and the Safer South Derbyshire Partnership for Derbyshire. These partnerships are properly constituted and Committees are established (comprising representatives of the Council) who monitor and review progress.

The governance arrangements include a constitution and terms of reference. They have annual action plans which are monitored and reported quarterly to the relevant Strategic Boards. The Council receives annual reports on their performance which identifies the outcomes of partnership work and the financial implications of their work undertaken.

Risk Management

The Council has adopted a Risk Management Policy Statement, which sets out the principles, responsibilities and commitment to dealing with risk. Backed-up by a detailed framework, it is effectively the process for the management of risk throughout the Council.

The Council, through its service planning process, has a system for identifying and evaluating significant risks. Each service plan contains a risk register and this is developed and maintained by Officers involved in planning and delivering services.

In addition, the Council's Corporate and Financial Plans identify and evaluate risk at a more strategic level. Furthermore, evaluation of proposals for new spending and capital investment includes a risk assessment analysis.

The Council's risk management process provides a framework to embed risk within services. It also includes guidance for managers in assessing and treating risk.

Internal Audit

Under the Account and Audit Regulations 2003 (as amended) the Council maintains an Internal Audit function, through the Central Midlands Audit Partnership (CMAP) which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK.

This function provides an independent evaluation on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit works with an annual plan, agreed with and monitored by Members and Senior Officers. It provides opinions on internal controls in place to manage risks across the Council's activities. Its plans and outputs are monitored and challenged by the Council's Audit Sub-Committee.

Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. Internal Audit is required to issue an Assurance Statement (Annual Report) each year that provides an assessment of the Council's internal control system.

Health and Safety

The Council has a Health and Safety Policy and an Annual Action Plan that sets out the Council's commitment to health and safety and identifies those positions with responsibility under the policy. There is also a quarterly Employee Health and Safety Committee, where representatives from the trade unions meet with service managers and Members. The Committee monitors policies, work practices and reviews accident statistics.

The Council's Audit Sub-Committee

Under its terms of reference, the Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment.

It also provides independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment. The Sub-Committee also oversees the Authority's corporate governance arrangements in relation to financial matters

External Scrutiny

Ernst & Young LLP (EY) is the Council's appointed external auditor. Besides auditing the accounts and financial statements of the Council, they also focus on more strategic performance and financial management arrangements. This includes reviewing arrangements in place for securing value for money.

The Audit Sub-Committee and Officers of the Council meet regularly with the external auditors to discuss planned and on-going external audit activity through the Annual Audit Plan.

From time-to-time, the Auditors undertake specific reviews and issue reports with action plans to aid improvement in specific areas. The Annual Audit Letter summarises the conclusions and significant issues arising out of their audit and other inspections undertaken. The outcome of all inspections and audits are used to plan and improve Council services.

ICT (Information Communication Technology)

The Council would not be able to operate without an effective ICT infrastructure in place. The Council's ICT Strategy is designed to ensure that the appropriate infrastructure is in place to enable the Council to deliver its services effectively and implement the Council's Corporate Plan.

Therefore, the ICT Strategy is aligned to the strategic objectives of the Council, with technology being used as an enabler of business change to support the Council's priorities. The ICT infrastructure in place enables the Council's service areas to concentrate on delivering their customer and business requirements.

Appropriate safeguards are in place to ensure the integrity of the Council's ICT infrastructure and this is subject to an annual audit and independent health check. In addition, the Council complies with national best practise for security as contained within the Public Services Network (PSN) Code. Under this Code, the Council's ICT security arrangements are tested and reviewed each year by an independent organisation, approved for such work.

Transparency in the Publication of Information

The Council is required to publish a wide range of information on its services. The Council accounts for the use of resources and publishes this in an Annual Statement of Accounts.

http://www.south-derbys.gov.uk/council_and_democracy/council_budgets_spending/statement_of_accounts/default.asp

The Council also publishes an Annual Pay Policy Statement which details the pay and remuneration of senior officers, together with the relationship between the pay of the highest paid officer and other officers.

The latest Policy Statement which was published on 1st April 2016 can be viewed at:
http://www.south-derbys.gov.uk/our_website/open_data/pay_policy/default.asp

In addition, the Council also publishes on its web site, details of all payments (excluding those to employees) in excess of £250, details of procurement card transactions, together with remuneration and expenses paid to Members. There are also details regarding assets owned, including council housing. This information is available at:
http://www.south-derbys.gov.uk/our_website/open_data/default.asp

D REVIEWING THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Senior Management Team, who has responsibility for the development and maintenance of the governance environment.

This is backed up by Internal Audit reports on the audits conducted through the year, and also by recommendations made by the External Auditors, together with any other review agencies and inspectorates.

As part of an on-going review, the overall framework was strengthened in 2015/16 following a work programme arising out the Governance Statement for the previous year 2014/15. These are detailed in **Section E**.

The overall processes and indicators that have been applied in maintaining and reviewing the effectiveness of internal control during the year 2015/16 are set out in the following sections.

Overall Corporate Governance

The Council continued to apply its Local Code of Corporate Governance based on recommended best practice, as developed by CIPFA/SOLACE. This Code sets out the systems by which the Council directs and controls its functions. It was reviewed twice during the year with a work programme, monitored by the Audit Sub Committee, being progressed to maintain and improve overall Governance.

ICT Security

During 2015/16, work continued in order to comply with the Government's Public Sector Network (PSN) security standard. This included a major upgrade of the Council's network.

There was one major security incident which arose during 2015/16. This related to a malware virus which penetrated the Council's network. No damage occurred and no data was lost, although there was some temporary business interruption.

After identifying the source of the virus, further training and awareness sessions were provided to Council employees on ICT security. No changes to systems or processes were required.

The Government's Cabinet Office certified the Council as being PSN compliant in April 2016.

In 2016/17, the main focus for ICT will be to strengthen the Council's disaster recovery arrangements. In particular, options will be considered for the transfer of ICT infrastructure into a remote data centre, with the possibility of utilising cloud based technology. This was approved by the Council's Finance Committee in April 2016.

The System of Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of internal control. They review all fundamental financial systems each year and other systems over a five yearly cyclical period. This is based on a risk assessment of each service area.

Internal Audit reports to the Council's Audit Sub-Committee on a quarterly basis. The reporting process requires a report of each audit to be submitted to the relevant service manager.

The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by managers. The process includes reviews of recommendations by the auditors through a tracking system, to ensure that they are acted upon.

Under its terms of reference, the Audit Sub-Committee considers in detail any recommendations that are found to have a potentially “high-risk” impact on the Council’s control environment. These are subject to on-going monitoring until all recommended actions have been implemented.

Reports to the Audit Sub-Committee provide an overall assurance rating of each system or service area subject to audit. This includes a statement as to whether there are any possible implications for the Annual Governance Statement. All audits completed during 2015/16 found no material weaknesses which could affect the Governance framework.

Outstanding Recommendations

However, during 2015/16 the Audit Sub-Committee raised concerns regarding the number of recommendations which had been accepted by service areas, but which had not been implemented and had passed their original action date. After consideration of the potential implications, the Committee asked that the matter be escalated to the Council’s Corporate Management Team.

Consequently, the internal procedure for monitoring outstanding recommendations was changed to embed an escalation process. It should be noted that none of the recommendations involved were significant and most had been assigned a low risk.

The Effectiveness of Internal Audit

The Council has adopted the Public Sector Internal Auditing Standards as set out by the regulatory body (CIPFA). This requires Internal Audit to operate within an Internal Audit Charter, together with a Quality Improvement and Assessment Programme.

Performance against this programme is reported to the Audit Board which oversees the performance of the Central Midlands Audit Partnership (CMAP) in conjunction with other partners and service clients.

Under Auditing Standards, CMAP are subject to an independent review of their operational effectiveness at least once in every 5 years. The next review for CMAP is planned for 2017/18.

Annual Internal Audit Report

Under the Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) the Head of Internal Audit (HIA) provided a written report to those charged with governance.

This was considered and noted by the Council’s Audit Committee on 15th June 2016. The Head of Internal Audit gave an opinion on the overall adequacy and effectiveness of the Council’s internal control environment for 2015/16. The opinion is detailed below:

*“Based on the work undertaken during the year, I have reached the overall opinion that **there is an acceptable level of internal control within the Council’s systems and procedures.** I have arrived at this opinion having regard to the following:*

- *The level of coverage provided by Internal Audit was considered substantial.*
- *Only 2 reports provided a ‘Limited’ control assurance rating, all others were either ‘Comprehensive’ or ‘Reasonable’.*
- *There wasn't any ‘critical risk’ or ‘significant risk’ recommendations made within any audit reports issued in 2015-16.*
- *There were no adverse implications for the Authority’s Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2015-16.*

- *All but one of the issues raised within the internal audit reports have been accepted. This related to declarations of interest.*
- *Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all cases but seven low risk issues, where management has chosen to accept the risk.*
- *The Council's system of risk management was finalised in May 2015 and the overall level of assurance at that time was considered Comprehensive. Three of the four low risk recommendations made have now been addressed.*
- *Our overview of the Council's Data Quality through a combination of control self-assessment and specific audit testing deemed that the overall control environment was Comprehensive.*
- *Internal Audit's coverage during 2015-16 included an appropriate range of governance areas. The Ethical audit into Declarations of Interest attracted a 'Reasonable' rating.*
- *Internal Audit investigated the circumstances which led to a cash collection discrepancy for the Council during 2015-16 and provided management with assurance that appropriate control improvements had been made.*

This opinion is provided with the following caveats:

- *No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.*
- *Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised."*

Communication

Corporate communication covers the full range of media management, publications, external and internal communications. This is provided by a central team within the Council.

By targeting communication activities, the Council can enhance its reputation and profile at a local and national level in its role as a community leader. Good corporate communications can encourage people to feel positively about the Council because they are better informed, have higher levels of satisfaction and can make an assessment on whether they are getting value for money.

The Council's Communications Strategy and Action Plan is reviewed and updated on an annual basis. It is reported to and considered by the Council's Finance and Management Committee in June each year.

A series of media campaigns are also undertaken by the Council each year. During 2015/16, these included:

- Raising the profile of the Council's tourism area within the National Forest
- Raising the profile of the South Derbyshire Business Advice Service
- Highlighting the leisure programme being actioned to keep the Olympic legacy alive
- Promoting local events such as Liberation Day and International Women's Day
- Producing a "Champions of Recycling" animated film to increase recycling

In doing this, the Council continued to make greater use of social media in the year through a Twitter feed which has approximately 6,000 followers (up from 5,000 in the previous year) together with the publication of environmental, housing, leisure and community activities on Facebook.

In addition, the Council developed the use of “Hash tags” to promote community events such as the holiday and festive period activities.

Consultation

The Corporate Plan is informed by consultation and is based on the views of stakeholders including local people, voluntary and community groups, together with local businesses.

During 2015/16, the Council reviewed its Corporate Plan. Following a period of review and consultation, the Council published a new Corporate Plan which was adopted in March 2016. The new Plan maintains many of the previous themes in the previous Plan, but badged under the priorities of “*People, Place and Progress.*”

A new set of performance indicators and projects were approved in order to deliver the Plan over the next 5-years. The priorities are underpinned by a set of corporate outcomes, which includes “*Good Governance.*”

The Local Plan

The Local Plan sets out the Council’s proposals for future growth of the District regarding residential development and regeneration. As one of the fastest growing areas in the country outside London and the South east, this is a major issue for the Council.

Consultation continued during 2015/16 on the Council’s Local Plan. Following extensive consultation during 2014/15 on Part 1, further consultation was undertaken on modifications, together with consultation on Part 2 of the Plan. Part 2 sets out proposals for delivering growth on smaller residential sites.

Consultation Undertaken

The Council’s Consultation Strategy aims to coordinate consultation activities between the services within the Council and with key partners, to ensure that residents’ views are used effectively to inform council decision-making. This Strategy is reviewed and updated on an annual basis.

During 2015/16, there was a wide-ranging series of consultation in order to inform service provision. The main areas of consultation focused on:

- The provision of sport facilities with people aged 17 - 25
- A vision for the Town Centre
- Leisure and physical activities for the over 50’s
- Housing tenant satisfaction survey
- A new sports and community facility strategy
- A new tenancy agreement for council house tenants
- A local community governance review
- The development of local dementia services
- The development of a new web site to access information and transact with the Council

The Constitution

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure that its aims and principles are given full effect. Major changes to the Constitution have to be approved by Full Council and reflect any changes to the Council's structure and responsibilities.

The Constitution was reviewed and updated in January 2016. This reflected changes to ICT protocols, codes of conduct and the terms of reference of policy committees.

Work of the Overview and Scrutiny Committee

Under the Constitution, the Overview and Scrutiny Committee has the power to "call in" a decision, which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate.

No decisions were called in during 2015/16.

The Overview and Scrutiny Committee also scrutinises key service issues and priorities in the Corporate Plan, recommending and reporting back actions to the main policy committees.

Their annual report to Full Council set out details of their work and outcomes during the year. The Annual Report for 2015/16 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1947/Committee/413/Default.aspx>

In particular, the Committee scrutinised and supported the following areas:

- Section 106 health based NHS contributions
- NHS domiciliary dental service provision
- Fibre optic works by SKY
- Cemetery provision
- Electoral services
- The annual Festival of Leisure
- Community grant funding process
- The Council's budget proposals for 2016/17
- Council Tax arrears
- Regulation of Investigatory Powers Act 2000

Propriety in the Conduct of Business

In respect of 2015/16, the following matters are noted.

Complaints

There were no cases of maladministration found against the Council.

However, following a complaint raised by a third party, the Local Government Ombudsman did find in favour of the complainant. The Council accepted an error in its processes, apologised to the complainant, reimbursed some costs (which were not significant for the Council) and scheduled training for staff involved in the process.

Code of Conduct

There were no breaches of either the Member or Employee Codes of Conduct which warranted formal investigation by the Council, or referral of a matter by the Monitoring Officer to the Standards Committee.

Register Of interests

There were no known issues raised in the year regarding the register of interests and declarations of gifts/hospitality.

Whistleblowing

In April 2016, one whistleblowing matter was raised with the Council. This was being investigated in accordance with the Council's Whistleblowing Policy and was still under investigation as at 31st May 2016.

Data Protection

The Council were contacted by the Information Commissioner's Officer (ICO) to explain a response relating to a Freedom of Information Request (FOI) received during the year. This followed a complaint from a third party that the Council had withheld information that it should have released.

Following the Council's response, the ICO was satisfied that the Council was correct in how it had handled this particular request within the FOI regulations and that no further steps were required.

Health and Safety

There were 7 reportable accidents under Health & Safety Regulations during 2015/16 involving either council employees or members of the public. This compares with 5 in both 2014/15 and 2013/14, 3 in 2012/13 and 10 in 2011/12.

Following investigation of each accident, risk assessments were reviewed and updated as appropriate. No enforcement or other action was taken by the Health & Safety Executive (HSE) regarding these accidents.

The HSE did however raise an issue regarding a "*material breach of manual handling procedures*" following a one day inspection at the Council's work depot. Consequently, the Council reviewed and updated its risk assessment procedure in this area and the HSE were satisfied with the Council's actions.

Legal Claims

The Council had an award made against it following proceedings at an Employment Tribunal. There were no significant implications for the Council's operations and the financial cost was not considered material.

In addition, during the year the Council had several appeals upheld regarding refusals of planning permission. These arose where refusal by the Council's Planning Committee for residential development, was subsequently overturned on appeal by the Government's Planning Inspector.

The costs are material but had previously been provided for in the Council's accounts.

Monitoring Performance

The Performance Management framework specifies the performance monitoring regime. A “traffic light” monitoring system is used to highlight areas at risk of not being achieved.

During the year, policy committees received quarterly performance monitoring reports and agreed remedial measures where these were necessary. In addition, the Finance and Management Committee received quarterly financial monitoring reports. Performance reporting includes a review of both service and corporate risks.

The monitoring framework was reviewed and update in April 2016 following the adoption of the new Corporate Plan. This framework will be introduced for monitoring performance from 2016/17.

Service Recognition

Several areas of the Council’s work is regularly checked independently and recognised as being of an excellent standard. The following awards were achieved in the following areas in 2015/16.

Health and Safety - the Council continued to attain the Gold Award in the Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Programme. This is in recognition of an excellent safety record. The Award is only given to those organisations that have demonstrated their commitment to continuous improvement in accident and ill health prevention.

Development of Staff - the Council continues to qualify for Investors in People (IIP) accreditation following an independent review. This is a national quality standard for the training and development of employees.

Environmental Management - the Council attained an international standard in 2015 for its approach to reducing the carbon footprint in its own services and for supporting work across the District.

Leisure Facilities - the Council has attained a Green Flag Award for its urban parks acknowledging how well they are maintained and managed and for providing good facilities.

Town Centre - the Council is nationally recognised as providing the best small market and is recognised regionally as providing the best Farmer’s market.

Business Continuity

During 2014/15, the Council’s arrangements for business continuity in the event of major disruption to its services, was subject to an internal audit review. The review gave only a limited assurance rating highlighting several areas of weakness to be addressed. None of the Audit recommendations arising from their report were considered to be high or significant.

Consequently, a work plan was progressed during 2015/16. A Resilience Liaison Forum has been established which brings together key people from across the Council, supported by the County Council’s Emergency Planning Team. This Forum is tasked with co-ordinating planning, reviewing issues and overseeing development.

Value for Money (VFM) Assessment

The External Auditor is required to make a judgement on the Council's arrangements for securing value for money. During 2015/16, their opinion was as follows:

“On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, 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 ending 31 March 2015.”

In addition, the Annual Audit Letter of the External Auditor reports any significant weaknesses in the overall control framework. None were reported in 2014/15. The Audit Letter for 2014/15 is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1834/Committee/388/Default.aspx>

E KEY GOVERNANCE ISSUES FOR SOUTH DERBYSHIRE

The Council operates within a changing environment with constant development in electronic communications and increasing public expectations. The Council has also in recent years dealt with fairly large reductions in its overall core funding from Central Government.

Consequently, Governance needs to be subject to constant review to take account of changing circumstances. Indeed, issues identified in the corresponding statement for 2014/15 have been addressed in 2015/16, together with other developments to strengthen Governance at the Council. In particular, during 2015/16, the Council:

- *Developed and adopted a new Corporate Plan for the period 2016 to 2021.*
- *Updated its Constitution*
- *Strengthened its business continuity arrangements*
- *Reviewed its declaration of interest procedure in accordance with nationally recognised ethical standards.*

These actions were noted by the Audit Sub-Committee on 15th June 2016 following consideration of a detailed report.

Work Plan 2016/17

The areas identified for development during 2016/17 are:

- An independent review of the Council's policies regarding information governance and compliance. This follows a report that was considered and approved by the Finance and Management Committee in December 2015 to strengthen the Council's framework.
- A review of mandatory training courses. This follows an internal audit report in April 2016 regarding governance, which made some recommendations to ensure relevance and consistency of approach.
- A review of ICT disaster recovery procedures. This follows an independent report into the Council's procedures in April 2016 which highlighted further process maps and documentation to be drawn up in the event of a disaster.

- A review of access to information regulations and committee work programmes. These have not been reviewed for several years and may require updating.
- Development of service continuity plans for inclusion in the Council’s Business Continuity Plan. This is the final action required from the audit of the Council’s arrangements in 2014/15.

These developments are set out and included in the Governance Work Plan for 2016/17 in **Appendix 1**.

Council Sign Off

We propose over the coming year to take steps to address the issues identified in the Work Plan to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review. This Annual Governance Statement is signed by the Leader of the Council and the Chief Executive on behalf of South Derbyshire District Council.

Signed:
(Leader of the Council)

Dated:

Signed:
(Chief Executive)

Dated:

APPENDIX 1: GOVERNANCE WORK PLAN 2016/17

Work Area	Timescale	Responsible Officer (s)	Governance / Corporate Plan Priority	Action and Outcome
Continue to review the Local Code of Corporate Governance and to monitor the Governance Work Plan for the year	½ yearly review	Legal and Democratic Services Manager	This is the overall framework that monitors the priority outcomes for the Corporate Plan	Reviews to be held in December 2016 and June 2017
Information Governance	March 2017	Director of Finance and Corporate Services	To ensure that the Council complies with data protection principles and safeguards the data that it manages	Policies and monitoring arrangements to be reviewed during the year to ensure consistency of approach and compliance
Employee Training	September 2016	Director of Community and Planning Services	To ensure employees are up to date and aware of statutory duties and corporate matters in undertaking their roles	Mandatory training courses to be reviewed to ensure relevance, target audience and consistency of approach
ICT Disaster Recovery Procedures	July 2016	Director of Finance and Corporate Services	To ensure that the Council has fully documented processes for ICT in the event of a business continuity issue	Full documentation regarding procedures to be set out

Access to Information Regulations and Work Programmes	June and November 2016	Legal and Democratic Services Manager	To ensure that the Council complies with freedom of information requirements and is open and transparent in its reporting	Ensure that compliance is consistently applied, review guidance and develop forward work programmes for the main policy committees of the Council
Business Continuity	October 2016	Director of Finance and Corporate Services	To ensure that sufficient information is available at Directorate level to enable individual services to react to business continuity issues	Each service has a quick reference guide to quickly and practically assess the impact of business interruption