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Date: 11 June 2024

Dear Councillor,

### **Audit-Sub Committee**

A Meeting of the **Audit-Sub Committee** will be held at **Council Chamber**, Civic Offices, Civic Way, Swadlincote on **Wednesday, 19 June 2024 at 16:00**. You are requested to attend.

Yours faithfully,

A handwritten signature in black ink, appearing to read "A. Sandhu".

**Monitoring Officer**  
**Executive Director – Law and People**

#### **Labour Group**

Councillor J Carroll (Chair) and Councillor D Shepherd (Vice-Chair)  
Councillor A Jones

#### **Conservative Group**

Councillor N Atkin

#### **Non-Grouped**

Councillor A Wheelton

## AGENDA

### Open to Public and Press

<b>1</b>	Apologies	
<b>2</b>	To receive and consider the Open Minutes of the following Committee meetings: 06 March 2024	<b>4 - 9</b>
<b>3</b>	To note any declarations of interest arising from any items on the Agenda	
<b>4</b>	To receive any questions by members of the public pursuant to Council Procedure Rule No. 10.	
<b>5</b>	To receive any questions by Members of the Council pursuant to Council Procedure Rule No. 11.	
<b>6</b>	INTERNAL AUDIT ANNUAL REPORT 2023-24	<b>10 - 27</b>
<b>7</b>	INTERNAL AUDIT PROGRESS REPORT 2024-25	<b>28 - 49</b>
<b>8</b>	DRAFT ANNUAL GOVERNANCE STATEMENT 2023-24	<b>50 - 108</b>
<b>9</b>	OUTCOME OF THE AUDIT COMMITTEE SELF-ASSESMENT	<b>109 - 129</b>
<b>10</b>	RISK MANAGEMENT FRAMEWORK	<b>130 - 157</b>
<b>11</b>	AUDIT PROGRESS UPDATE	<b>158 - 164</b>
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<b>13</b>	COMMITTEE WORK PROGRAMME	<b>178 - 180</b>

### **Exclusion of the Public and Press:**

**14** 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.

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

Details

AUDIT SUB-COMMITTEE

06 March 2024

**PRESENT:**

**Non-Grouped**

Councillor A Wheelton (Chair)

**Labour Group**

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

**Conservative Group**

Councillor N Atkin.

**In Attendance**

Councillor G Rhind

Councillor S Taylor

AS/34 **APOLOGIES**

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

AS/35 **TO RECEIVE THE OPEN MINUTES**

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

The Chair noted that there had been no response received by 01 February 2024 to the resolution approved at the meeting on 06 December 2023 in respect of the Enforcement cases of damage to trees under Tree Preservation Orders. The Chair noted that this would be raised with the Chief Executive and escalated to the Chair of the Finance and Management Committee.

AS/36 **DECLARATIONS OF INTEREST**

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

AS/37 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/38 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

**MATTERS DELEGATED**

AS/39 **INTRODUCTION TO MAZARS LLP**

The Chair introduced Mark Surrige, Audit Partner, and Emily Reynolds, Senior Auditor, from Mazars LLP to the Sub-Committee as the Council's external auditors for the financial year 2023-24.

The Audit Partner presented an overview of Mazars' commitments as external auditors to many existing public sector clients and, therefore, to South Derbyshire District Council. The Audit Partner assured the Sub-Committee that a resource plan was in place to deliver the audit requirements by the end of November 2024.

Councillor Atkin welcomed the report and the commitment that the accounts would not be delayed and queried whether by supporting many clients there would be an impact to South Derbyshire District Council.

The Audit Partner informed the Sub-Committee that dedicated personnel would support South Derbyshire District Council and that a resource plan was in place for the next 12 months and that staff turnover was low at between 1% and 2%.

**RESOLVED:**

***1.1 The Sub-Committee noted the report.***

AS/40 **LEVEL OF MATERIALITY 2023-24 ACCOUNTS**

The Head of Finance presented the report to the Sub-Committee ahead of the Financial Statement and asked the Sub-Committee to note that ongoing considerations may lead to further updates to the report.

The Strategic Director (Corporate Resources) informed the Sub-Committee that minor amendments required by the Chartered Institute for Public Finance and Accountancy would be included in the final version of accounts.

The Ernst Young Audit Partner confirmed that accounting policies were brought to the Sub-Committee as part of approval of the financial statements.

**RESOLVED:**

- 1.1 The Sub-Committee considered and approved the Draft Accounting Policies for the 2023/24 Financial Statement as detailed in Appendix 1 of the report.***
- 1.2 The Sub-Committee considered and approved the materiality levels as set out in section 4.9 of the report.***
- 1.3 The Sub-Committee considered and approved delegated authority to the Section 151 Officer to make any necessary amendments.***

AS/41 **INTERNAL AUDIT PROGRESS REPORT 2023-24**

The Group Auditor presented the details of the report to the Sub-Committee highlighting the Audit dashboard and that the plan for the 2023-24 financial year was 84% complete. The Group Auditor informed the Sub-Committee that the one significant rating was a result of the Right to Buy audit.

The Strategic Director (Corporate Resources) confirmed to the Sub-Committee that new procedures would be implemented in the Housing team from March 2024 referring all Right to Buy applications to the Fraud team for review.

The Group Auditor confirmed to the Sub-Committee that the audit for Fleet Management had been deferred to 2024-25 and that the audit for Debit and Credit Cards had been brought forward to 2023-24.

Members raised queries in respect of the Land Charges audit and if a new service level agreement had been signed and if there was an update on the migration of the service and why the five historic Development Management recommendations had an adequate status.

The Monitoring Officer confirmed to the Sub-Committee that an updated service level agreement was in place and that the migration process had been stated with H M Land Registry.

The Group Auditor informed the Sub-Committee that the historic Development Management recommendations have been updated with revised dates.

**RESOLVED:**

***The Sub-Committee considered the report of the Audit Manager at Appendix 1 of the report and any issues identified would be subject to a follow-up report as appropriate.***

AS/42 **INTERNAL AUDIT PLAN 2024-25 AND AUDIT CHARTER**

The Audit Manager presented the Audit Plan to the Sub-Committee highlighting the modelling processes used to determine which audits would be conducted during the year.

The Audit Manager provided the Sub-Committee with details of the Audit Charter and confirmed that there were no changes from the previous year.

Members discussed the Audit Plan and Audit Charter and raised queries regarding the agreed cost of the service and the terminology relating to IT applications.

The Chair asked if there would be any impact from the International Professional Practices Framework (IPPF) restructure.

The Audit Manager informed the Sub-Committee that following the release of global audit standards from the IPPF the interpretations for Local Government and the Public Sector were still outstanding. The Audit Manager confirmed that the 2024-25 costs were subject to a 4% increase which aligned with the budget and that IT applications were referred to as “fat” and “thin” which was determined by the type of hosting used for the application.

**RESOLVED:**

***The Sub-Committee considered and approved for implementation the proposed Internal Audit Plan for 2024/25 at Appendix 1 of the report subject to any changes agreed by the Sub-Committee.***

AS/43 **INTERIM VALUE FOR MONEY REPORT 2021-22 AND 2022-23**

The Chair introduced Hayley Clark, Audit Partner from Ernst Young, to the Sub-Committee.

The Audit Partner presented the report to the Sub-Committee highlighting the local audit market position, that consultations were underway including the Chartered Institute of Public Finance and Accounting and detailed the four objectives set out in the report.

The Chair asked the Audit Partner for an update on the raised risk findings from the Ernst Young audits since 2015, reasons to support the late completion of the 2021 audit and when the completed 2022-23 audits would be ready.

The Audit Partner confirmed that further information would be provided after the meeting in respect of the audits since 2015 and the 2021 audit issues. The Audit Partner explained to the Sub-Committee that a backstop date had been set at 30 September 2024 for the completion of the 2022-23 audit opinion.

The Vice-Chair noted the seriousness of the audit matters and that the questions from the Chair needed a response.

Members raised concerns regarding the management of completed audits and if there was a risk when audits were not received.

The Ernst Young Audit Partner confirmed that the matter raised via their report regarding Council approval of the annual budget, had been brought to the attention of the Sub-Committee previously by the Internal Auditor. The 2022-23 completed audits would be ready before the backstop date of 30 September 2024.

The Chair confirmed the reports of the completed audits would be published through the Sub-Committee.

The Strategic Director (Corporate Resources) confirmed to the Sub-Committee that the auditing of final accounts for 2022-23 with statutory auditors would be concluded by 30 September 2024 and that the final Value for Money report would be included on the Work Programme presented at the next Sub-Committee meeting.

**RESOLVED:**

***The Sub-Committee noted the Interim Value for Money Report 2021-22 and 2022-23 at Appendix 1 of the report.***

AS/44 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Resources) presented the updated work programme to the Sub-Committee.

**RESOLVED:**

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

AS/45 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

**RESOLVED:**

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



AS/46 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

The Meeting terminated at 17:05hours.

COUNCILLOR A WHEELTON

CHAIR

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>AUDIT MANAGER</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ADRIAN MANIFOLD</b> <a href="mailto:Adrian.manifold@centralmidlandsaudit.gov.uk">Adrian.manifold@centralmidlandsaudit.gov.uk</a> <b>(01332 643281)</b>	<b>DOC:</b> h/CJ/governance/AGS/2022/AGS committee report
<b>SUBJECT:</b>	<b>INTERNAL AUDIT ANNUAL REPORT 2023-24</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 02</b>

## 1.0 Recommendations

To consider and note the Annual Internal Audit Opinion for 2023-24 (Appendix 1).

## 2.0 Purpose of Report

2.1 The Public Sector Internal Audit Standards (PSIAS) sets out the requirements for the Chief Audit Executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

## 3.0 Detail

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

## 4.0 Financial Implications

4.1 None

## 5.0 Corporate Implications

5.1 None directly

## 6.0 Community Implications

6.1 None directly

## 7.0 Background Papers

7.1 The Accounts and Audit Regulation 2015 Public Sector Internal Auditing Standards



# South Derbyshire DC – Internal Audit Annual Report 2023-24

Audit Sub-Committee: 19<sup>th</sup> June 2024



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## Our Vision

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

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## Introduction

### Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

#### **Public sector requirement**

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is Adrian Manifold, Audit Manager.

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

*"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:*

- *an annual Internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- *a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- *a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

*In local government, the annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.*

*The annual report should also include:*

- *disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- *disclosure of any impairments ('in fact or appearance') or restriction in scope*
- *a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the Internal audit function against its performance measures and targets*
- *any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- *progress against any improvement plans resulting from QAIP external assessment.*

*In the context of the PSIAS, 'opinion' means that Internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."*

### How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Audit

Manager to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.



### Possible Overall Opinions

The Audit Manager's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Governance, Risk, Internal Control** – Findings indicate significant weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
- **Adequate System of Governance, Risk, Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
- **Satisfactory System of Governance, Risk, Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

## Quality Assurance and Improvement Programme

A quality assurance and improvement programme is designed to enable an evaluation of the Internal Audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

### Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

*"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."*

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Our last external quality assessment (EQA) on our overall conformance with the Standards was undertaken in October 2022 and it was determined that we generally conformed with each standard. A report on the outcome of the EQA was presented to this Committee on 7<sup>th</sup> December 2022.

We have determined that CMAP **Generally Conforms** ' to the Standards. 'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

The CMAP Leadership team revise the QAIP on an annual basis, with regular reviews of the progress on actions throughout the year. The QAIP is a standing item on all CMAP team meeting agendas and on the CMAP Operational Group meeting agendas.

The QAIP for 2023/24 and the progress made during the year on securing the improvements is shown at the back of this report.

## Audit Opinion 2023-24

Based on the work undertaken during the year, I have reached the overall opinion that there is a **Satisfactory System of Governance, Risk, Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

In forming this opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on my independence or objectivity. Also, my organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.

I have arrived at this opinion having regard to the following:

- o The level of coverage provided by Internal Audit was considered adequate.
- o Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.
- o The changing risk environment within the Council has been taken into account during the 2023-24 financial year.
- o Our insight gained from our interactions with Senior Management and the Audit Sub-Committee.
- o Changes at a Senior Management level have inevitably resulted in changes to the organisation's Governance arrangements. Much of the proposed changes to the management structure and constitution are still in their early stages, therefore it would be premature to pass judgement on their effectiveness. But it is pleasing to note that Senior Management has openly engaged and consulted with Internal Audit on all significant changes that potentially affect the organisation's framework of governance, risk management and control.
- o The Council's External Auditor had recently questioned whether the Council's current risk management structure delivered efficient and effective risk management, and whether it was clear what the most strategic risks were to the organisation. At the time of writing this report, the Section 151 Officer was concluding a review of the Council's Risk Management Framework, and this revised framework was due to be presented to the Finance and Management Committee for approval in 2024-25. We have a Risk Management audit scheduled in the 2024-25 Internal Audit Plan.
- o In my 2021-22 Audit Opinion Report, brought the Council's Audit Sub-Committee on 22<sup>nd</sup> June 2022, I raised the following significant risk finding:

*"The annual General Fund, Housing Revenue Account and Capital budgets were not formally received and approved by Full Council, as required by the Council's Constitution and to meet the requirements of the Local Government Act 2000".*

This issue came to attention of the External Auditor as part of their review work undertaken during 2023-24. They concluded that there was no evidence that the full budgets were received by Council. As a result, in the External Auditor's interim Value for Money report, they have detailed that they expect to report on an exception basis that there is an identified significant weakness in the budget setting process for the 2022-23 and 2023-24 years and in years prior to that.

- o The Council's self-assessment against the new Consumer Standards for Social Housing and the knowledge that a self-referral has been made to the Regulator for Social Housing, along with a request for a 12-month extension for the Housing Service to meet the new standards. Internal Audit has also been asked to undertake consultancy work to examine the governance arrangements that led to this scenario, but this is in its very early stages and has not arrived at any conclusions at this time.
- o Being made aware that the Council may have employed agency staff from a supplier, outside of the Council's process (use of designated framework) and outside of contract (breach of

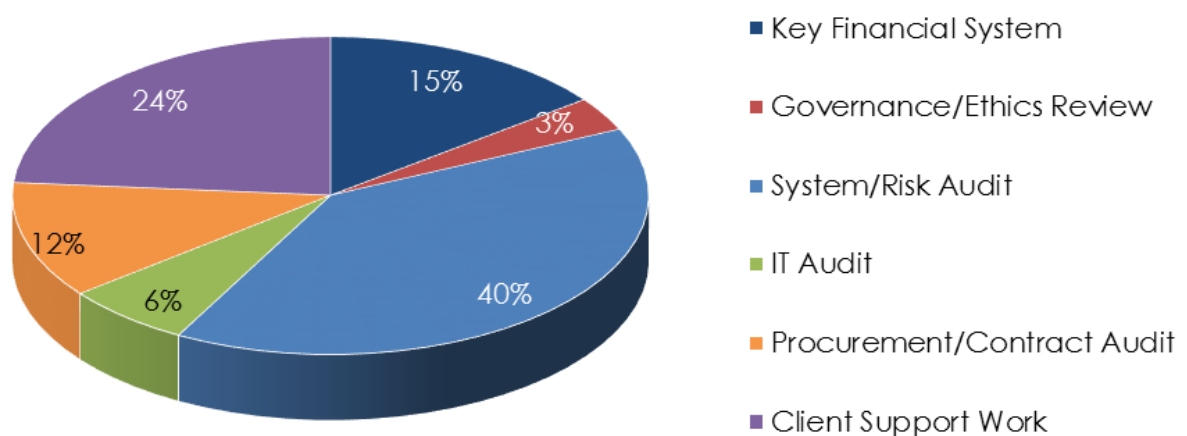


## South Derbyshire DC – Internal Audit Annual Report 2023-24

CPRs) since 2018-19. The initial report has identified that this spend is material in value over this period and on an annual basis. Internal Audit is currently awaiting confirmation of the detailed spend with agencies before determining what further internal audit work will be undertaken in this area.

- o The only outstanding issue that has potentially adverse implications for the Authority's Annual Governance Statement related to a significant issue regarding the Procurement service. This matter is due to be addressed with the re-tender of the Procurement Service later this year, along with a review of the organisational requirements in respect of procurement support.
- o The 2023-24 Internal Audit Plan, approved by the Audit Sub-Committee, 8<sup>th</sup> March 2023, was informed by internal audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives. Changes to this Audit Plan have been reported to the Audit Sub-Committee throughout the year.
- o The following tables summarise the 2023-24 Audit Plan assignments and their outcomes as well as those assignments from the 2022-23 Audit Plan which were still ongoing in 2023-24.

### Audit Plan 2023-24 per Type of Audit



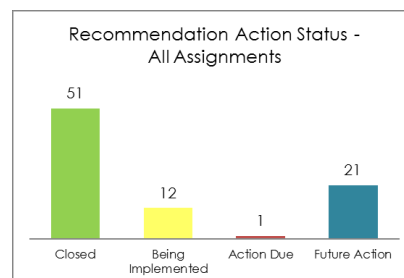
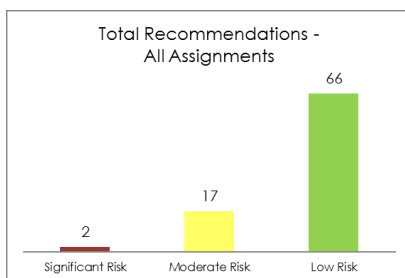
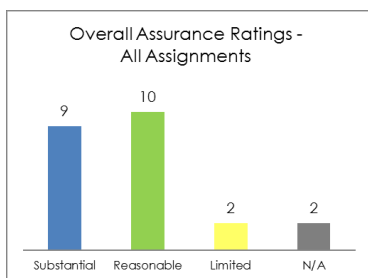
2023-24 Jobs	Status	% Complete	Assurance Rating
Leisure Centre Management - Tender 2023-24	Draft Report	95%	Reasonable*
Bank House-Sabines Yard Project	Final Report	100%	Limited
Grant Certification 2023-24	Final Report	100%	N/A
Revenue Systems 2023-24	Final Report	100%	Substantial
Housing Benefit & Council Tax Support 2023-24	Final Report	100%	Substantial
IT Key Controls 2023-24	Final Report	100%	Reasonable
Health & Safety 2023-24	In Progress	50%	
Debit/Credit Cards	In Progress	75%	
Trade Waste (Route Optimisation)	Draft Report	95%	Reasonable*
Planning & Building Control Fees 2023-24	Draft Report	95%	Substantial*
Section 106 Agreements 2023-24	Final Report	100%	Substantial
Climate Change 2023-24	In Progress	65%	
Community Safety Enforcement 2023-24	Final Report	100%	Substantial
Housing Repairs (2023-24)	Final Report	100%	Reasonable
Housing Safety Inspections 2023-24	In Progress	70%	
Improvement Grants 2023-24	In Progress	35%	
Rent Accounting 2023-24	Final Report	100%	Reasonable
Right To Buy - Follow-Up	Final Report	100%	Reasonable
Visitor Centre	Final Report	100%	Reasonable

\* Provisional rating as assignment not yet finalised

# South Derbyshire DC – Internal Audit Annual Report 2023-24

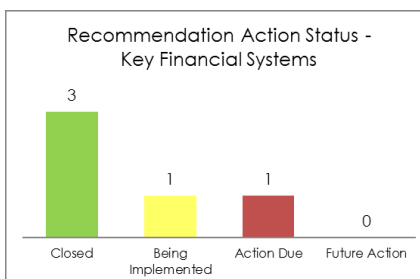
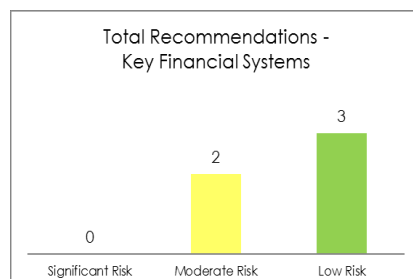
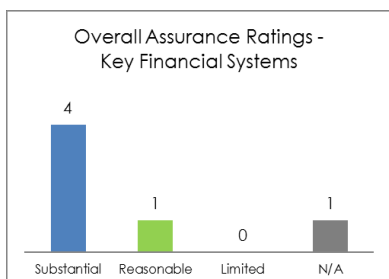
2022-23 Jobs B/fwd	Status	% Complete	Assurance Rating
Procurement 2022-23	Final Report	100%	Limited
Safeguarding 2022-23	Final Report	100%	Substantial
Capital Programme 2022-23	Final Report	100%	Substantial
Revenues Systems 2022-23	Final Report	100%	Substantial
Mobile Device Management	Final Report	100%	Reasonable
Data Quality & Performance Management 2022-23	Final Report	100%	Reasonable
Street Cleansing 2022-23	Final Report	100%	Substantial
Development Management 2022-23	Final Report	100%	Substantial
Parks & Open Spaces 2022-23	Final Report	100%	Reasonable
Sheltered Housing - Careline 2022-23	Final Report	100%	N/A
Land Charges 2022-23	Final Report	100%	Reasonable
Organisational Culture & Ethics 2022-23	Final Report	100%	Reasonable

- Of the 23 finalised assignments, 19 attracted either a 'Substantial' or 'Reasonable' assurance rating; 2 attracted a 'Limited' assurance rating and 2 assignments were given a 'N/A' assurance rating. From the completed assignments a total of 85 recommendations were made; 66 of these were considered to present a low risk; 17 were considered to present a moderate risk; 2 were significant risk recommendations and no critical risk recommendations were made.



- Of the 6 **Key Financial System** audits undertaken in 2023-24, all were completed and 5 attracted either a Substantial or Reasonable overall assurance rating, the Grant Certification assignment was a piece of consultation work which did not warrant an assurance rating. The finalised audit assignments identified 5 recommendations, 3 of which were classified as low risk and 2 were a moderate risk.

Both moderate risk recommendations came from the Rent Accounting audit and one has been implemented whilst the other has passed its original action date and management has yet to provide progress information or a revised action date.



- Of the 15 **System/Risk** audits undertaken in 2023-24, 10 were finalised; 4 attracted a Substantial assurance rating; 5 a Reasonable assurance rating and the Sheltered Housing assignment was a piece of consultancy work which did not attract an assurance rating. From the 10 audits finalised, a total of 39 recommendations were made; one represented a **significant risk**; 6 a moderate risk and 32 a low risk. The significant risk came from the Right To Buy Follow-up audit. We identified that:

- "The Council's Right To Buy procedures did not prompt adequate eligibility checks and there was insufficient consideration of the potential for Right To Buy fraud when dealing with applications."

Management accepted our finding and responded:

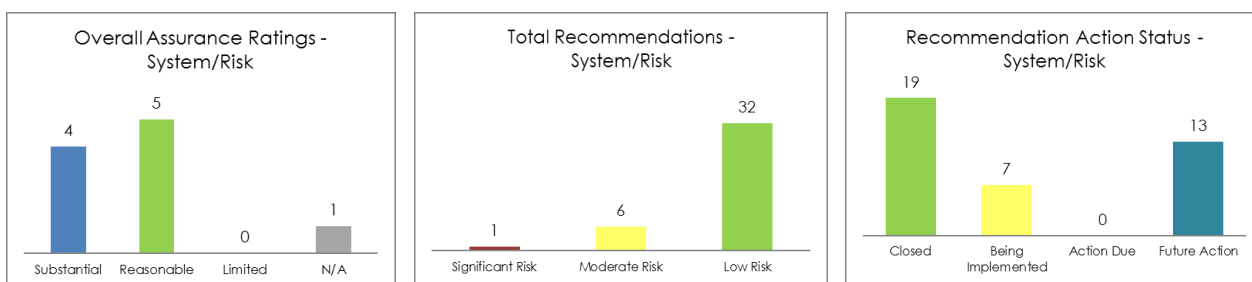
## South Derbyshire DC – Internal Audit Annual Report 2023-24

- o "Recommence referrals of all Right To Buys to Corporate Fraud Team by 31/01/2024. Provide training to Housing staff to raise awareness of fraud by 31/03/2024."

All actions have now been taken by management to address the weaknesses identified.

Six moderate risk recommendation were also made; 3 came from the Land Charges audit, all of which were accepted by management. Two have yet to reach their agreed action date and one has passed its original agreed action date and management has provided a revised action date in the future. Two other moderate risk recommendations came from the Parks & Open Spaces audit; both issues were accepted by management, and both have now been implemented. The remaining moderate risk recommendation came from the Visitor Centre audit, and it has an action date in the future. Of the remaining 32 low risk recommendations, 15 have been implemented, 1 was risk accepted, 10 have future action dates and 6 have passed their original action date.

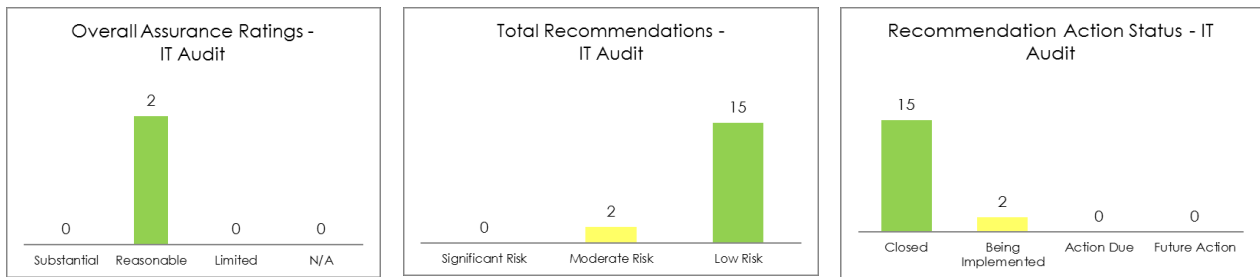
Of the 5 remaining audits, the assignment relating to Trade Waste was extensively complete and was likely to attract an overall assurance rating of 'Reasonable'. The audit relating to Planning & Building Control Fees was also extensively complete and was likely to attract an overall assurance rating of 'Substantial'. The other 3 audits are currently insufficiently progressed to determine a provisional overall assurance rating.



- o Of the 4 **Governance/Ethics** audits undertaken during 2023-24, 3 have been finalised and 2 attracted an overall assurance rating of 'Reasonable', and 1 a 'Substantial' assurance rating. The 3 completed audits produced 11 recommendations; 1 of which was considered to represent a moderate risk, the remaining 10 being a low risk. The moderate risk recommendation from the Organisational Culture & Ethics audit has now been implemented. Nine of the 10 low risk recommendations have now also been implemented. The remaining incomplete assignment on Health & Safety was insufficiently complete to determine an overall assurance rating.



- o Two **IT Audits were** undertaken and completed during 2023-24 and both attracted a 'Reasonable' assurance rating. The Mobile Device Management audit raised 8 recommendations; 1 was considered a moderate risk and the remaining 7 were considered to represent a low risk. All 8 recommendations have now been implemented. The IT Key Controls 2023-24 audit raised 9 recommendations; 1 was considered a moderate risk and the remaining 8 were considered to represent a low risk. The moderate risk recommendation has already been implemented and another 6 low risk recommendations have also been implemented. The 2 remaining low risk recommendations have passed their original agreed action dates, and management have provided update information and revised action dates for both.



Of the 3 **Procurement/Contract** audits, 2 were finalised and both attracted overall assurance rating of 'Limited'; the other audit was extensively complete and was likely to attract an overall assurance rating of 'Reasonable'. The 2 finalised audits resulted in 13 recommendations, 1 of which was considered to present a **significant risk**. The significant risk recommendation came from the Procurement 2022-23 audit. We concluded that:

- o "It could not be demonstrated that the contract with the Procurement Service Provider provided an effective procurement function which sought genuine competition."

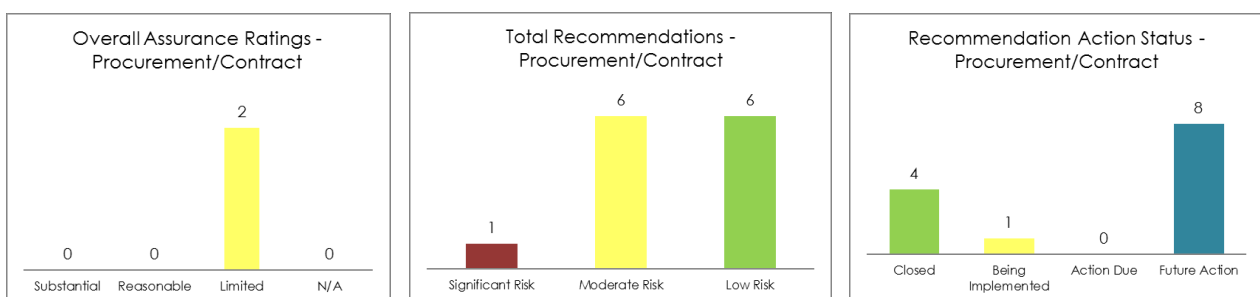
Management accepted our finding and responded:

- o "The current contractual arrangements ended on 31/03/2023 and a 12-month extension was agreed by the previous Strategic Director (Corporate Resources) to 31/03/2024. Alongside the need to undertake a competitive process to ensure the future procurement solution represents value for money, a review of the organisational requirements in respect of procurement support will be undertaken."

Management update on the progress with this recommendation:

- o "The implementation of this recommendation has been delayed due to some issues with the engagement of temporary resource which prevented the implementation of the procurement timetable. As a result, the current contract has been extended on a rolling basis to 30 September 2024. Re-procurement is now planned to commence in June, via a formal tender route."

Another 6 moderate risk recommendations were made; 2 of which have already been implemented and the remaining 4 have agreed action dates in the future. A further 6 low risk recommendations were made; 2 of which have already been implemented and the remaining 4 have agreed action dates in the future.



This opinion is provided with the following caveats:

- o The opinion does not imply that Internal Audit has reviewed all risks, controls and governance arrangements relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is only one component that is taken into account when producing the Council's Annual Governance Statement.
- o No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- o 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.

# Audit Coverage

## Assurances Provided

The following table seeks to summarise the extent of audit coverage provided to South Derbyshire District Council during 2023-24 and the assurance ratings associated with each audit assignment.

Summary of Audit Plan 2023-24 Results (incl. Jobs B/Fwd)	Type of Review							Totals
	Key Financial System	System/ Risk	Governance / Ethics	IT Audit	Anti-Fraud	Consultancy	Procurement / Contract	
Not Yet Complete		5	1			1	1	8
Substantial	4	4	1					9
Reasonable	1	5	2	2				10
Limited							2	2
No								
N/A	1	1						2
	<b>6</b>	<b>15</b>	<b>4</b>	<b>2</b>		<b>1</b>	<b>3</b>	<b>31</b>

## Assurance Ratings Explained

**Substantial** - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**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.

These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

### Audit Plan Assignments 2023-24

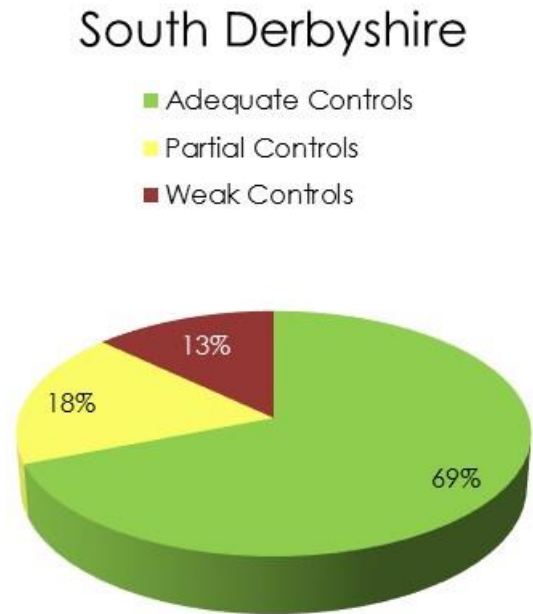
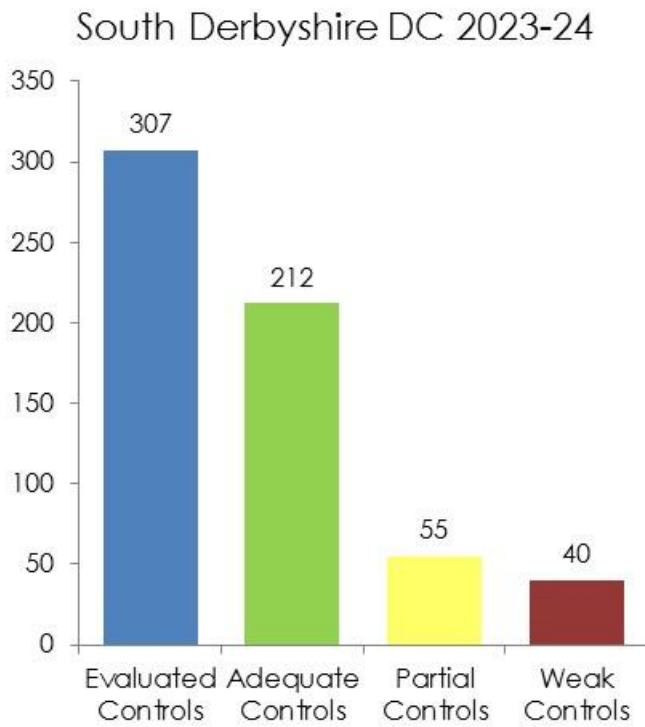
Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Grant Certification 2023-24	N/A					n/a
Revenues Systems 2023-24	Substantial					n/a
Housing Benefit & Council Tax Support 2023-24	Substantial					n/a
Rent Accounting 2023-24	Reasonable			2		50%
Capital Programme 2022-23	Substantial				1	100%
Revenue Systems 2022-23	Substantial				2	50%
Trade Waste (Route Optimisation)	Reasonable*					n/a
Planning & Building Control Fees 2023-24	Substantial*					n/a
Section 106 Agreements 2023-24	Substantial				4	100%
Climate Change 2023-24						n/a
Community Safety Enforcement 2023-24	Substantial				1	
Housing Repairs (Planned & Responsive Maintenance) 2023-24	Reasonable				5	
Housing Safety Inspections 2023-24						n/a
Improvement Grants 2023-24						n/a
Right To Buy - Follow-Up	Reasonable		1		3	100%
Visitor Centre	Reasonable			1	3	
Street Cleansing 2022-23	Substantial				3	
Development Management 2022-23	Substantial				5	40%
Parks & Open Spaces 2022-23	Reasonable			2	4	83%
Sheltered Housing - Careline 2022-23	N/A					n/a
Land Charges 2022-23	Reasonable			3	4	57%
Health & Safety 2023-24						n/a
Safeguarding 2022-23	Substantial				2	100%
Data Quality & Performance Management 2022-23	Reasonable				7	100%
Organisational Culture & Ethics 2022-23	Reasonable			1	1	50%
IT Key Controls 2023-24	Reasonable			1	8	78%
Mobile Device Management	Reasonable			1	7	100%
Leisure Centre Management - Tender 2023-24	Reasonable*					n/a
Bank House-Sabines Yard Project	Limited			4	5	11%
Procurement 2022-23	Limited		1	2	1	75%
Debit/Credit Cards						n/a
<b>TOTALS</b>			<b>2</b>	<b>17</b>	<b>66</b>	<b>60%</b>

\* Provisional rating as assignment is not yet complete



### Internal Controls Examined

For those audits finalised during 2023-24, we established the following information about the controls examined:



## Recommendations Made

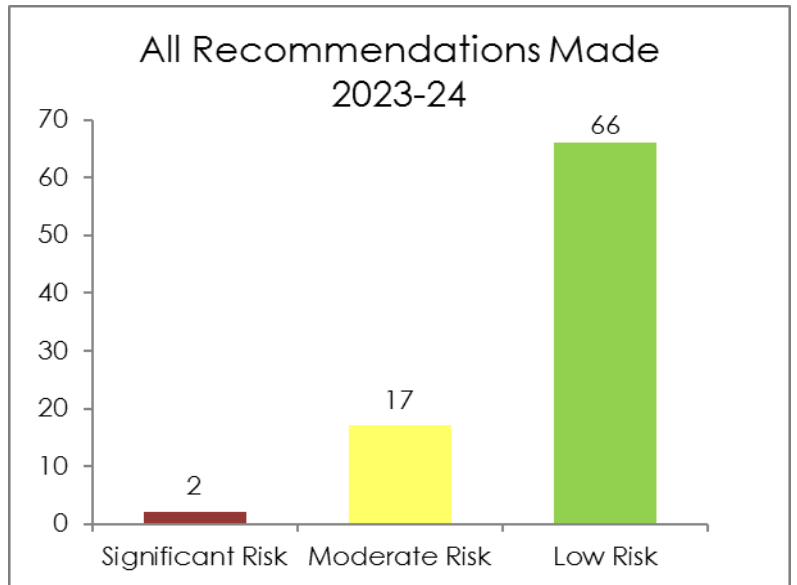
The control weaknesses identified above resulted in 85 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made relating to 2023-24:

Audit Assignments	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Grant Certification 2023-24	Key Financial System				
Revenues Systems 2023-24	Key Financial System				
Housing Benefit & Council Tax Support 2023-24	Key Financial System				
Rent Accounting 2023-24	Key Financial System	1	1		
Capital Programme 2022-23	Key Financial System	1			
Revenue Systems 2022-23	Key Financial System	1		1	
Trade Waste (Route Optimisation)	System/Risk				
Planning & Building Control Fees 2023-24	System/Risk				
Section 106 Agreements 2023-24	System/Risk	4			
Climate Change 2023-24	System/Risk				
Community Safety Enforcement 2023-24	System/Risk			1	
Housing Repairs (Planned & Responsive Maintenance) 2023-24	System/Risk				5
Housing Safety Inspections 2023-24	System/Risk				
Improvement Grants 2023-24	System/Risk				
Right To Buy - Follow-Up	System/Risk	4			
Visitor Centre	System/Risk				4
Street Cleansing 2022-23	System/Risk			1	2
Development Management 2022-23	System/Risk	2		3	
Parks & Open Spaces 2022-23	System/Risk	5		1	
Sheltered Housing - Careline 2022-23	System/Risk				
Land Charges 2022-23	System/Risk	4		1	2
Health & Safety 2023-24	Governance/Ethics				
Safeguarding 2022-23	Governance/Ethics	2			
Data Quality & Performance Management 2022-23	Governance/Ethics	7			
Organisational Culture & Ethics 2022-23	Governance/Ethics	1		1	
IT Key Controls 2023-24	IT Audit	7		2	
Mobile Device Management	IT Audit	8			
Leisure Centre Management - Tender 2023-24	Procurement/Contract				
Bank House-Sabines Yard Project	Procurement/Contract	1			8
Procurement 2022-23	Procurement/Contract	3		1	
Debit/Credit Cards	Consultancy				
<b>TOTALS</b>		<b>51</b>	<b>1</b>	<b>12</b>	<b>21</b>

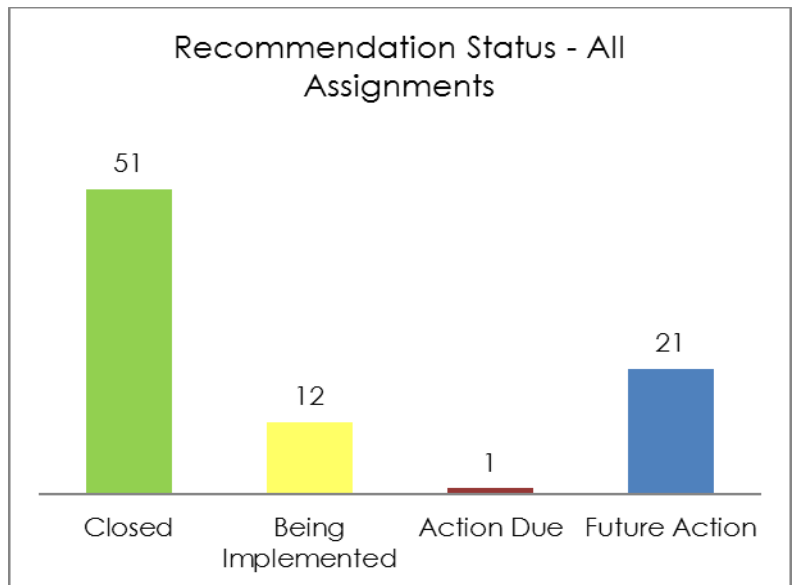


## Recommendations Summary

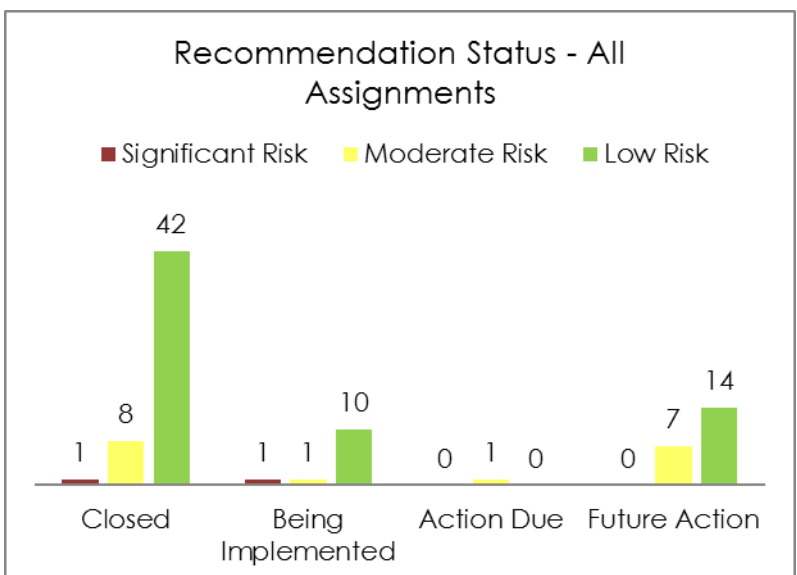
These 85 recommendations have resulted from the 23 audit assignments finalised either during 2023-24 or finalised in the time following the year-end. Approximately 78% of all recommendations made were considered to present a low risk, 20% a moderate risk and 2% a significant risk.



Of the 85 recommendations made, 60% have been closed, 14% have passed their original action date and a revised target has been set, 1% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 25% have an agreed original action date in the future.



It is pleasing to note that 1 of the 2 significant risk recommendations has been addressed to our satisfaction, as have 8 of the moderate risk recommendations raised and 42 of the low risk recommendations. We will continue to monitor all recommendations not yet addressed and will bring those moderate risk recommendations that remain outstanding to the attention of the Audit Sub-Committee throughout the coming year.

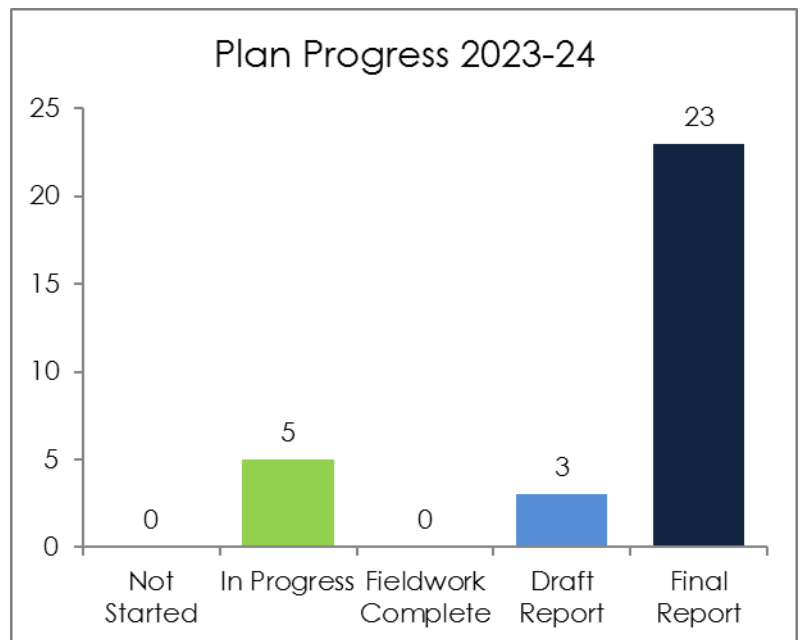


## Performance Measures

Of the 18 customer satisfaction surveys sent, only 11% have been returned. Surveys contain 11 questions regarding the audit service provided and asked managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). From the 2 customer satisfaction returns received, the overall average score out of 55 was 53.



By the end of 2023-24 we estimate that we had completed 86.6% of the revised Audit Plan against a target of 90%. The chart shows the current progress on 2023-24 audits as at the date of this report.



## QAIP – Improvement Plan

One of the outcomes of the CMAP Quality Assurance and Improvement Programme is that it enables an assessment of the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.

The CMAP Leadership team revise the QAIP on an annual basis, with regular reviews of the progress on actions throughout the year. The QAIP is a standing item on all CMAP team meeting agendas, on the Operational Group meeting agendas and is reported to Partner Audit Committees on a regular basis. The Improvement Plan that was in place during 2023/24 is shown below.

Actions	Update Position
<p><b>1.</b> We should ask staff to complete a Personal Development Plan as part of our overall Training &amp; Development Plan for the Team.</p>	<p>Currently we only have individual development plans. We are looking at how best to convert this into a CMAP Training &amp; Development Plan. No progress due to other higher priorities.</p>
<p><b>2.</b> We should formally develop our approach around the use of data analytics and other CAATs and identify the benefits it could bring to the audit processes.</p>	<p>Strategy for the use of data analytics within CMAP needs to be produced.</p>
<p><b>3.</b> We should continue to develop the process for incorporating other assurance information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate an audit assurance framework for each partner organisation. We also need to get all Partners interested in producing their own Assurance Maps.</p>	<p>This approach may need to vary for each partner. All are at different stages in relation to what they are doing on assurance mapping and what CMAP can use in its process. A consultancy piece of work on assurance mapping has been assigned at Derby CC but is on hold due to lack of engagement.</p>
<p><b>4.</b> To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations. This will be particularly important given the proposed changes to the composition of Audit Committees with the addition of co-opted/ independent members.</p>	<p>Support is currently provided at four partners to help them assess the effectiveness of their audit committees.</p>
<p><b>5.</b> We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.</p>	<p>No progress made on a formalised approach. However, other work and audit work informs our knowledge on this.</p>
<p><b>6.</b> To review all CMAP reports that are to be published to assess compliance with the Web Content Accessibility Guidelines (WCAG).</p>	<p>We will progress with this once we have implemented the new Audit Management System and assessed the reporting templates that are available.</p>
<p><b>7.</b> To implement the new Audit Management System ready for go live on 1st April 2024. Further development will be required throughout 2024/25.</p>	<p>The system is now live, although there are still developments required e.g. report templates. The original Audit Management System is still in use for those audits that commenced in 2023/24 and also parallel running for time recording until the report templates are finalised. 2024/25 audits will use the new system.</p>

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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>AUDIT MANAGER</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>ADRIAN MANIFOLD</b> <a href="mailto:Adrian.manifold@centralmidlandsaudit.gov.uk">Adrian.manifold@centralmidlandsaudit.gov.uk</a> <b>(01332 643281)</b>	<b>DOC:</b> h/CJ/governance/AGS/2022/AGS committee report
<b>SUBJECT:</b>	<b>INTERNAL AUDIT PROGRESS REPORT 2023/24</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 02</b>

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**1.0 Recommendations**

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

**2.0 Purpose of Report**

2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit as at 31<sup>st</sup> May 2023.

**3.0 Detail**

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

**4.0 Financial Implications**

4.1 None

**5.0 Corporate Implications**

5.1 None directly

**6.0 Community Implications**

6.1 None directly

**7.0 Background Papers**

7.1 None.



central midlands audit partnership

## South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 19<sup>th</sup> June 2024



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RECOMMENDATION TRACKING .....	11
HIGHLIGHTED RECOMMENDATIONS .....	13

## Our Vision

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

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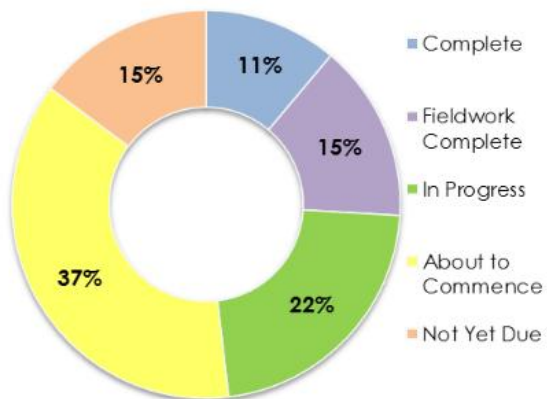
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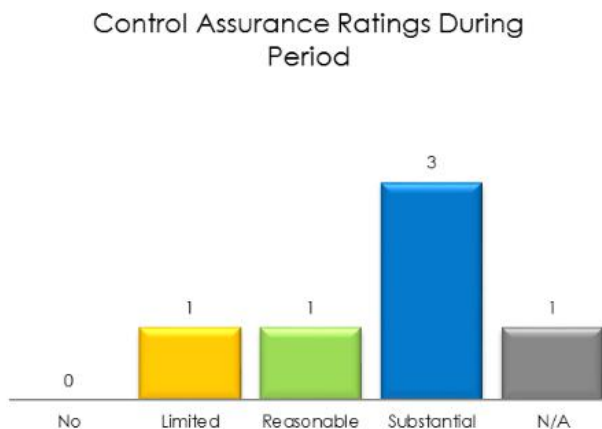
# South Derbyshire District Council – Audit Progress Report

## AUDIT DASHBOARD

### Plan Progress



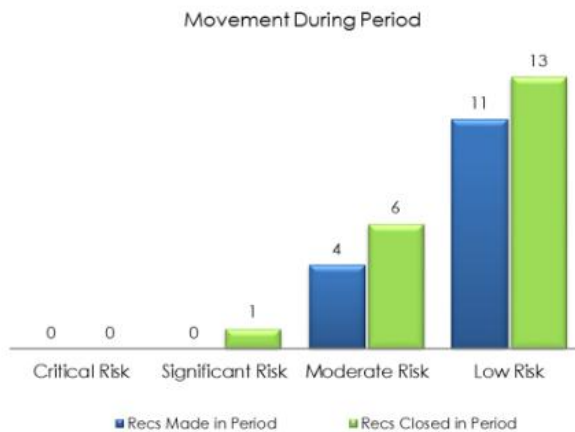
### Jobs Completed in Period



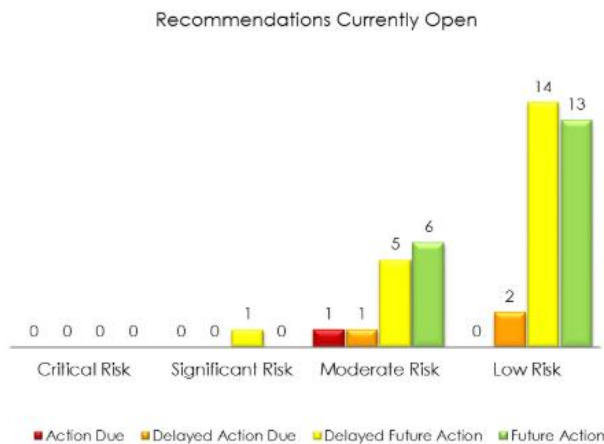
### Customer Satisfaction



### Recommendations Movement



### Recommendations Open



### Recommendations Overdue



## South Derbyshire District Council – Audit Progress Report

### AUDIT PLAN

#### Progress on Audit Assignments

The following tables provide Audit Sub-Committee with information on how audit assignments were progressing as at 31<sup>st</sup> May 2024.

2024-25 Assignments	Status	% Complete	Assurance Rating
Significant Contracts (Data Analytics)	Allocated	5%	
Strategic Transformation	Allocated	0%	
Grant Certification 2024-25	Allocated	15%	
Payroll	Not Allocated	0%	
Debit/Credit Cards	In Progress	75%	
IT Infrastructure/Applications	Not Allocated	0%	
Business Change & Transformation	Allocated	15%	
Risk Management	Allocated	0%	
People Management (Policies)	Allocated	0%	
Pest Control	Not Allocated	0%	
Rosliston Forestry Centre 2024-25	Allocated	10%	
Rechargeable Repairs 2024-25	Allocated	20%	
Allocations & Homelessness	Allocated	20%	
Housing Consumer Standards	Allocated	50%	
Corporate Governance	Not Allocated	0%	

B/Fwd Assignments	Status	% Complete	Assurance Rating
Leisure Centre Management - Tender 2023-24	Fieldwork Complete	90%	
Revenue Systems 2023-24	Final Report	100%	Substantial
Housing Benefit & Council Tax Support 2023-24	Final Report	100%	Substantial
Health & Safety 2023-24	In Progress	60%	
Fleet Management 2023-24	Allocated	10%	
Trade Waste 2023-24	Fieldwork Complete	80%	
Planning & Building Control Fees 2023-24	Fieldwork Complete	80%	
Climate Change 2023-24	In Progress	70%	
Housing Repairs (Planned & Responsive Maintenance) 2023-24	Final Report	100%	Reasonable
Housing Safety Inspections 2023-24	In Progress	70%	
Improvement Grants 2023-24	In Progress	40%	
Visitor Centre	Draft Report	95%	



## South Derbyshire District Council – Audit Progress Report

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### Plan Delays

We have been requested to delay the commencement of the Rechargeable Repairs 2024-25 and Allocations & Homelessness assignments. As part of the escalation process, these matters have been initially raised with Executive Director - Resources & Transformation (S151 Officer) and subsequently with the Chief Executive. It has been agreed to reschedule these audits for commencement in September 2024.

### Plan Changes

We have received a request from the Executive Director - Resources & Transformation (S151 Officer) to undertake a piece of consultancy work examining the control and governance arrangements surrounding the Council's compliance with the new Housing Consumer Standards.

## South Derbyshire District Council – Audit Progress Report

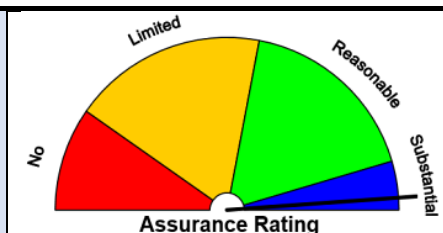
### AUDIT COVERAGE

#### Completed Audit Assignments

Between 10<sup>th</sup> February 2024 and 31<sup>st</sup> May 2024, the following audit assignments have been finalised.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Community Safety Enforcement 2023-24	Substantial				1	
Bank House-Sabines Yard Project	Limited			4	5	11%
Housing Repairs (Planned & Responsive Maintenance) 2023-24	Reasonable				5	
Housing Benefit & Council Tax Support 2023-24	Substantial					n/a
Revenues Systems 2023-24	Substantial					n/a
Grant Certification 2023-24	N/A					n/a

### Community Safety Enforcement 2023-24



Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The process of issuing Fixed Penalty Notices is clearly documented and complies with relevant legislation; being clearly communicated to all relevant parties.		10	8	2	0
Income received from Fixed Penalty Notices is adequately receipted and reconciled, with an appeals and complaints procedure in place.		8	8	0	0
<b>TOTALS</b>		<b>18</b>	<b>16</b>	<b>2</b>	<b>0</b>
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date

## South Derbyshire District Council – Audit Progress Report

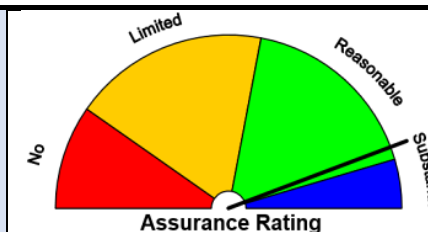
1	No formal contract review meetings were taking place with Crowfoot Kennels and this was not outlined as a requirement within the contract. Subsequently, performance issues were not being formally monitored, resulting in costs regularly exceeding the allocated budget.	Low Risk	01/09/2024	Future Action	
---	---	----------	------------	---------------	--

Bank House-Sabines Yard Project					
Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Robust procurement arrangements were in place, in accordance with the Council's Contract Procedure Rules to appoint a contractor for the Bank House and Sabines Yard project.		14	6	4	4
Robust governance arrangements are in place in relation to the Bank House and Sabines Yard project to ensure a regime of rigorous monitoring on project progress and delivery is in place.		6	5	1	0
<b>TOTALS</b>		<b>20</b>	<b>11</b>	<b>5</b>	<b>4</b>
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date
1	The Central Procurement Team had not checked the Council had adequate financial provision prior to commencing the procurement process as required by the Contract Procedure Rules Section 11.1 (ii).	Low Risk	31/05/2025	Future Action	
2	The Central Procurement Team had not obtained the written authorisation of the S151 Officer to enter into a procurement process.	Moderate Risk	31/05/2025	Future Action	
3	There were no formal assessment criteria or Key Performance Indicators included in the Invitation to Tender document to indicate how the performance of the contract would be measured.	Moderate Risk	01/07/2024	Future Action	
4	Conflicts of Interest had not been declared by any of the officers involved in the conduct of the procurement process.	Low Risk	01/07/2024	Future Action	
5	Clear evidence could not be supplied to support the decision regarding which tender process to use. The consultants acting on behalf of the Council, did not consider the open tendering procurement process, which had been used by the Council, to have provided best value.	Moderate Risk	31/05/2025	Future Action	
6	Evidence could not be supplied to confirm that the significant difference in tender prices had been referred to and approved by the Strategic Director (Corporate Resources), as required by the Contract Procedure Rules, Section 17.5.	Low Risk	31/05/2025	Future Action	

## South Derbyshire District Council – Audit Progress Report

7	No assurance could be obtained regarding notification letters being sent to both successful and unsuccessful tenderers as required by Section 86 of the Public Contracts Regulations (PCR) 2015 (as amended).	Low Risk	01/01/2025	Future Action	
8	No evidence could be provided to demonstrate that the legally required standstill period had been enforced during the procurement process.	Moderate Risk	01/01/2025	Future Action	
9	The outcomes from Property Meetings attended by the former Chief Executive and former Strategic Director (Corporate Resources) had not been minuted.	Low Risk	25/03/2024	Implemented	

### Housing Repairs (Planned & Responsive Maintenance) 2023-24



Control Objectives Examined		Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Actions taken by the Council, following the 2020-21 Housing Repairs audit, have adequately addressed the weaknesses in control, with systems becoming embedded into standard practices, to mitigate the potential risks.		11	6	4	1
Works funded by the Social Housing Decarbonisation Fund are appropriately managed and monitored.		11	10	0	1
<b>TOTALS</b>		<b>22</b>	<b>16</b>	<b>4</b>	<b>2</b>
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date
1	A sample of completed jobs were checked daily to ensure materials recorded were reasonable, however this check was not being documented.	Low Risk	31/08/2024	Future Action	
2	Regular van stock checks had not yet commenced, despite previous assurances.	Low Risk	31/10/2024	Future Action	
3	The process for calculating Tenant Satisfaction Measures in compliance with the Regulator of Social Housing's technical requirements had not yet been determined, in particular, regarding <i>RP02 Repairs completed within target timescale</i> .	Low Risk	31/08/2024	Future Action	
4	Although additional ad-hoc post inspections of works were undertaken as required, these post inspections were not being recorded.	Low Risk	30/06/2024	Future Action	

## South Derbyshire District Council – Audit Progress Report

5	Documentation pertaining to individual works funded from the Social Housing Decarbonisation Fund, had not been downloaded from the contractor portal and was subsequently not held by the Council against individual property records.	Low Risk	30/06/2024	Future Action	
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Housing Benefit & Council Tax Support 2023-24						
<b>Control Objectives Examined</b>			<b>Controls Evaluated</b>	<b>Adequate Controls</b>	<b>Partial Controls</b>	<b>Weak Controls</b>
To ensure claims for benefits are processed in line with legislations and are supported by an application and validated evidence to ensure benefit is awarded correctly.			18	18	0	0
<b>TOTALS</b>			<b>18</b>	<b>18</b>	<b>0</b>	<b>0</b>
<b>Rec No.</b>	<b>Summary of Weakness</b>	<b>Risk Rating</b>	<b>Original Action Date</b>	<b>Action Status</b>	<b>Revised Action Date</b>	
	This report contained no recommendations, although there was an outstanding recommendation for this area relating to write-off approval policies from the Revenue Systems 2022-23 audit report, dated August 2023.					

Revenues Systems 2023-24						
<b>Control Objectives Examined</b>			<b>Controls Evaluated</b>	<b>Adequate Controls</b>	<b>Partial Controls</b>	<b>Weak Controls</b>
To ensure that liable persons / parties for Council Tax and National Non-Domestic Rates are identified and that amendments to liability are promptly processed.			17	17	0	0

## South Derbyshire District Council – Audit Progress Report

To ensure that charges levied for Council Tax and National Non-Domestic Rates are accurate, in line with regulations.		9	9	0	0
<b>TOTALS</b>		<b>26</b>	<b>26</b>	<b>0</b>	<b>0</b>
Rec No.	Summary of Weakness	Risk Rating	Original Action Date	Action Status	Revised Action Date
	This report contained no recommendations.				

### Grant Certification 2023-24

Assurance Rating: N/A

Throughout the year Internal Audit was asked to examine the documents to support the following grant projects and certify that having scrutinised the relevant payments in our opinion, in all significant respects, the conditions attached to each grant listed below had been complied with:

- Home Upgrade Grant Phase 1 Determination No. 31/5947.
- Home Upgrade Grant Phase 2 Determination No. 31/6400.
- Local Authority Delivery Phase 3 No 31/5774.

We also reviewed the proposed controls to be put in place to verify applications for Shared Prosperity Fund grants and the process to control payments to private tenants from the Sustainable Warmth grants.

## South Derbyshire District Council – Audit Progress Report

### RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open			
			Action Due	Delayed Action Due	Delayed Future Action	Future Action
10-Apr-24	Housing Repairs 2023-24	Reasonable				5
14-Dec-23	Rent Accounting 2023-24	Reasonable	1			
25-Mar-24	Bank House-Sabines Yard Project	Limited				8
21-Mar-24	Community Safety Enforcement 2023-24	Substantial				1
09-Feb-24	IT Key Controls 2023-24	Reasonable			2	
17-Aug-23	Street Cleansing 2022-23	Substantial			1	2
23-Aug-23	Procurement 2022-23	Limited			1	
02-Aug-23	Organisational Culture & Ethics 2022-23	Reasonable			1	
18-Aug-23	Revenue Systems 2022-23	Substantial			1	
22-Nov-23	Land Charges 2022-23	Reasonable			1	2
22-Nov-23	Development Management 2022-23	Substantial			3	
14-Aug-23	Parks & Open Spaces 2022-23	Reasonable			1	
31-Oct-22	Rosliston Forestry Centre 2022-23	Reasonable			1	
24-Oct-22	Officers Expenses & Allowances 2022-23	Reasonable			2	
02-Aug-22	Income Streams	Reasonable		1		
22-Aug-22	Homelessness 2021-22	Substantial		1		
10-Mar-22	Rent Accounting 2021-22	Reasonable			3	
15-Sep-21	Insurance	Substantial				1
08-Mar-23	Electoral Services 2020-21	Reasonable		1		
16-Jun-21	Housing Repairs 2020-21	Limited			1	
06-Aug-20	Bereavement Services 2019-20	Reasonable			1	
22-Oct-20	Grounds Maintenance 2019-20	Reasonable			1	
		<b>TOTALS</b>	<b>1</b>	<b>3</b>	<b>20</b>	<b>19</b>

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

**Delayed Action Due** = The original action date has now passed and Internal Audit has obtained status update comments from the responsible officer and a revised action date. This revised action date has now passed, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

## South Derbyshire District Council – Audit Progress Report

**Delayed Future Action** = The original action date has now passed and Internal Audit has obtained status update comments from the responsible officer and a revised action date which is in the future.

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

Audit Assignments with Recommendations Due	Action Due				Delayed Action Due				Delayed Future Action			
	Critical Risk	Significant Risk	Moderate Risk	Low Risk	Critical Risk	Significant Risk	Moderate Risk	Low Risk	Critical Risk	Significant Risk	Moderate Risk	Low Risk
Rent Accounting 2023-24			1									
IT Key Controls 2023-24												2
Street Cleansing 2022-23												1
Procurement 2022-23										1		
Organisational Culture & Ethics 2022-23												1
Revenue Systems 2022-23												1
Land Charges 2022-23											1	
Development Management 2022-23												3
Parks & Open Spaces 2022-23												1
Rosliston Forestry Centre 2022-23												1
Officers Expenses & Allowances 2022-23											1	1
Income Streams								1				
Homelessness 2021-22								1				
Rent Accounting 2021-22											1	2
Electoral Services 2020-21							1					
Housing Repairs 2020-21											1	
Bereavement Services 2019-20											1	
Grounds Maintenance 2019-20												1
<b>TOTALS</b>			<b>1</b>				<b>1</b>	<b>2</b>		<b>1</b>	<b>5</b>	<b>14</b>



## South Derbyshire District Council – Audit Progress Report

### HIGHLIGHTED RECOMMENDATIONS

#### Critical, Significant or Moderate Risk Recommendations Past Original Action Date

The following significant or moderate risk rated recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

Job Name	Procurement 2022-23	Original Action Date	01/03/2024
Risk Rating	Significant Risk	Revised Action Date	01/10/2024
Recommendation Number	4	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
It could not be demonstrated that the contract with the Procurement Service Provider provided an effective procurement function, which sought genuine competition.	We recommend that the contract is evaluated by management and compared with other options available for service delivery. The most effective procurement function for the Council should be selected, that not only ensures compliance with relevant laws and regulations but saves the authority both time and money in the long term, through seeking genuine competition from procurement activities. Any decision taken should be clearly documented and follow the correct governance process, as per the Council's Constitution.	The current contractual arrangements ended on 31/03/2023 and a 12-month extension was agreed by the previous Strategic Director (Corporate Resources) to 31/03/2024. Alongside the need to undertake a competitive process to ensure the future procurement solution represents value for money, a review of the organisational requirements in respect of procurement support will be undertaken.	Due to some issues with the engagement of temporary resource which prevented the implementation of the procurement timetable. As a result the current contract is extended on a rolling basis to 30 September 2024. Re-procurement is now planned to commence in June, via a formal tender route.

Job Name	Bereavement Services 2019-20	Original Action Date	01/01/2021
Risk Rating	Moderate Risk	Revised Action Date	30/09/2024
Recommendation Number	2	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
Contract opportunities for the provision of a grave digging service had not been advertised on the Contracts Finder website, in line with the requirements of the Public Contract Regulations 2015, and there was no current contract in place.	We recommend that the Council pursues one of the following actions: <ul style="list-style-type: none"> <li>A corporate contract may be required for the area of spend and as such a formal tender exercise should be undertaken.</li> <li>Engage the Council's DSO to provide the service at the rural cemeteries as well as the urban cemeteries.</li> <li>The area of spend may be relevant to an existing or new framework agreement/contract which should be used to formalise the process.</li> <li>If no competitive market is available this should be demonstrated and a formal exemption from the Contract Procedure Rule should be put in place.</li> </ul>	All options will be assessed and taken forward after the Covid-19 pandemic is over as the risk of any changes to the service are too great at the present time.	We are exploring the options of bringing this in-house and reviewing resources.

## South Derbyshire District Council – Audit Progress Report

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

Job Name	Housing Repairs 2020-21	Original Action Date	01/10/2021
Risk Rating	Moderate Risk	Revised Action Date	30/06/2024
Recommendation Number	3	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
There was a high degree of manual input in scheduling repair jobs and the system in place to record repairs was heavily reliant on paper job tickets, resulting in inefficiencies and possible inaccuracies. We were unable to locate a job ticket for 10 of the 19 completed repair jobs selected for testing.	<p>We recommend that the Council considers the procurement of dynamic scheduling software. In the interim we recommend that:</p> <ul style="list-style-type: none"> <li>Clear guidelines are provided to operatives on the information required to be completed on job tickets and timesheets, to improve the quality of data subsequently entered into Orchard, the Council's Housing Management System.</li> <li>The possibility of sending job tickets directly from Orchard to operative's smartphones (or scanning and emailing them) is investigated.</li> <li>The capability of the smartphones issued is reviewed to establish whether job tickets can be viewed and edited or whether other hardware /software is required to do this.</li> <li>Training requirements for operatives are considered to allow implementation of the above and further training be undertaken, where required.</li> </ul>	<p>As part of the Council's Transformation Project, the renewed Orchard Contract package includes the option for the future purchase of dynamic scheduling/mobile working software. Written instruction for the completion of job tickets will be provided for operatives by the Interim Team Leader (by 30/07/2021). A possible interim solution for the electronic transmission of job tickets has been identified and is being tested. This will require new devices to be provided to operatives. The use of smartphone for this process has been tested and found to be not viable. Once testing of the process and new devices is complete this will be implemented across the team with the appropriate training.</p>	MRI Repairs implementation is in progress. It is anticipated that the system will go live on 10 <sup>th</sup> June 2024.

## South Derbyshire District Council – Audit Progress Report

Job Name	Rent Accounting 2021-22	Original Action Date	31/03/2022
Risk Rating	Moderate Risk	Revised Action Date	31/12/2024
Recommendation Number	7	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
Energy costs paid by the Council for individual properties were not consistently recharged to tenants and there was a large outstanding debt relating to this.	We recommend that the Council writes off outstanding ground source heating debts where there is insufficient legal basis to pursue recovery. Furthermore, for existing tenants, appropriate action should be taken to obtain agreement to future energy cost charges, which should be invoiced as soon as possible to prevent further financial loss to the Council.	<p>Agreed, the Former Tenant Arrears Officer will prepare the documentation for write off where recovery cannot be pursued against former / current tenants for ground source heating charges at Brook Street, Hartshorne.</p> <p>A third-party agent is currently being procured to take meter readings and prepare figures for consumption costs to the responsible tenant for payment. At this point it is the Councils intention for the third-party agent to read meters and invoice tenants, however this may change in so far as Business Support may invoice tenants and collect the payments which are due.</p> <ul style="list-style-type: none"> <li>Once procured, all existing tenants will be required to re-sign a contract indicating their agreement to be responsible for and pay their ground source heating charges to the Council.</li> <li>All new tenants will sign a separate contract/letter when they sign their new Tenancy Agreement indicating their agreement to be responsible for and pay their ground source heating charges.</li> <li>The Former Tenant Arrears Officer and the Tenancy Services Manager will have operational responsibility for implementing this recommendation.</li> </ul>	Outstanding debts have now been written off. Housing Review in place and new Head of Housing to be recruited. Process for heating costs to be recharged monthly at Carnegie House and Brook Street. Meter readings for Carnegie House are now being taken and billed monthly. Service Charge which includes energy costs for those under licence agreement in temporary accommodation. Still issues at Brook Street that the Asset team are working on with Raleigh Instruments. Hoping to resolve 12/02/2024.

Job Name	Land Charges 2022-23	Original Action Date	30/11/2023
Risk Rating	Moderate Risk	Revised Action Date	01/08/2024
Recommendation Number	6	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
There was no current signed agreement in place with Lichfield District Council for the provision of a Land Charges service.	We recommend that the Council determines the preferred option for future provision of the Land Charges service and enters into a formal agreement to reflect this.	The agreement was with the service provider for approval. A recent signed copy has been received for completion.	The agreement remains unsigned as the officer at Lichfield DC responsible for signing the agreement has left the organisation unexpectedly. Efforts are being made to establish who can pick this matter up at Lichfield DC.

## South Derbyshire District Council – Audit Progress Report

Job Name	Officers Expenses & Allowances 2022-23	Original Action Date	31/07/2023
Risk Rating	Moderate Risk	Revised Action Date	31/03/2025
Recommendation Number	2	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Council's expenses policy did not support the Council's Staff Travel Plan, adopted to reduce the environmental impact of the journeys made by Council employees, and the mileage expenses paid were considered to be uneconomic and did not offer efficiency or value for money for the residents in the District.	We recommend that the Council considers the savings that could be made by adopting the HMRCs (or a hybrid) scheme for paying mileages expenses. Pool cars could also be considered to reduce the need for paying lump sums for essential users (electric ones would also contribute to the Council's Staff Travel Plan.)	An options appraisal will be undertaken as part of the Council's recruitment and retention package.	Following on from work at recommendation 1, further work on an options appraisal will form part of the workstreams to be progressed under the People Strategy, which has been rescheduled and is being reported to Finance and Management Committee in September 2024.

Job Name	Rent Accounting 2023-24	Original Action Date	31/03/2024
Risk Rating	Moderate Risk	Revised Action Date	
Recommendation Number	2	Recommendation Status	Action Due
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The reconciliation of housing benefits report was not being reviewed and authorised by a senior officer and discrepancies were not being fully explained when identified.	We recommend that discrepancies identified through the housing benefits reconciliation are fully investigated with a reason provided and recorded for the discrepancy. Where possible, action should be taken to prevent future reoccurrence of any issues identified. The reconciliation should then be reviewed and formally authorised by a senior experienced officer. This could be formally recorded on the reconciliation spreadsheet or by exchange of emails between officers to evidence this process.	Procedure to be written. Any discrepancies between Agresso and Orchard are noted and queried with Housing Benefits (Elaine Garnham) by the Business Support Team, ensuring the issue is investigated and a response received from Benefits. If no response received from Benefits. If no response received the issue is to be escalated to a Senior Manager.	

## South Derbyshire District Council – Audit Progress Report

### Low Risk Recommendations Over 12 Months Past Original Action Date

The following low risk rated recommendations, that have not yet been implemented and have exceeded their original action date by more than 12 months, are also detailed for Committee's scrutiny.

Job Name	Homelessness 2021-22	Original Action Date	31/12/2022
Risk Rating	Low Risk	Revised Action Date	20/10/2023
Recommendation Number	1	Recommendation Status	Delayed Action Due
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Homelessness and Rough Sleeping Strategy 2020-2025 had not been formally published on the Council's website in its final version and the current draft did not have a version control log or a record of responsible officers for actions detailed in the action plan.	We recommend that the Homelessness and Rough Sleeper Strategy 2020-25 is updated to include a version control log and that the action plan within is updated to include the responsible officers for each action. The final version should then be made available on the Council's website in accordance with the Homelessness Act 2002.	A version control log will be added to the Strategy.  Responsible officers will be assigned to the actions in the action plan further to the start -up of the Homelessness & Rough Sleeper Strategy Working Group.  Housing to liaise with the Communications Team around the final version being published on the website.	Policy currently being updated by officers.

Job Name	Officers Expenses & Allowances 2022-23	Original Action Date	01/04/2023
Risk Rating	Low Risk	Revised Action Date	31/10/2024
Recommendation Number	1	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Expenses Policy was considered to be out-of-date, and no longer provided a comprehensive guide for claiming expenses.	We recommend that the Expenses Policy should be reviewed and updated, to ensure it includes: <ul style="list-style-type: none"> <li>The Councils policy on using environmentally friendly modes of transports.</li> <li>Guidance for claiming expenses for staff using electric vehicles.</li> <li>Clarification of where to find mileage rates payable.</li> <li>Payment of expenses to volunteer staff.</li> </ul> Also, the Pay Policy Statement should clearly define what mileage rates are payable for employees using electric vehicles.	Policy to be reviewed as recommended.	The Expenses Policy has been reviewed to consider introducing allowances different modes of transport using HMRC rates. This is subject to consideration by Leadership Team.

## South Derbyshire District Council – Audit Progress Report

Job Name	Rent Accounting 2021-22	Original Action Date	31/03/2023
Risk Rating	Low Risk	Revised Action Date	31/12/2024
Recommendation Number	3	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Council did not have a Rent Setting Policy in place.	We recommend that a Rent Setting Policy is established to ensure that rent is set with due consideration to the relevant legislation.	A rent policy will be compiled and reviewed in line with the Rent Standard 2020. Consultation and Member input will be required therefore a longer time frame to implement. The Head of Housing and the Head of Finance will be responsible for implementing this recommendation.	External expert being sought to assist with the preparation of a Rent Setting Policy.

Job Name	Rent Accounting 2021-22	Original Action Date	31/03/2023
Risk Rating	Low Risk	Revised Action Date	31/12/2024
Recommendation Number	5	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Council did not have a Service Charges Policy in place.	We recommend that a Service Charges Policy is established. In producing this policy, careful consideration should be given to the equitability of the approach, and how it might best align with the financial risks facing the Council.	A service charge policy will be compiled and reviewed in line with the Rent Standard 2020. Consultation and Member input will be required therefore a longer time frame to implement. The Head of Housing and the Head of Finance will be responsible for implementing this recommendation.	Initial review of possible items that are eligible for service charges complete. Further legal advice required as to the nature of any policy around service charges.

Job Name	Rosliston Forestry Centre 2022-23	Original Action Date	01/04/2023
Risk Rating	Low Risk	Revised Action Date	30/06/2024
Recommendation Number	3	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The lodge booking system was not intuitive, did not make costs clear and relied on manual intervention to collect payment.	We recommend that alternative booking systems are explored and considered by management to provide a better booking experience for the customer. Ideally, any such system should clearly identify the availability of lodges by date and should secure payment at the point of booking. Alternatively, the use of third-party sites to manage bookings on the Council's behalf should also be considered and evaluated in a cost-benefit analysis.	The Council are looking at new booking systems.	A new lease has been agreed with Forestry England for 30 years. A 'Revitalising Rosliston' consultation has started which will help create the future vision for the site and identify where investment is best placed.

## South Derbyshire District Council – Audit Progress Report

Job Name	Grounds Maintenance 2019-20	Original Action Date	01/10/2021
Risk Rating	Low Risk	Revised Action Date	31/10/2025
Recommendation Number	2	Recommendation Status	Delayed Future Action
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The specification and associated bills of quantities were out-of-date, having not been updated since 2011.	We recommend that resources should be identified to review and update the specification and associated bills of quantity to reflect the current situation, to ensure better clarity over the areas covered within the 'contract' and the detailed requirements.	Previous detailed specification to be reviewed for Housing land and Cultural and Community Service land. Timing will depend on when restructures are in place. Officers with operational responsibility are the Parks and Green Space Manager and the Housing Improvement and Asset Manager.	Permission has been granted by Council for the procurement of a grounds maintenance management IT system. This system will form part of a broader digitisation program for Operational Services with the introduction of a waste collection and trade waste IT systems during 24/25 and the street cleansing and grounds maintenance IT systems commencing from April 2025. The bills of quantities information/data that was available already was transferred to the Operational Services GIS system during 2023. For the commissioning of the new IT system, the grounds paper based processes will be migrated into a digitised system. This will create a revised specification, schedule of frequencies and bills of quantities for the grounds service, work will begin on the transfer to a digitised systems during the end of 2024.

## South Derbyshire District Council – Audit Progress Report

Job Name	Income Streams	Original Action Date	28/02/2023
Risk Rating	Low Risk	Revised Action Date	29/02/2024
Recommendation Number	3	Recommendation Status	Delayed Action Due
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
There had been no use of the guest bedrooms located at the Council's supported housing sites for several years, but the charge continued to remain within the approved Fees and Charges schedule.	We recommend that management consider a review of the use of the guest bedrooms located at the Council's supported housing sites in order to determine whether these facilities can be put to an alternative use which can be of some benefit to the residents and the Council.	Review of the use of the rooms to consider alternative use.	The Housing Accountant has been emailed to enquire. Please note we don't currently utilise the guest bedroom and haven't for many years.



## South Derbyshire District Council – Audit Progress Report

### Previously Reported Recommendations Now Risk Accepted

Management has decided that the following recommendation is no longer going to be implemented and the risks associated with this weakness in control are to be accepted

Job Name	Housing IT System Upgrades	Original Action Date	01/06/2023
Risk Rating	Low Risk	Revised Action Date	
Recommendation Number	2	Recommendation Status	Risk Accepted
Summary of Weakness	Recommendation	Management Response/Action Details	Status Update Comments
The Council was not utilising the audit trails present in the Lifespan Housing application for troubleshooting or tracking down possible breaches or misuse of the system.	We recommend that management defines, documents and implements a formal procedure for reviewing the audit trails present in the Lifespan application, to support troubleshooting and to identify possible signs of system breaches and misuse.	This seems like a feature you can turn on with the system. My advice would be to turn it on and reduce the risk. Agreed. Will be pursued with supplier.	Request to risk accept due to lack of usable audit trail facility

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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM:8</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION</b>	<b>OPEN</b>
<b>MEMBERS’ CONTACT POINT:</b>	<b>CHARLOTTE JACKSON</b> <a href="mailto:charlotte.jackson@south-derbyshire.gov.uk">charlotte.jackson@south-derbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>DRAFT ANNUAL GOVERNANCE STATEMENT 2023-24</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 04</b>

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**1.0 Recommendations**

1.1 That the Committee note the Draft Annual Governance Statement for 2023/24 as set out at Appendix 1.

**2.0 Purpose of Report**

2.1 To share with the Committee the Council’s Annual Governance Statement (AGS) for 2023/24, following its publication on 31 May 2024 in accordance with the Accounts and Audit Regulations 2003 (as amended).

2.2 This version is currently in draft and may be subject to updates following the review by External Audit. The final version, post audit, will be presented to Audit Sub-Committee and Finance and Management Committee for approval.

**3.0 Detail**

**Background**

3.1 An Annual Governance Statement is a requisite part of the annual review of corporate governance and is published alongside the statement of accounts but considered in its own right.

3.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issue joint annual guidance on corporate governance, which encourages Local Authorities in going beyond consideration of the internal control environment to look at wider arrangements for supporting sound corporate governance.

3.3 The CIPFA/SOLACE guidance outlines seven core principles for good governance, with a number of supporting principles. These seven principles are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - D. Determining the interventions necessary to optimise the
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it achievement of the intended outcomes
  - F. Managing risks and performance through robust internal control and strong public financial management
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 1.4 The Council's duty in respect of the Annual Governance Statement is to undertake an annual review of its governance arrangements, which includes the effectiveness of its system of internal control and produce a statement regarding its overall level of governance.

3.4 The AGS is shared with the Committee to note, following publication on the Council's website on 31 May 2024, alongside the draft accounts. The AGS will be shared with the Finance and Management Committee on the same basis. Once the audit is complete, the Committee will be asked to approve the final AGS.

### **Review of effectiveness and development of the statement**

3.5 The Council has adopted a revised approach to reviewing its governance arrangements for the 2023/24. The approach now constitutes a self-assessment of the Council's governance arrangements against the CIPFA/SOLACE framework and the requirements of local authorities within this.

3.6 Alongside evidencing areas where governance arrangements are satisfactory, the self-assessment identifies areas requiring improvement or significant improvement and puts in place actions to address these.

3.7 A new format has also been developed for the AGS. It sets out the governance framework of the Council and explains how the Council has complied with the CIPFA/SOLACE framework and met the requirements of the Accounts and Audit Regulations 2015.

3.8 The AGS concludes that that appropriate governance arrangements are in place, or where it has identified that arrangements require improvement, it is taking the necessary actions to remediate. It also concludes that the Council remains committed to maintaining and continuously improving governance arrangements. The statement is signed by the Leader of the Council and the Chief Executive.

### **Corporate governance issues identified during 2023/24**

3.9 Three areas of the Council's corporate governance arrangements in respect of complying with relevant laws and regulations and internal policies and procedures were identified as not meeting an acceptable level during 2023/24 and requiring significant improvement.

3.10 These are detailed within the Annual Governance Statement, on pages 7 to 9. A brief summary is also set out below.

### **Budget setting approval processes**

- 3.11 In March 2024 the external auditor for the 2022/23 and 2023/24 year, EY LLP Ltd, identified a risk of significant weakness for 2021/22 and 2022/23 as part of the interim Value for Money report, presented to the Audit Sub-Committee on 6 March 2024. This significant weakness relates to a previous internal audit significant risk finding where they concluded in 2021/22 that "The annual General Fund, Housing Revenue Account and Capital budgets were not formally received and approved by Full Council, as required by the Council's Constitution and to meet the requirements of the Local Government Act 2000".
- 3.12 The initial findings were accepted by management as part of the external auditors interim report to the Audit Sub-Committee on 6 March 2024. The weakness had been addressed in full for the 2023/24 year (affecting the 2024/25 budget). The final report from the external auditor is expected to be presented to the Audit Sub-Committee in the coming months.

#### Agency staffing spend outside of contract

- 3.13 A material level of agency spend with recruitment agencies, since 2019, was identified as being potentially non-compliant. The source of the non-compliance was because the agency businesses in question were not party to the currently mandated framework arrangements utilised by the Council for temporary staffing.
- 3.14 Actions taken following the identification of this issue have been led by the Section 151 Officer and have included engaging the Internal Auditor to undertake further investigation, engagement with the Council's outgoing and current External Auditors EY LLP and Mazars LLP and communications with Heads of Service to ensure the correct processes are understood going forward.
- 3.15 Further work is also scheduled for the Internal Auditor to undertake additional spend analysis across all categories of spend to identify any further areas that have or are operating outside of contracts.
- 3.16 The non-compliance with the Public Contract Regulations is reported via the Annual Governance Statement and details of a range of improvement actions are set out.

#### Self-referral to the Social Housing Regulator for non-compliance with the Housing Consumer Standards

- 3.17 Members will be aware that in April 2024 the Council resolved to advise the Regulator for Social Housing of the outcome of the Council's self-assessment against the Housing Consumer Standards.
- 3.18 Council also resolved to request a 12-month extension from the regulator to meet the standards and to form a Housing Services Working Group to develop a Performance Improvement Plan. At the time of writing this statement, dialogue with the Social Housing Regulator has commenced.

#### **Next steps**

- 3.19 The AGS was published on the Council's website on 31 May 2024 alongside the unaudited accounts for 2023/24.
- 3.20 The AGS will be subject to external audit and will be presented to the Audit Sub-Committee and Finance and Management Committee for final approval following conclusion of the 2023/24 audit. Page 52 of 66

year. At the time of writing this report, the timetable for this remains uncertain, due to the outstanding audit backlog for audit of accounts for 2021/22 and 2022/23.

#### **4.0 Financial Implications**

4.1 There are no financial implications arising directly from this report.

#### **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.

5.2 Maintaining good governance underpins delivery of the priorities contained in the Corporate Plan.

#### **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.





South  
Derbyshire  
District Council



# ANNUAL GOVERNANCE STATEMENT 2023/24

## 1. Background and Scope of Responsibility

Welcome to the Council's Annual Governance Statement for 2023/24.

As a public authority, the Council is responsible for ensuring that its business:

- Is conducted in accordance with the law;
- Operates to the highest standards in public life; and
- Accounts for public resources in an open and transparent manner.

The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions and services are delivered and to achieve value for money for the Taxpayer.

To meet these objectives, the Council is expected to have the highest possible governance arrangements in place.

Governance is about how the Council runs its business and it underpins everything that the Council undertakes. Without robust arrangements, there is a greater risk that failures will occur.

Satisfactory corporate governance is essential in demonstrating that there is credibility and confidence in public services.

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

The Council has an approved Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Satisfactory Governance in Local Government' 2016. The Code sits within the Council's Constitution: [40 Local Code of Corporate Governance](#) and was last reviewed in June 2023: [Local Code of Corporate Governance Review and is next due to be reviewed in June 2024.](#)

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015.

The Council's arrangements comply with each of the principles in the CIPFA/SOLACE Framework - Delivering Satisfactory Governance in Local Government.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Council is controlled. It outlines how the Council directs its activities as well as how it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### 3. The Governance Framework

#### Our vision, priorities and values

The Council's vision, priorities and values are set out in the Council Plan 2024 - 2028, which was adopted by Council on 11 April 2024.

The Council's vision is to 'work together to shape our environment, drive our economy and support our communities'.

The Council's priorities reflect the overall vision and will be delivered via a series of key aims.

Our priorities are:

- Shape our Environment – A sustainable future adapting to and mitigating climate change to deliver our net zero commitments so that future generations can thrive.
- Drive our Economy – A thriving economy and place that has jobs, skills, education, infrastructure, and opportunity.
- Support our Communities – People and communities are supported to live safely, healthily and independently.
- Transform our Council – Providing modernised, high performing, value for money and customer focussed services.

During 2023/24, we consulted staff on a new set of corporate values that we have embedded into our Council Plan. These values will be integrated into our performance staff development and appraisal programmes.

There are seven values in total:

- **Working together:** Working as a team to serve our residents.
- **Accountability:** Taking ownership of the service that we deliver.
- **Respect:** We value and listen to each other.
- **Requiring Improvement:** Offering equal opportunities for all.
- **Being Responsive:** We have a 'can do' attitude and respond to the needs of others quickly, positively and appropriately.
- **Innovative:** Looking for new solutions.
- **Excellence:** Delivering our services to the highest possible standards

#### The key elements of our governance framework

South Derbyshire has retained a committee system governance model. Most UK local authorities now operate using a cabinet system where a group of Members have been given the power to make the majority of decisions on behalf of their Council.

The benefits of retaining the committee system are that all Members are able to sit on a range of decision-making committees and every member has a vote that counts.

This is the cornerstone of the Council's governance – Members are not marginalised in decision making. All decisions are debated and made during open committee in full public view. Closed sessions, for instance where commercially sensitive matters need to be discussed, are kept to a minimum.

In addition to the statutory committees that deal with planning and licensing, the Council has three main policy committees:

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

The audit function is spread across the Finance and Management Committee and the Audit-Sub Committee, which is responsible for some elements relating to internal and external audit and risk management.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

We have various layers of management within the organisation and our management teams each play an important role in the governance framework.



The Leadership team comprises of the Chief Executive and four Executive Directors.

During 2023/24, a review of the Council's management structure was undertaken. The final structure was agreed and implemented from 1 May 2024. Changes were made to Director level roles and reporting lines of Heads of Service. Four new Assistant Director posts were also created. At the time of writing this Annual Governance Statement, there remains one Executive Director vacancy and all of the Assistant Director posts are expected to be filled by September 2024.

The Leadership Team meet fortnightly and meetings are programmed as a series of themed sessions to focus individually on either business as usual, strategic issues, projects and programmes and organisational health. The Leadership Team meetings are managed via a forward plan and regular away days are scheduled to ensure time is allowed for strategic planning.

The Leadership Team meet with Heads of Service on a bi-monthly basis. These meetings cover a range of current matters, depending on circumstances and issues needing attention at the time and also represent a key time for undertaking corporate training across the different tiers of the Council's leadership and management.

## **Role of the Council**

The role of Council is set out in the Council's Constitution. Article 4 provides that the Council is responsible for setting the policy and budgetary framework.

## **Role of Statutory Officers**

The Council's Statutory Officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Executive Director – Law and People) and the Section 151 Officer (Executive Director – Resources and Transformation) fulfil the statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly.

The Council's financial management arrangements conform to the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Constitution of the Council is subject to a continuous review process which sets out matters reserved to Council and Committees for decision; all other decisions are delegated to Officers. Elements of the Constitution were reviewed during 2023/24 and the amendments approved by Council in May 2024.

## **Role of Committees**

The Council's Constitution sets out the responsibilities for functions of each of its Committees, including:

- Licencing and Appeals Committee
- Housing and Community Services Committee
- Planning Committee
- Environmental and Development Services Committee
- Finance and Management Committee
- Audit Sub-Committee

## **Responsibility for audit, risk and internal control**

The responsibility for audit, risk and internal control is split across the Finance and Management Committee and the Audit Sub-Committee.

The Audit Sub-Committee meets the external auditor to discuss findings in the Annual Audit Management Letter and reports.

## **Role of Overview and Scrutiny**

The Overview and Scrutiny Committee carries out the Council's Scrutiny function.

The Committee develops its annual work programme in line with Article 6 of the Constitution and can "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.

## **Risk Management**

The overall objective of the Council's risk management strategy is the identification, analysis, management and financial control of

those risks which can most impact on the Council's ability to pursue its approved delivery plan.

The current Risk Management Framework was last reviewed in 2023 and sets out how the Council will actively avoid risk and manage the reporting of risk across the three main policy committees.

In March 2024, the Council's External Auditor, EY LLP, presented their interim Value for Money report findings as part of an audit progress update report to the Audit Sub-Committee. The auditor identified within this report that the Council should evaluate whether the current risk management structure delivers efficient and effective risk management, and whether it is clear what the most strategic risks are to the organisation as well as what committees those risks should be received by.

At the time of writing this report, the Section 151 Officer is concluding this review, and a revised Risk Management Framework is due to be presented to the Finance and Management Committee for approval in 2024/25.

### **Role of Internal Audit**

The Council has a Public Sector Internal Audit Standards (PSIAS) compliant Internal Audit via the Central Midlands Audit Partnership (CMAP). The Internal Auditor is

responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual work plan, progress against which is reviewed each quarter by the Audit Sub-Committee.

In 2023/24 the reporting process was modified so that each internal audit report is submitted to the relevant officer and Executive Director as well as the Section 151 Officer, Monitoring Officer and Chief Executive. The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation. Progress against recommendations is followed up by Internal Audit and reported to Audit Sub-Committee on a quarterly basis throughout the year.

The Internal Audit Report 2023/24 is due to be considered by the Audit Sub-Committee at its meeting on 12 June 2024.

The Audit Manager intends on issuing the opinion that there is a "satisfactory system of governance, risk, internal control" meaning that findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

The opinion is based on the following, which has been extracted from the Audit Manager's report:

- *The level of coverage provided by Internal Audit was considered adequate.*
- *Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.*
- *The changing risk environment within the Council has been taken into account during the 2023-24 financial year.*
- *Our insight gained from our interactions with Senior Management and the Audit Sub-Committee.*
- *Changes at a Senior Management level have inevitably resulted in changes to the organisation's Governance arrangements. Much of the proposed changes to the management structure and constitution are still in their early stages, therefore it would be premature to pass judgement on their effectiveness. But it is pleasing to note that Senior Management has openly engaged and consulted with Internal Audit on all significant changes that potentially affect the organisation's framework of governance, risk management and control.*
- *The Council's External Auditor had recently questioned whether the Council's current risk management structure delivered efficient and effective risk management, and whether it was clear what the most strategic risks were to the organisation. At the time of writing this*

report, the Section 151 Officer was concluding a review of the Council's Risk Management Framework, and this revised framework was due to be presented to the Finance and Management Committee for approval in 2024-25. We have a Risk Management audit scheduled in the 2024-25 Internal Audit Plan.

- In my 2021-22 Audit Opinion Report, brought the Council's Audit Sub-Committee on 22<sup>nd</sup> June 2022, I raised the following significant risk finding:

*"The annual General Fund, Housing Revenue Account and Capital budgets were not formally received and approved by Full Council, as required by the Council's Constitution and to meet the requirements of the Local Government Act 2000".*

*This issue came to attention of the External Auditor as part of their review work undertaken during 2023-24. They concluded that there was no evidence that the full budgets were received by Council. As a result, in the External Auditor's interim Value for Money report, they have detailed that they expect to report on an exception basis that there is an identified significant weakness in the budget setting process for the 2022-23 and 2023-24 years and in years prior to that.*

- The Council's self-assessment against the new Consumer Standards for Social

*Housing and the knowledge that a self-referral has been made to the Regulator for Social Housing, along with a request for a 12-month extension for the Housing Service to meet the new standards. Internal Audit has also been asked to undertake consultancy work to examine the governance arrangements that led to this scenario, but this is in its very early stages and has not arrived at any conclusions at this time.*

- *Being made aware that the Council may have employed agency staff from a supplier, outside of the Council's process (use of designated framework) and outside of contract (breach of CPRs) since 2018-19. The initial report has identified that this spend is material in value over this period and on an annual basis. Internal Audit is currently awaiting confirmation of the detailed spend with agencies before determining what further internal audit work will be undertaken in this area.*
- *The only outstanding issue that has potentially adverse implications for the Authority's Annual Governance Statement related to a significant issue regarding the Procurement service. This matter is due to be addressed with the re-tender of the Procurement Service later this year, along with a review of the organisational requirements in respect of procurement support.*
- *The 2023-24 Internal Audit Plan, approved by the Audit Sub-Committee,*

*8<sup>th</sup> March 2023, was informed by internal audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives. Changes to this Audit Plan have been reported to the Audit Sub-Committee throughout the year.*

A copy of the full report from the Audit Manager can be found in the published papers for the Audit Sub-Committee for its meeting on 12 June 2024.

### **The Role of External Audit**

Mazars LLP has been appointed by the Public Sector Audit Appointments (PSAA) as the Council's external auditor for 2023/24. The auditor's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

External audit provide an opinion on the Council's financial statements and conclude on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (value for money conclusion).

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system in the UK, supporting Satisfactory decision making, effective planning, informed decision making and ensuring transparency and accountability to local taxpayers.

In the years since 2017/18, where the deadline for issuing audit opinions was brought forward from 30 September to 31 July, there has been a reduction in the number of local government audit opinions delivered on time. This downward trend accelerated during the COVID-19 pandemic and as of 31 December 2023, the backlog of outstanding audit opinions stood at 771.

The Council’s draft statement of accounts for 2021/22 and 2022/23 were published on 8 September 2022 and 14 July 2023 and remain unaudited.

At the 6 March 2024 meeting of the Audit Sub-Committee, the Council’s External Auditor for the 2021/22 and 2022/23 years advised in the audit progress update report that as a result of the system wide implementation of backstop dates it is likely that the outcome will be that a disclaimer of opinion is issued on the Council’s 2021/22 and 2022/23 financial statements. EY LLP advised that the proposed disclaimer/qualification of the Council’s 2021/22 and 2022/23 accounts would likely impact the audit procedures needed to gain assurance on the 2023/24 financial statements and the form of audit report in 2023/24 and subsequent years during

the recovery phase. At the time of writing this Annual Governance Statement, the “Addressing the local audit backlog in England consultation has not been responded to by government or local government system audit partners, since consultation closed in March 2024.

### How we comply with the CIPFA/SOLACE framework

The below sets out the CIPFA/ SOLACE Framework principles and what each of these mean broadly.

The Principles	What this means
<b>Principle A:</b> Behaving with integrity	Elected Members and Council Officers acting in accordance with national standards regarding Public Office.
<b>Principle B:</b> Engaging with stakeholders	Keeping residents, businesses and other interested parties, etc. informed and seeking feedback through consultation.
<b>Principle C:</b> Setting clear objectives	Having medium term business and financial plans in place that provide for the sustainability and development of services.
<b>Principle D:</b> Having positive interventions	The detailed policies and procedures, such as terms of reference for decision-making, a change management process and an annual budget, etc. which ensure that objectives are met.
<b>Principle E:</b> Leadership and capacity	Clear direction from senior management and that adequate, trained and empowered staff are in place to deliver services.
<b>Principle F:</b> Managing	Having robust internal control and strong financial management to ensure that risk is mitigated, data is

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risks and performance	secure, and performance is regularly monitored.
<b>Principle G:</b> Satisfactory reporting and transparency	Assigning clear accountability and reporting lines, allowing access to information and reporting performance on a regular basis.

The following sections list the key elements of the systems and processes that comprise the Council’s governance framework with a commentary setting out how the arrangements comply with each of the principles that are laid out in the CIPFA/ SOLACE Framework - Delivering Satisfactory Governance in Local Government.

### Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. The Council has a Members’ Code of Conduct, Planning Code of Satisfactory Practice, Licensing Protocol and Procedure and Citizens’ Rights which are all set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance.

The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality. The Officer Register of Gifts and Hospitality is regularly overseen by the Monitoring Officer as well as the Member Registers of Disclosable Pecuniary Interests.



The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly as a Statutory Officers Group. Their work includes monitoring compliance with standards of conduct across the Council, including both officers and Members. The Council is in the process of implementing the draft Code of Practice on Satisfactory Governance for Statutory Officers. This Code was developed jointly by SOLACE, CIPFA and Lawyers in Local Government (LLG) and was out to consultation in March 2024.

The Council's Whistleblowing Policy includes Members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). All reports received under the policy are investigated thoroughly; the procedure is outline for transparency.

The Members Code of Conduct sets out the standards of conduct expected and assists Members in the exercise of their duties. The Code sets out the principles (Nolan Principles) Members should abide as public office holders.

The Employee Code of Conduct clarifies the standards of conduct and behaviours expected of Local Government employees.

The Council's Ethics Statement forms part of the Council's Constitution and sets out the standards of ethical behaviour expected; it also incorporates the Nolan principles.

The Council's Conflict of Interests policy forms part of the Council's Constitution and is a guide for both Members and officers.

The new Council Plan includes a new set of values which complement the Nolan principles. These values will be monitored with officers through the Performance and Development Review (PDR) process.

The Council has an appointed Health and Safety Officer. Corporate Health and Safety matters are considered by the Health and Safety Committee, which includes two Elected Member representatives to ensure compliance with the Health and Safety at Work Act 1974, and other relevant legislation.

The Council actively ensures its decisions are Requiring Improvement and accessible on a consistent basis. Corporate consideration of issues around compliance with the Equality Act 2010 are supported by the Equality, Diversity and Inclusion Steering Group.

### **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

The "Monitoring Officer" function is carried out by the Executive Director – Law and People, who reports to the Chief Executive.

The Monitoring Officer's role was repositioned in the Council from Head of Service to Executive Director as part of the management structure implemented on 1 May 2024.

The Head of Legal and Democratic Services who has responsibility for legal matters and is also the Deputy Monitoring Officer reports to the Executive Director – Law and People.

### **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

The "Head of Paid Service" role is undertaken by the Council's Chief Executive.

### **Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

The audit as based on the guidance set out in the CIPFA/SOLACE 'External Audit in Delivering Satisfactory Governance in Local Government: Framework', which identifies best practice in relation to roles and responsibilities, are currently delivered via a dual model and across the Finance and Management Committee and Audit Sub-Committee. Both Committees meets quarterly. The Audit Sub-Committee receives regular reports from both the Section 151 Officer, the Internal Auditor and the External Auditor. Arrangements are in place for the both internal and external audit to report independently to the Audit Sub-Committee should it deemed appropriate to do so.

During 2023/24, the Audit-Sub Committee undertook a review of the committee current arrangements against the CIPFA/SOLACE 'External Audit in Delivering Satisfactory Governance in Local Government: Framework'. At the time of writing this report, it is intended that the findings are reported to

the Audit Sub-Committee and Finance and Management Committee in June 2024. In summary, the Audit Sub-Committee identified some areas where the arrangements do not comply with CIPFA guidance.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two of the Council's statutory officers, the Section 151 Officer and the Monitoring Officer, have responsibility for ensuring that the Council does not act in an ultra vires manner, supported by the Audit Manager who provides assurance on matters of internal financial control.

### **Corporate governance issues identified that are relevant to 2023/24**

For the 2023/24 year, three areas of corporate governance were identified as not meeting an acceptable level and requiring significant improvement.

### **Budget setting approval processes**

The first of these relates to the approval process for the budget in 2021/22 and 2022/23.

In March 2024 the external auditor for the 2022/23 and 2023/24 year, EY LLP Ltd, identified a risk of significant weakness for 2021/22 and 2022/23 as part of the interim Value for Money report, presented to the Audit Sub-Committee on

6 March 2024. In this report, they detailed that they expect to report on an exception basis that there is an identified significant weakness in the budget setting process for the 2022/23 and 2023/24 years and prior to that also.

This significant weakness relates to a previous internal audit significant risk finding where they concluded in 2021/22 that "The annual General Fund, Housing Revenue Account and Capital budgets were not formally received and approved by Full Council, as required by the Council's Constitution and to meet the requirements of the Local Government Act 2000". From the review work undertaken by the external auditor during 2023/24, it was concluded that there was no evidence that the full budgets were received by Council.

At the time of writing this report, the external auditor is yet to issue their final report, but it is anticipated that the Annual Governance Statement relevant to each of these prior years, will be required to be updated with details of the significant weakness in the budget approval process.

The initial findings were accepted by management as part of the external auditors interim report to the Audit Sub-Committee on 6 March 2024.

The weakness had been addressed in full for the 2023/24 year (affecting the 2024/25 budget).

The final report from the external auditor is expected to be presented to the Audit Sub-Committee in the coming months.

### **Agency staffing spend outside of contract**

As a result of a routine procurement spend analysis, a material level of agency spend with recruitment agencies, since 2019, was identified as being potentially non-compliant. The source of the non-compliance was because the agency businesses in question were not party to the currently mandated CCS Framework RM6277, (or the previous framework RM6160) utilised by the Council for temporary staffing.

Initial analysis deemed spend to be non-compliant and further analysis work was undertaken to understand whether the agencies used to engage these resources were contracted via any alternative public sector frameworks or whether these were "direct contracts". Work was also undertaken to understand whether any of the arrangements deemed non-compliant were still active, with live staffing assignments.

Actions taken following the identification of this issue have been led by the Section 151 Officer and have included engaging the Internal Auditor to undertake further investigation, engagement with the Council's outgoing and current External Auditors EY LLP and Mazars LLP and communications with Heads of Service to ensure the correct processes are understood going forward.

Further work is already scheduled for the Internal Auditor to undertake additional spend analysis

across all categories of spend to identify any further areas that have or are operating outside of contracts.

The identification of this non-compliance spend issue is as a result of the additional enhanced focus of the organisation on procurement. Improvements already taken forward in regard of procurement and contract management, include:

- In January 2024, the Executive Director – Resources and Transformation established a new “Spend Matters” corporate action team, consisting of cross-organisational officers who meet on a regular basis to identify and support continuous improvement in procurement and contract management.
- In February 2024, the Council approved new budget provision for the creation of a new Procurement Lead post, to act as lead officer on procurement and contract management within the organisation.
- In May 2024,, the council amended the procurement thresholds to enable effective procurement and remove barriers to engaging low-value suppliers.
- During early 2024, the Council commenced ongoing negotiations with a neighboring local authority for a strategic alignment for the procurement service, to achieve economies of scale through shared procurements.
- As part of developing the Council Plan and service plans for 2024/25, new processes

were designed to ensure services could effectively plan their procurements in advance which in turn has enabled the development of a new Procurement Plan.

- As outlined above, areas of non-compliance have been identified by new resource in this area further data analysis exercises are underway to ensure spend is compliant with procurement regulations and that arrangements represent the most value for money solution.
- A number of key contracts have been tested and reprocured during 2023/24, including leisure services and housing repairs.

Plans are currently underway to overhaul the council’s procurement and contract management approach, which build on the significant progress made in the past year.

Additionally, a programme of further improvements is currently being finalised, following approval of the Medium Term Financial Strategy and commitment to deliver £1.44 million of new and additional income and expenditure savings over the next five years.

Actions going forward include:

- Procuring and mobilising a new shared service provider alongside a new internal structure for procurement.
- Further reviewing our contract procedure rules to ensure they are streamlined and

enable effective achievement of procurement exercises.

- Training all of our procuring officers on organisational requirements and the new Public Contract Regulations.

### **Self-referral to the Social Housing Regulator for non-compliance with the Housing Consumer Standards**

In April 2024, the Council resolved to advise the Regulator for Social Housing of the outcome of the Council’s self-assessment against the Housing Consumer Standards.

The self-assessment demonstrated that the Housing Service have not be able to meet all the requirements of the new Consumer Standards by their effective date of 1 April 2024. The main areas of non-compliance is predominantly related to not having up to date stock condition surveys, making it difficult to determine the current condition and safety of the stock on a property-by-property basis. In addition, tenant engagement activities have decreased, and tenants are not as involved in the Council’s landlord responsibilities, and associated management of its council housing.

Council also resolved to request a 12-month extension from the regulator to meet the standards and to form a Housing Services Working Group to develop a Performance Improvement Plan.

At the time of writing this statement, dialogue with the Social Housing Regulator has commenced.

The full report to Council can be found here: [Housing Consumer Standards, Council, 11 April 2024.](#)

## **Whistle-blowing and for receiving and investigating complaints from the public**

The Council has in place appropriate Whistleblowing policies and procedures which are regularly reviewed and updated where required.

Staff are aware of the Whistleblowing policy through the council's intranet and as an integral part of the induction process for new starters. There is also a well-established and responsive complaints procedure to deal with both informal and formal complaints from customers and residents.

The Finance and Management Committee have oversight of the complaints process and receive quarterly reports from the Head of Customer Services.

## **Principle B. Ensuring openness and comprehensive stakeholder engagement**

The Council uses various means to communicate key messages to members of the public, including press releases, website content, social media and where relevant direct communication. Internally, we communicate with staff via team meetings, the intranet, blogs and Chief Executive's Colleague Briefings for staff.

During 2023/24, the Council engaged in a number of consultations.

Statutory consultation on the 2024/25 budget was extended to undergo significant public

consultation via the Council's website and social media channels, in addition to engaging with the business community and parish councils via letter and the South Derbyshire Partnership meeting and Area Forums. Public engagement was high and all comments on proposals were presented to members via the budget approval process at Finance and Management Committee and Council in February 2024.

Public and far reaching consultation was also undertaken on the proposed Customer Access Strategy during the year. A third sector partner of the Councils, CVS were engaged to undertake this on the Council's behalf.

Wide consultation with residents, business and third and public sector partners was also undertaken during the year on the new Council Plan 2024-2028.

A new Communications and Engagement Strategy will be developed going forward to set out the Council's approach to ensuring openness and stakeholder engagement.

## **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits.**

## **Incorporating Satisfactory governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements**

The Council participates in a range of joint working arrangements with other bodies. For those that deliver services to our customers there are service level agreements or contractual arrangements in place to ensure delivery and protect reputational risk.

The Council is particularly mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements, including the potential for a detrimental reputation impact on the Council should the partnership fail.

The Council's principle partnership is the South Derbyshire Partnership which includes agencies from health, police, parish and county councils, together with local voluntary services and local businesses.

The Partnership works to a set of shared priorities which are designed to improve the local environment, economy and health of local people.

The Partnership is properly constituted and governed by a Board which monitors progress against agreed actions, together with the use of resources, with the Council taking a key role.

## **Enhancing the accountability for service delivery and effectiveness of other public service providers**

The Council is a partner in Derbyshire Resilience Partnership (DRP). All Councils at County, Unitary and District levels, along with other public sector agencies including Derbyshire Fire and Rescue, Derbyshire Police, East Midlands Ambulance Service and the Environment Agency are members of the Partnership to bring together emergency management resources to prepare for and respond



to civil emergencies within the Derby and Derbyshire area. The Executive Director – Environment and Communities is the Council’s representative on the DRP Strategic Meeting.

**Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome**

The Council Plan and Medium-Term Financial Strategy detail how we have planned all our resources, both financial and staffing to deliver against our priorities.

The Council’s performance management arrangements include the planning process which reflects all of the council’s aims and objectives and aims to better align activities, improvements and resources.

The Council Plan was monitored throughout the year by management and relevant policy committee on a quarterly basis.

Profiled financial monitoring reports are produced, which also project the outturn, after month end. These are reviewed by all budget holders on a monthly basis. Financial performance is reported to the Finance and Management Committee on a quarterly basis.

During the year, a review of the Planning Service was undertaken, following it being identified that there was a significant backlog of planning applications and ongoing high level of complaints from customers. This review has now concluded and a proposal for additional

resources for the Planning Service are due for consideration during Quarter 1 2024/25.

**Principle E – Developing the entity’s capacity including the capability of its leadership and the individuals within it**

The Council fully supports the requirements to ensure that both Members and senior officers have the necessary skill sets to fulfil their respective roles in the organisation. Induction processes are in place for both Members and officers, and have been developed to deal with relevant core issues.

The Council is committed to creating an environment where Elected Members’ skills can develop and thrive with regular courses being delivered. Development of Committee Chairs is tailored to individuals and supported by Committee Leadership Team leads.

An annual PDR is undertaken for all officers, which includes the identification of training and development needs.

We are currently developing a new People Strategy that will enable the Council to become the local ‘Employer of Choice’. We are working towards presenting this strategy for approval in early Autumn 2024.

During 2023/24 we have brought forward the revision of a number of HR related policies. There remains a backlog of HR policies that will be dealt with in early 2024/25.

During 2023/24, we consulted staff on a new set of corporate values that we have embedded into our Council Plan. These values will be integrated into our performance staff development and appraisal programmes

During 2023/24, work was undertaken to clear a significant backlog of outstanding and historic internal audit recommendations.

**Principle F – Managing risks and performance through robust internal control and strong public management**

The Overview and Scrutiny Committee carry out the Council’s scrutiny function.

The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content, including Statutory Officer checks for legality, budgetary compliance, rationale and risk. Reasons for all decisions must be given and these are recorded in the minutes.

The Member and Officer Codes of Conduct and associated procedures set out expected conduct and behaviour.

The Audit Sub-Committee together with the Finance and Management Committee undertake the functions of an audit committee as identified by CIPFA guidance, on a dual basis.

The Risk Management Framework was last reviewed in 2023 and is currently under review. Changes currently being scoped are based on initial feedback from the external auditor as set

out in their [report](#) to Audit Sub-Committee on 6 March 2024, which identified that the level of risks currently monitored across the organisation could impact on the ability of officers and members to give due regard or attention to the most strategic and significant risks.

As part of the council's Corporate Project Management Framework, all major projects have their own risk log. All reports going to members include the risk implications associated with the decision members are being asked to make.

The Council is committed to the effective use of IT and has an IT Security Policy which were reviewed during 2023/24.

The Council's 2023/24 Treasury Management Strategy Statement was approved by Council in February 2023, and risks are fully evaluated as part of this strategy.

**Principle G – Implementing Satisfactory practices in transparency, reporting and audit to deliver effective accountability.**

**Ensuring the Authority's Financial Management Arrangements Conform With the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)**

Formal arrangements are in place for the Section 151 Officer with a permanent employee appointed to this role. Adherence

to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) continues.

**Ensuring the authority's assurance arrangements addresses the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019)**

The Council's internal reporting arrangements are designed to ensure the independence of the internal audit function.

Appropriate resources are made available to provide an independent, objective assurance and consulting activity designed to add value and improve the council's operations. It brings a systemic disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The Audit Manager reports directly to the council's Audit Sub-Committee on all matters appertaining to audit outcomes.

The Audit Manager and the Section 151 Officer meet on a monthly basis to discuss and review governance and risk matters.

## 4. Propriety in the Conduct of Council Business

An indication of how well the Council is performing, is to review any propriety matters that arose in the year, i.e., how well does the Council, its Members and Officers behave compared to accepted standards, values and the rule of law.

An overview for is provided below.

- ✓ **Codes of Conduct:** no reported breaches
- ✓ **Register of Interests:** no issues raised
- ✓ **Whistleblowing:** no matters arose
- ✓ **ICT Security:** No major incidents reported.
- ✓ **Fraud and Corruption:** there were no reported incidents in the year, either internally or from external sources, against the Council.

### Reportable Incidents

<p><b>Complaints to the Local Government and Social Care Ombudsman</b></p> <p>At the time of publishing this Annual Governance Statement, we are awaiting the Ombudsman’s report .</p>	<p>However, we know that the Ombudsman’s Office made decisions on 15 complaints about the Council in 2023/24. All 15 of these complaints were closed after initial enquiries.</p>
<p><b>Health and Safety (H&amp;S)</b></p> <p>There were <b>64</b> reportable incidents under H&amp;S Regulations in the year April 2023 – April 2024 . <b>ONE</b> of them required further investigation by the HSE. Once the HSE had done their investigations no further actions were taken.</p>	<p>The Council undertook its own investigation in each case and updated procedures and training where this was necessary.</p>
<p><b>Data Protection</b></p> <p>On 4 July 2023, the Data Protection Officer reported an incident to the Information Commissioner’s Office (ICO) regarding a data breach which occurred via a third party organisation.</p>	<p>Upon notification of the incident the Council were in contact with the third party organisation to assess the situation. The third party had already reported to the ICO.</p>

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<p>The breach concerned one person, though South Derbyshire District Council were not responsible for the breach.</p>	<p>South Derbyshire Council sent an email with an attachment to a third party organisation. The attachment contained personal information</p> <p>The third party then send the email in error to another third party .</p> <p>On the 26 July 2023, the ICO wrote to the Data Protection Officer. Based on the action taken in immediate response to the incident no further action was taken. The ICO noted the Council was not responsible for the breach.</p>
<p><b>Litigation</b></p> <p>A County Court monetary claim for approx. £46,000 has been issued against the Council for unpaid water supply invoices. The Claim is disputed and the matter has been adjourned for the parties to resolve.</p>	<p>In addition, there is a potential claim for the off site electricity charges which have erroneously been paid by a third party. The claim is assessed by the Council at approximately £60,000. The Council is negotiating with the third party.</p>

## 5. Effectiveness

### Prior Year – 2022/23

The assurance review for 2022/23 identified no significant issues. Nine improvements were identified which are set out in the table below.

Three of the nine improvements remain outstanding and will now be captured and monitored as part of the improvements for 2023/24.

Full details of the review for the 2022/23 financial year can be found in the Assurance and Evidence document for 2022/23 which was published alongside the Annual Governance Statement.

The table below shows the actions from 2022/23 and their current status.

**Table 1 – Areas of improvement identified during 2022/23 and current status**

Improvement	CIPFA / SOLACE Principle	Owner	Status – May 2024
A new Councillor Code of Conduct based on a national model, is due to be implemented in May 2023.	Behaving with Integrity (P1)	Monitoring Officer	Implemented – adopted at Annual Council in May 2023.
To undertake and review outcomes from a staff survey.	Demonstrating Ethical Values (P1)	Head of Organisational Development	The employee survey was undertaken in Autumn 2023 and the results shared with staff and members in March 2024. The results are now being analysed within individual teams with employees, to develop an action plan and this will feature as part of the forthcoming People Strategy.
The existing Strategy is due for review in 2022/23.	Workforce Development Strategy (P5)	Head of Organisational Development	This strategy timetable has been rescheduled and is now due for approval in Autumn 2024. This actions has been carried forward into the area of improvement action plan, under reference AGS24-16.

## **Review of Effectiveness 2023/24**

The Council has responsibility for conducting a review of its governance framework including the system of internal control.

The review is informed by the Internal Audit Annual Report, the work of the Audit Sub-Committee, the comments of external auditors and other review agencies and inspectorates, and the work of the Leadership Team who have responsibility for the development and maintenance of the internal control environment.

The review considers evidence identified to support where the Council meets the CIPFA/SOLACE guidance and sets this out in the Assurance Review and Evidence document. Governance areas are given an assessment scoring as follows:

- Satisfactory – Satisfactory governance exists and there are no improvements required
- Requiring Improvement – Satisfactory governance exists but improvements are required to meet Satisfactory governance
- Requiring Significant Improvement – Significant issues with governance exist which needs addressing.

Areas identified as requiring improvement or requiring significant improvement are reported within the annual governance statement and remedial actions are outlined. The Audit Sub-Committee will review on a quarterly basis the progress of remedial actions.

In total, there are 23 improvements identified as a result of the assurance review. Full details of the review can be found in the Assurance Review document for 2023/24 which is published alongside this Annual Governance Statement and can be found on pages 19 - 54 of this document.

The table below is an extract summary from the Assurance Review and includes details of the improvement areas identified. Based on learning around the timescales associated with implementing improvements, the table has been modified to show the likely timescale for implementation.

### **Corporate governance issues identified during 2023/24**

As outlined on pages 8 - 9 above, three areas of the Council's corporate governance were identified as not meeting an acceptable level and requiring significant improvement during 2023/24. These were:

- The budget setting approval processes employed for years up to 2022/23 was identified to not be in line with the requirements of the Local Government Act. The weakness was identified by the external auditors during their audit work on the council's governance systems for 2021/22 and 2022/23. The weakness was addressed in full during 2023/24 and approval of the 2024/25 budget.
- Spend on temporary staffing identified as being outside of contract. Actions to ensure non-compliant spend is avoided in the future and to withdraw from live non-compliant temporary staffing arrangements are currently being implemented. Further investigation and analysis of all Council spend to identify any further areas of arrangements operating outside of contracts is also underway.
- The Council referred itself to the Social Housing Regulator for non-compliance with current Consumer Standards. An improvement programme is currently underway.

Full detail around these issues and mitigating actions being taken can be found on pages 8 – 9 above and actions are referenced in the assurance review and improvement actions.

**Table 2 – Areas of improvement identified during 2023/24**

Improvement	CIPFA / SOLACE Principle	Owner
AGS24-1 Embed new Council Values into and enhance the Council’s employee performance management framework (1/1, PDR)	A	E/D – Law and People
AGS24-2 Develop Behaviours and Skills Framework and integrate into employee cycle as part of People Strategy	A	E/D – Law and People
AGS24-3 Implement actions to meet compliance with the Housing Consumer Standards and findings of internal Housing Services review.	A	E/D – Place and Prosperity
AGS24-4 Implement actions to address non-compliant spend on temporary staffing, including any further fundings of the internal or external auditor on this matter.	A	E/D – Resources and Transformation
AGS24-5 Implement findings of Planning review.	A	E/D – Place and Prosperity
AGS24-6 Develop internal process for dealing with governance failures.	A	E/D – Resources and Transformation
AGS24-7 Complete review of DPO resource and implement outcome	A	E/D – Resources and Transformation
AGS24–8 Develop and implement Communications and Engagement Strategy	B	E/D – Law and People
AGS24-9 Develop organisational approach to customer satisfaction surveys	B	E/D – Resources and Transformation
AGS24-10 Fully implement new performance management framework.	C	E/D – Resources and Transformation
AGS24-11 Fully implement new risk management framework.	C	E/D – Resources and Transformation
AGS24-12 Implement new approach to tenant engagement in Housing as part of Housing Service Improvement Working Group action plan.	D	E/D – Place and Prosperity
AGS24-13 Review of Constitution	D	E/D – Law and People
AGS24-14 Review corporate information management systems and develop and commence implementation of modernisation / digitisation action plan	D	E/D – Resources and Transformation

Improvement	CIPFA / SOLACE Principle	Owner
AGS24-15 Develop organisational requirements for benchmarking of services.	E	E/D – Resources and Transformation
AGS24-16 Develop People Strategy	E	E/D – Law and People
AGS24-17 Define scope and timetable for future Corporate Peer Challenge	E	Chief Executive
AGS24-18 Review Council benefits package and need for Employee Assistance Programme as part of People Strategy	E	E/D – Law and People
AGS24-19 Internally publish service business continuity plans.	F	E/D – Environment and Communities
AGS24-20 Develop enhanced Overview and Scrutiny Committee Work Programme	F	E/D – Resources and Transformation
AGS24-21 Present findings of Audit Sub-Committee CIPFA self-assessment exercise	F	E/D – Resources and Transformation
AGS24-22 Implement all actions to fully comply with CIPFA Financial Management Code	F	E/D – Resources and Transformation
AGS24-23 Review finance team	F	E/D – Resources and Transformation

## 6. Overall opinion and conclusion

### Conclusion

The Council is satisfied that appropriate governance arrangements are in place, or where it has identified that arrangements require improvement, it is taking the necessary actions to remediate.

The Council also remains committed to maintaining and continuously improving these arrangements. The Council will continue to seek to enhance and strengthen governance arrangements within these areas for improvement and monitor progress made as part of our next annual review.

Signed



Councillor Dr Robert Pearson

Leader of the Council

31 May 2024

## 7. Statement of Leader and Chief Executive

*We have been advised on the implications of the result of the review of the effectiveness of the governance framework carried out by members of the Corporate Leadership Team and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.*

Signed



Dr Justin Ives  
Chief Executive  
31 May 2024



# Assurance Review

2023/24

## Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Supporting Principle 1: Behaving with Integrity

Requirement of local authorities to:	Assessment	Evidence	Significant issues	Areas for Improvement	Lead
1. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.	Satisfactory	<p>Constitution sets out separate Members and Employee Code of Conduct, Local Code of Corporate Governance, scheme of delegation and financial and contract procedure rules.</p> <p>Established complaints procedure.</p> <p>Member complaints procedure.</p> <p>Head of Paid Service, Monitoring Officer and s151 Officer posts filled on permanent basis.</p> <p>HR policies and procedures.</p> <p>Fraud policy framework in place.</p> <p>PDR system for employees.</p> <p>Standards and Ethics report taken to Audit Sub Committee regularly.</p> <p>Leadership Team and regular Heads of Service and Leadership Team meeting.</p> <p>New set of Council Values adopted during 2023/24, following consultation with employees, support behaving with integrity and acting in the public interest.</p>	None	The Council's Constitution will undergo review throughout 2024/25.	

Requirement of local authorities to:	Assessment	Evidence	Significant issues	Areas for improvement	Lead
2. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	Satisfactory	New Council Plan 2024 – 2028, adopted 2024, set out new Council Values.	None	None	
3. Leading by example and using these standard operating principles or values as a framework for decision making and other actions	Requiring Improvement	<p>Council Plan sets out 4 main overarching priorities, and committee report format requires confirmation of which priority is decisions support.</p> <p>Monitoring of performance and new corporate project approach structure aligned with Council Plan priorities.</p> <p>Values to be embedded into performance management framework – induction, 1/1's, PDRs etc.</p>	None	AGS24-1 Embed new Council Values into and enhance the Council's employee performance management framework (1/1, PDR)	Executive Director – Law and People

<p>4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>Requiring Improvement</p>	<p>New Council Plan 2024 – 2028, adopted 2024, set out new Council Values.  Other key values embedded across organisation, such as: Anti-fraud and corruption policy, register of interests and annual declaration of related parties, whistle blowing policy, complaints policy, members and officers code of conduct.  Committee meeting minutes show declarations of interest were sought and appropriate declarations made.</p> <p>On processes - Values to be embedded into performance management framework – induction, 1/1's, PDRs etc.</p>	<p>None</p>	<p>As per AGS24-1</p>	<p>As per AGS24-1</p>
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## Supporting Principle 2: Demonstrating strong commitment to ethical values

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Seeking to establish, monitor and maintain the organisation's ethical standards and performance	Satisfactory	New Council Plan 2024 – 2028, adopted 2024, set out new Council Values. Standards and Ethics report taken to Audit Sub Committee regularly.	None	None	
2. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Requiring Improvement	Existing employee performance management framework in place, but plans for review.  New Council Plan 2024 – 2028, adopted 2024, set out new Council Values.  Values to be embedded into performance management framework – induction, 1/1's, PDRs etc.  Further work to develop a Behaviours and Skills Framework and integrate into employee cycle (recruitment and selection to exit processes as part of forthcoming People Strategy, due for approval Autumn 2024.	None	As per AGS24-1  AGS24-2 Develop Behaviours and Skills Framework and integrate into employee cycle as part of People Strategy	As per AGS24-1  Executive Director – Law and People
3. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	Requiring Improvement	New Council Plan 2024 – 2028, adopted 2024, set out new Council Values. New Equality and Diversity Policy approved by F&MC April 2024.  Values to be embedded into performance management framework – induction, 1/1's, PDRs etc.	None	As per AGS24-1  As per AGS24-2	As per AGS24-1  As per AGS24-2

Further work to develop a Behaviours and Skills Framework and integrate into employee cycle (recruitment and selection to exit processes as part of forthcoming People Strategy, due for approval Autumn 2024.

4. Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	Satisfactory	Role and scope of partnerships well defined for key partners (e.g. Everyone Active, Toyota). Procurement exercises include assessment criteria around social value which is incorporate into contracts and subsequently monitored.	None	None
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### Supporting Principle 3: Respecting the rule of law

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	Requiring Significant Improvement	<p>Constitution is adhered to and reviewed regularly.</p> <p>Scheme of delegation aligned with laws and regulations.</p> <p>Statutory provisions are adhered to.</p> <p>Legal implications considered as part of decision making.</p> <p>Head of Paid Service, Monitoring Officer and s151 Officer in place.</p> <p>Monitoring Officer role part of Leadership Team.</p>	None	None	Executive Director – Place and Prosperity
		<p>As detailed above on pages 8 - 9, corporate governance related weaknesses have been identified during 2023/24.</p> <p>This included identification of non-compliance with relevant laws and regulations in the Council’s approach to approving the budget. This was rectified during 2023/24 for approval of the 2024/25 budget.</p>	AGS24-3 Implement actions to meet compliance with the Housing Consumer Standards		

Overarching actions are therefore recognised against this requirement, to address internal control weaknesses in the areas where outstanding significant improvement are required: compliance with the public contract regulations in respect of contracted spend; and compliance with the Consumer Standards as set out by the Social Housing Regulator. Additionally, actions are recognised to implement the findings of the Planning review and to develop a process for dealing with any future identified governance failures or weaknesses.

Further governance related improvements may arise from interactions with Regulator for Social Housing following the self-referral made by the Council in April 2024. These should be addressed.

and findings of internal Housing Services review.

AGS24-4 Implement actions to address non-compliant spend on temporary staffing, including any further findings of the internal or external auditor on this matter.

AGS24-5 Implement findings of Planning review.

AGS24-6 Develop internal process for dealing

Executive Director – Resources and Transformation

Executive Director – Place and Prosperity

Executive Director – Resources and Transformation

				with governance failures.	
2. Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Requiring Improvement	<p>Job descriptions and roles of statutory officers are well defined.</p> <p>Structure of the Leadership Team ensures statutory officers are included in key decision making.</p> <p>The Section 151 Officer role complies with CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016).</p> <p>Draft Code of Practice on Satisfactory Governance for Statutory Officers being implemented.</p> <p>Awareness of Statutory Officer roles raised with Heads of Service.</p> <p>Other key postholders:</p> <p>Safeguarding lead in place and appropriate mechanisms, corporate focus and support in place.</p> <p>Nominated DPO and arrangements for managing data protection issues currently under review.</p>	None	AGS24-7 Complete review of DPO resource and implement outcome	Executive Director – Resources and Transformation
3. Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	Satisfactory	<p>Arrangements in place for obtaining and recording of legal advice.</p> <p>Reports requiring a decision are considered by Finance, Legal and HR and other corporate teams as necessary, as well as Statutory Officer, before being considered by the relevant decision committee.</p>	None	None	
4. Dealing with breaches of legal and regulatory provisions effectively	Satisfactory	<p>Proper arrangements in place for the provision of legal advice and recording such., Monitoring Officer referenced to give advice and ensure Council’s operates within the law at all times.</p>	None	None	



5. Ensuring corruption and misuse of power are dealt with effectively	Satisfactory	Whistleblowing policy, anti-fraud and corruption policy in place. Procedure set out in policy document.	None	None
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## Core Principle B: Ensuring openness and comprehensive stakeholder engagement

### Supporting Principle 1: Openness

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	Satisfactory	FOI requests actively responded to, website, online publishing of expenditure. Published committee work programmes.	None	None	
2. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	Satisfactory	Record of decision making and supporting materials. Standard report format used. The Council's governance framework aims to ensure it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner; and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.	None	None	
3. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	Satisfactory	Decisions well documented with supporting information and advice included. Committee Work Programmes in place. Calendar of dates for submitting, publishing and distributing timely reports is adhered to for all committee meetings. All Committee meetings open to the public, except for exempt items. Formal procedures and rules set out in the Constitution.	None	None	

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
<p>4. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action</p>	<p>Satisfactory</p>	<p>We follow statutory requirements for consultation, with examples of often going above this in terms of community engagement – e.g. 2024/25 budget consultation, Council Plan 2024 – 2028 and Customer Access Strategy consultations undertaken during 2023/24.</p> <p>Employee survey undertaken in 2023/24.</p> <p>Need for customer and staff satisfaction surveys to be scoped across all organisation.</p> <p>Identified need for wider Communications and Engagement Strategy to align with the Council Plan and ensure that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy. Additional guidance to be provided to Directors and Heads of Service.</p>	<p>None</p>	<p>AGS24-8 Develop and implement Communications and Engagement Strategy</p> <p>AGS24-9 Develop organisational approach to customer satisfaction surveys</p>	<p>Executive Director – Law and People</p> <p>Executive Director – Resources and Transformation</p>

## Supporting Principle 2: Engaging comprehensively with institutional stakeholders

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	Satisfactory	Formal and informal partnerships in place. Regular diarised meetings with appropriate senior officers and partners (Toyota, Derbyshire CEX etc).	None	None	
2. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	Satisfactory	<p>Strong partnership working across the Council – e.g. Internal Audit shared service via Central Midlands Audit Partnership.</p> <p>There are a a range of partnerships and collaborative relationships in place, with new emerging. They have appropriate legal agreements and governance commensurate with the nature of the partnership, depending on factors such as legal status, membership, risk, subject matter. They range from more informal arrangements such the Derbyshire Chief Executive Group, to the more formal legal arrangements governing the Etwall Joint Management Committee and Derbyshire Business Rates Pool.</p> <p>The Council’s principle partnership is the South Derbyshire Partnership which includes agencies from health, police, parish and county councils, together with local voluntary services and local businesses.</p> <p>A part of integrated care model, involvement in Derbyshire Place Board, Place Alliance and Health and Wellbeing board.</p>	None	None	

Derbyshire Leaders Group in place. Various Chief Officer Groups.  
The Council appoints its Members to a variety of outside bodies at Annual Council each year.

3. Ensuring that partnerships are based on: trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	Satisfactory	As above.	None	None
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**Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits Supporting Principle 1: Defining outcomes**

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Having a clear vision which is an agreed Requiring Improvement formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions		New Council Plan defines the vision for the Council, including values and priorities. New Service Plans implemented for 2024/25 and are developed based on the Council Plan. The quarterly monitoring report and Annual Report details performance against the performance measures and actions. Enhancement to performance management framework underway and to be fully implemented in 2024.	None	AGS24-10 Fully implement new performance management framework.	Executive Director – Resources and Transformation
2. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	Satisfactory	Intended impacts set out in Council Plan and Service Plans. Committee report format required details of impacts on stakeholders to be set out. Equality Impact Assessment tool requires intended impacts to be considered.	None	None	
3. Delivering defined outcomes on a sustainable basis within the resources that will be available	Satisfactory	New Service Plans developed for each service area. Monthly performance and finance monitored by Leadership Team. Quarterly reports monitored by Leadership Team and Policy Committees.	None	None	
4. Identifying and managing risks to the achievement of outcomes	Requiring Improvement	Monthly performance and finance monitored by Leadership Team. Quarterly reports monitored by Leadership Team and Policy Committees.  New risk management framework under development which sets out new framework for monitoring operational risks within services and with Executive	None	AGS24-11 Fully implement new risk management framework.	Executive Director – Resources and Transformation

		Directors on monthly basis. Adoption of new strategic risk register, to be monitored on quarterly basis by Leadership team, including establishing new Corporate Risk Group to support more effective management of risk across the organisation.		
5. Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available	Satisfactory	Priorities and use of resources as set out in new Council Plan.	None	None

## Supporting Principle 2: Sustainable economic, social and environmental benefits

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	Satisfactory	Social and economic impact of policies in decisions actively considered and a requirement of committee report format. Social value considered as part of procurement exercises.	None	None	
2. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	Satisfactory	Record of decision making and supporting materials made available publicly on website. 5-year Medium Term Financial Strategy in place. Strong practice of longer-term financial assessment of decisions in place.	None	None	

<p>3. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p>	<p>Satisfactory</p>	<p>We follow statutory requirements for consultation, with examples of often going above this in terms of community engagement – e.g. 2024/25 budget consultation, Council Plan 2024 – 2028 consultation.</p> <p>Identified need for wider Communications and Engagement Strategy to align with the Council Plan and ensure that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy. Additional guidance to be provided to Directors and Heads of Service.</p>	<p>None</p>	<p>As per AGS24-8 Above</p>	<p>As per AGS24-8 above</p>
<p>4. Ensuring Requiring Improvement access to services</p>	<p>Satisfactory</p>	<p>All new policies presented for approval require Equalities Impact Assessment to be completed and regularly reviewed as part of ensuring Requiring Improvement access. Equality and Diversity Policy approved April 2024. Process in place for equalities impact assessments. Equalities and Diversity Action Plan in place. EDI Steering Group. EDI managed by HR and a core part of HR Officer role</p>	<p>None</p>	<p>None</p>	<p>None</p>

**Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes Supporting Principle 1: Determining interventions**

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided	Satisfactory	Where appropriate and commensurate with the scale and impact of decision, committee report will detail associated options appraisals and risks.	None	None	
2. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	Requiring Significant Improvement	<p>We follow statutory requirements for consultation, with examples of often going above this in terms of community engagement – e.g. 2024/25 budget consultation, Council Plan 2024 – 2028 consultation.</p> <p>In April 2024, the Council made a self-referral to the Regulator for Social Housing, upon identifying that it did not meet 2 of the 5 Housing Consumer Standards. One area of non-compliance related to the engagement of tenants in the Housing Service. Improvements are under development by the Housing Service Improvement Working Group.</p>	AGS24-12 Implement new approach to tenant engagement in Housing as part of Housing Service Improvement Working Group action plan.	None	Executive Director – Place and Prosperity



## Supporting Principle 2: Planning interventions

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	Satisfactory	<p>Calendar dates for all Council meetings agreed in advance, reports published in a timely manner ensuring a robust planning cycle.</p> <p>Monthly performance and finance reports monitored by Leadership Team; Quarterly reports monitored by Leadership Team and Policy Committees. Performance Management Framework enhancements underway.</p>	None	As per AGS24-10	As per AGS24-10
2. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	Satisfactory	<p>We follow statutory requirements for consultation, with examples of often going above this in terms of community engagement – e.g. 2024/25 budget consultation, Council Plan 2024 – 2028 consultation.</p> <p>Identified need for wider Communications and Engagement Strategy to align with the Council Plan and ensure that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy. Additional guidance to be provided to Directors and Heads of Service.</p> <p>In April 2024, the Council made a self-referral to the Regulator for Social Housing, upon identifying that it did not meet 2 of the 5 Housing Consumer Standards. One area of non-compliance related to the engagement of tenants in the Housing Service. Improvements are under development by the Housing Service Improvement Working Group.</p>	None	As per AGS24-8, AGS24-9 and AGS24-12	As per AGS24-8, AGS24-9 and AGS24-12

3. Considering and monitoring risks facing each partner when working collaboratively including shared risks	Satisfactory	Strong partnerships exist in some areas. Partnership agreements exist where necessary for financial/legal/governance/risk reasons, formal agreements are put in place.	None		Executive Director – Law and People
4. Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	Requiring Improvement	Delegated responsibility in some areas. Delegated decision making in some areas. Governance review required to ensure flexibility and agility in delivery.	None	AGS24-13 Review of Constitution	Executive Director – Law and People
5. Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	Satisfactory	KPIs established in Council Plan and Service Plans. Quarterly Performance Reports are considered by Policy Committees.	None	None	
6. Ensuring capacity exists to generate the information required to review service quality regularly	Requiring Improvement	Service quality issues are identified via performance monitoring management information.  Evidence of this includes the review of two services deemed inefficient through performance monitoring (Housing and Planning), which were instigated during the 2023/24 year, both of which will undergo significant improvement processes in 2024/25 and beyond. The capacity for these reviews was bought in, via a consultancy arrangement.  Going forward, it is anticipated that rolling programmes of service reviews will be undertaken, utilising a range of corporate	None	AGS24-14 Review corporate information management systems and develop and commence implementation of modernisation / digitisation action plan	Executive Director – Resources and Transformation

management information, including internal and benchmarking: performance information, customer feedback (complaints, compliments and customer engagement), employee survey data and HR data.

Modernisation and digitisation of information management around service quality required in some areas – e.g. performance management system, HR sickness data management, Housing tenancy management. Links with improvement above around customer survey data.

7. Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	Satisfactory	Strategic and Financial Planning timetable reviewed and aligned in 2023/24 for 2024/25 planning purposes, which has enabled a more integrated approach.	None	None
8. Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	Satisfactory	<p>Budget process reviewed and updated for 2024/25, allowing for realistic estimates of medium-term impacts. Changes to budgeting approach (i.e. not funding establishment costs via reserves, allowing capital bids) implemented in 2023/24.</p> <p>New Medium Term Financial Strategy approved April 2024, which sets out 5-year planning timeframe and sustainable position over this period (subject to funding reform). Medium Term Financial Plans refreshed twice per year. Sustainable Finance Plan agreed as part of strategy, with £11m of additional income and savings in expenditure to be achieved over the period. Sustainable Finance Programme mobilising early 2024/25. Commitment to increase income through commercialisation initiatives and projects</p>	None	None.

### Supporting Principle 3: Optimising achievement of intended outcomes

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	Satisfactory	MTFS and budget co-created with Members, Leadership Team and Heads of Service, with strategic view of service priorities and aligns to Council Plan.	None	None	
2. Ensuring the budgeting process is all inclusive, taking into account the full cost of operations over the medium and longer term	Satisfactory	Budget process reviewed and updated for 2024/25, allowing for realistic estimates of medium-term impacts. Changes to budgeting approach (i.e. not funding establishment costs via reserves, allowing capital bids) implemented in 2023/24.  5 year Capital budget and resource planning. Revenue 1 year timeframe, but longer-term impacts assessed as part of MTFP.  New Medium Term Financial Strategy approved April 2024, which sets out 5-year planning timeframe.	None		
3. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	Satisfactory	Progressive Medium Term Financial Strategy that sets that context for financial decision making. MTFP updated twice per year or more frequently if information is received warrants an update.  Sustainable Finance Plan agreed as part of strategy, with £11m of additional income and savings in expenditure to be achieved over the period.  Sustainable Finance Programme mobilising early 2024/25.	None	None	
4. Ensuring the achievement of 'social value' through service planning and commissioning.	Satisfactory	Social value considered through procurement processes. i.e. new build Council housing.	None	None	

## Core Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

### Supporting Principle 1: Developing the entity’s capacity

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness	Satisfactory	Reviews of structures, ways of working and carried out as necessary. Property Services team established asset register. Asset Management Strategy in place. Acquisitions and Disposals Policies.	None performance	None	
2. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently	Requiring Improvement	Services encouraged to make use benchmarking data. Organisational approach to benchmarking to be reviewed and requirements determined.	None	AGS24-15 Develop organisational requirements for benchmarking of services.	Executive Director – Resources and Transformation

3. Recognising the benefits of partnerships and collaborative working where added value can be achieved	Satisfactory	Strong partnership working across the Council.	None	None.	
4. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	Satisfactory	People Strategy under development and due For approval Autumn 2024.	None	AGS24-16 Develop People Strategy	Executive Director – Law and People

## Supporting Principle 2: Developing the capability of the entity’s leadership and other individuals

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	Satisfactory	Regular Leading Members meetings between the Leader, Deputy Leader, Chairs of the 3 policy committees, the Chief Executive and Executive Directors. Robust member induction programme, with specific and significant training. Code of Conduct for all members. “Building capacity for finance” training programme undertaken by all members during 2023/24. Ongoing member training programmes. Specific Audit Sub-Committee training programme to be developed 2024/25.	None	None	
2. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	Satisfactory	Regular review of delegation and financial Regulations. Constitution.	None.	None	
3. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority	Satisfactory	Clear roles and responsibilities with the Chief Executives objectives set and monitored by Leader.	None.	None	



Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
<p>4. Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• Ensuring personal, organisational and system- wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul>	Requiring Improvement	<p>Members trained as and when required. Formal induction process for new administration and new members. Robust member induction programme, with specific and significant training planned.</p> <p>Personalised support for Committee Chairs, led by relevant Leadership Team lead.</p> <p>Self-assessment undertaken for Audit-Sub Committee against CIPFA guidance. Results due to be reported to Audit Sub-Committee and Finance and Management Committee.</p> <p>Changes to both the risk and performance management frameworks have been scoped and are underway, as above.</p>	As per AGS24-10, AGS24-11 and AGS24-12.	None	As per AGS24-10, AGS24-11 and AGS24-12.
5. Ensuring that there are structures in place to encourage public participation	Satisfactory	As set out above, the Council complies with statutory consultations and often goes above this. Customer Feedback model, but more development required around customer satisfaction information gathering and wider customer engagement.	None	As per AGS24-8 and AGS24-9	As per AGS24-8 and AGS24-9

6. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	Requiring Improvement	Members performance monitored, Members held to account by scrutiny and call-in arrangements. Corporate Peer Challenge last undertaken in 2019 and now due for revisit.	None	AGS24-17 Define scope and timetable for future Corporate Peer Challenge	Chief Executive
7. Holding staff to account through regular performance reviews which take account of training or development needs	Requiring Improvement	Staff PDR process in place, include robust assessment of training needs. Strong approach to employee training. As above, development scoped to enhance existing employee performance management framework and develop a Behaviours and Skills Framework to be integrated into employee life cycle.	None	As per AGS24-1 and AGS24-2	As per AGS24-1 and AGS24-2
8. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	Requiring Improvement	Discount on leisure facilities for staff. Counselling service around family, personal, debt, workplace, home and health issues. Coaching and mentoring available. People Strategy under development to support Council in becoming Employer of Choice. Sickness management ongoing. Identified need to review benefits package for employees including Employee Assistance Programme.	None	AGS24-18 Review Council benefits package and need for Employee Assistance Programme as part of People Strategy	Executive Director – Law and People

## Core Principle F: Managing risks and performance through robust internal control and strong public financial management

### Supporting Principle 1: Managing risk

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	Requiring Improvement	<p>Risk Management framework under review. Finding from external auditor around after identifying a risk that the most strategic of risks not given due regard or attention, due to lack of differentiation between strategic and operational risk.</p> <p>Risk management framework improvements to be fully implemented. This includes work to develop understanding of risk appetite of members.</p>	None	As per AGS24-11	As per AGS24-11
2. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	Requiring Improvement	<p>Risk Management framework under review. Finding from external auditor around after identifying a risk that the most strategic of risks not given due regard or attention, due to lack of differentiation between strategic and operational risk.</p> <p>Risk management framework improvements to be fully implemented. This includes work</p>	None	<p>As per AGS24-11</p> <p>AGS24-19 Internally publish service business continuity plans</p>	<p>As per AGS24-11</p> <p>Executive Director – Environment and Communities</p>

to develop understanding of risk appetite of members.

Business Continuity plans currently under development by service area.

Emergency Planning arrangements managed via Derbyshire Resilience Partnership.

3. Ensuring that responsibilities for  
Satisfactory managing individual risks  
are  
clearly allocated

Risk Management framework under review. Risk owners understood.

None

As per AGS24-11

As per AGS24-11

## Supporting Principle 2: Managing Performance

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	Satisfactory	<p>Monitoring of service delivery currently completed through Council plan and for 2024/25 service plans also.</p> <p>Calendar of monitoring dates and reporting dates adhered to by the organisation.</p> <p>As above, Modernisation and digitisation of information management around service quality required in some areas – e.g. performance management system, HR sickness data management. Links with improvement above around customer survey data</p>	None	As per AGS24-14	As per AGS24-14
2. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook	Satisfactory	Committee report template allows for robust consideration of all relevant factors for a decision.	None	None	
3. Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	Requiring Improvement	<p>Overview and Scrutiny Committee in place.</p> <p>Developments for scrutiny around the scoping of Reviews and ensuring sufficient information around purpose of review and intended outcomes is effectively communicated, and ensuring scrutiny is utilised in the development of policies and strategies as appropriate.</p>	None	AGS24-20 Develop enhanced Overview and Scrutiny Committee Work Programme	Executive Director – Resources and Transformation

4. Providing members and senior Satisfactory management with regular reports on service delivery plans and on progress towards outcome achievement	Calendar of dates published and reporting dates adhered to	None	None
5. Ensuring there is consistency Satisfactory between specification stages (such as budgets) and post implementation reporting (eg financial statements )	Standing orders in place. Approval reports separate from financial updates	None	None

### Supporting Principle 3: Robust internal control

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Aligning the risk management strategy and policies on internal control with achieving the objectives	Satisfactory	Risk management strategy, audit plan and regular None audit reports.		None	
2. Evaluating and monitoring the authority's risk management and internal control on a regular basis	Satisfactory	Risk management policy with risks reviewed regularly by CLT and Cabinet. Risks should be monitored by the Audit and Governance Committee but this has not happened since November 2015.  Due to improvements arising from the 2016/17 governance review, a cross-service Risk Management Group is established which meets on a quarterly basis to review risks. Risks are now regularly report to Audit and Governance Committee.	None	None	

3. Ensuring effective counter fraud and anti- corruption arrangements are in place	Satisfactory	Anti-fraud and anti-corruption policies in place None Fraud arrangements strong via inclusion in fraud partnership with Derby City.	None	None	
4. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	Satisfactory	Internal audit arrangements via Central Midlands Audit Partnership adequate with internal audit actively involved in service improvement.	None	None	
5. Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon	Requiring Improvement	Review of Audit Sub-Committee against Audit Committees: Practical Guidance for Local Authorities and Police identified CIPFA that the authority does not comply with best practice. The findings of this review will be presented to the Audit Sub-Committee and Finance and Management Committee in June 2024.	None	AGS24-21 Present findings of Audit Sub-Committee CIPFA self-assessment exercise	Executive Director – Resources and Transformation

## Supporting Principle 4: Managing Data

Requirement of local authorities to:	Assessment	Evidence	Areas for		Lead
			Significant Issues	Improvement	
1. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Satisfactory	Policies in place for data management and data protection. Designated data protection officer. Nominated DPO and arrangements for managing protection issues currently under review. Designated Safeguarding Officer and lead.	None per AGS24-7	As	As per AGS24-7



2. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Satisfactory	Data sharing agreements in place and data processing agreements where necessary.  We ensure all suppliers are compliant with data protection and GDPR legislation.	None	None
3. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Satisfactory	Regular internal audits carried out.	None	None

## Supporting Principle 5: Strong public financial management

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	Requiring Improvement	<p>Self-assessment exercise undertaken by the Section 151 Officer has identified some areas of non-compliance against the CIPFA Financial Management Code. Actions to address these areas require implementation.</p> <p>Review of finance team required to ensure appropriate capacity and expertise.</p>	None	<p>AGS24-22 Implement all actions to fully comply with CIPFA Financial Management Code</p> <p>AGS24-23 Review finance team</p>	<p>Executive Director – Resources and Transformation</p> <p>Executive Director – Resources and Transformation</p>
2. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Requiring Improvement	<p>Budget monitoring reports and regular reviews. Greater engagement required between finance and services.</p> <p>Self-assessment exercise undertaken by the Section 151 Officer has identified some areas of non-compliance against the CIPFA Financial Management Code. Actions to address these areas require implementation.</p> <p>Review of finance team required to ensure appropriate capacity and expertise.</p>	None	As per AGS24-20 and AGS24-21	As per AGS24-20 and AGS24-21

## Core Principle G: Implementing Satisfactory practices in transparency, reporting, and audit to deliver effective accountability

### Supporting Principle 1: Implementing Satisfactory practice in transparency

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	Requiring Improvement	Website user friendly, annual report. Training undertaken with Heads of Service May 2024 on report writing approach and processes. Further work needed to ensure use of "plain English".	None	As per AGS24-8	As per AGS24-8

		<p>Identified need for wider Communications and Engagement Strategy to align with the Council Plan and ensure that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy. Additional guidance to be provided to Directors and Heads of Service.</p>			
<p>2. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<p>Satisfactory</p>	<p>Website user friendly, annual report. Annual Report produced in accessible format. Further work needed to ensure use of “plain English”.</p> <p>Identified need for wider Communications and Engagement Strategy to align with the Council Plan and ensure that the council provides its communities with consistent messages, based on clear communication principles, on its priority activities and campaigns. Consideration will be given to including guidance on our approach to consultation as part of the communications strategy. Additional guidance to be provided to Directors and Heads of Service.</p>	<p>None</p>	<p>As per AGS24-8</p>	<p>As per AGS24-8</p>

## Supporting Principle 2: Implementing Satisfactory practices in reporting

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Reporting at least annually on performance, value for money and the stewardship of its resources	Satisfactory	Annual report, Statement of Accounts.	None	None	
2. Ensuring members and senior management own the results	Satisfactory	Members and Leadership Team approve reports. Informal engagement undertaken as necessary.	None	None	
3. Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate Satisfactory governance (annual governance statement)	Satisfactory	Annual governance statement. In-depth self-assessment review against principles undertaken for 2023/24 – results of which are set out in this paper.	None	None	
4. Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	Satisfactory	Annual governance statement, application of policies where Council works in partnership with other organisations.	None	None	
5. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	Satisfactory	Format follows best practice	None	None	

### Supporting Principle 3: Assurance and effective accountability

Requirement of local authorities to:	Assessment	Evidence	Significant Issues	Areas for Improvement	Lead
1. Ensuring that recommendations for corrective action made by external audit are acted upon	Satisfactory	Recommendations from external audit acted upon. Compliance of Internal Audit arrangements with the Public Sector Internal Audit Standards. Regular communication between S151 Officer and Internal Audit Manager. Regular communication between S151 Officer and External Auditor.	None	None	
2. Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	Satisfactory	Internal Audit report directly to Audit Sub- Committee. Audit Sub-Committee Chair has met independently with Internal Audit during the 2023/24 year. Recommendations from internal audit acted upon with internal audit being actively engaged to assist with service improvements.	None	None	
3. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	Satisfactory	Members performance monitored, Members held to account by scrutiny and call-in arrangements. Corporate Peer Challenge last undertaken in 2019 and now due for revisit.	None	As per AGS24-17	As per AGS24-17
4. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Satisfactory	Role and scope of partnerships well defined for key partners (e.g. Everyone Active, Toyota). Regular diarised meetings with appropriate senior officers and partners.	None	None	
5. Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	Satisfactory	Role and scope of partnerships well defined for key partners (e.g. Everyone Active, Toyota). Regular diarised meetings with appropriate senior officers and partners.	None	None	

<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>CHARLOTTE JACKSON</b> <a href="mailto:Charlotte.jackson@southderbyshire.gov.uk">Charlotte.jackson@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>OUTCOME OF THE AUDIT COMMITTEE SELF-ASSESSMENT</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

## 1.0 Recommendations

1.1 That the Committee:

- A) note the outcome of and actions arising from the informal member working group review;
- B) note that this will be reported to the Finance and Management Committee; and
- C) note that this will also be reported to Council in a forthcoming annual report, with a recommendation that where actions require changes to the Council's Constitution, that these are fed into a future governance review.

## 2.0 Purpose of Report

2.1 To share the outcome of the self-assessment of the Audit Sub-Committee against the Chartered Institute of Public Finance and Accountancy's (CIPFA) guide for local authorities.

## 3.0 Detail

### Background

3.1 In 2022, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised and updated edition of the document 'Audit Committees: Practical Guidance for Local Authorities and Police'.

3.2 Building on the previous 2018 version, the revised guidance aimed to better focus the guidance for the most appropriate audience and for the first time has been produced in two sections.

3.3 The guidance documents themselves constitute the following and were shared with the Sub-Committee in the report on [6 September 2023](#).

- **The audit committee member in a local authority** - specifically targeted towards members of an audit committee.



- **Guiding the audit committee – supplement to the audit committee member guidance.** This is a supplement to the member guidance and is designed for officers responsible for guiding and supporting audit committees and contains references to relevant resources with weblinks, additional information for officers to help ensure operations meet appropriate legislation and good practice and refers to relevant recommendations from the Redmond Review.
- **CIPFA Audit Committees Position Statement 2022** - this sets out roles and responsibilities and good practice principles for audit committees. CIPFA is clear that Audit Committees are a key component of an authority's governance framework, their purpose being to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
- Two interactive documents to self-assess and evaluate the committee arrangements against good practice. These set out key areas for self-assessment and evaluation including Audit Committee Purpose and Governance; Functions of the Audit Committee; Membership and Support; and Effectiveness of the audit committee.

3.4 It is important that the Council's Audit Committee demonstrates a high level of compliance with best practice guidance on Audit Committees to ensure that it can evidence its effectiveness as a scrutiny body and as a foundation for strong corporate governance. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective Audit Committee arrangements.

3.5 It is recommended that Members note the updated guidance as set out and agree to meet informally to complete the self-assessment, the results of which will, together with officers' review of the updated guidance, inform an action plan for subsequent consideration and approval.

### **Self-assessment process and outcome**

3.6 At its meeting on 6 September 2023, the Audit Sub-Committee resolved to form an informal member working group to undertake a self-assessment of good practice and report back to a future Audit Sub-Committee meeting.

3.7 Since the meeting, all 2023/24 members of the Audit Sub-Committee, Councillors Amy Wheelton, David Shepherd, Alan Jones, Alistair Tilley and Neil Atkin, met with the Executive Director – Resources and Transformation and Head of Finance over the course of 3 in-person meetings between February and April 2024, to review the current arrangements against the CIPFA guidance.

3.8 A summary of the self-assessment reviews can be found in appendices F and G.

### **3.9 Appendix A – Self-assessment of the impact and effectiveness of the Audit-Sub Committee: South Derbyshire District Council.**

3.10 The evaluation has been completed with commentary added to the far right column of the document.

3.11 A number of proposed actions are detailed in this self-assessment:

- That an Annual Report should be published by the Committee Publish an annual report
- That an update on the Committee's engagement on fraud should be included as part of the of the Committee's Annual Report
- That an update on the Committee's review of the Local Code of Corporate Governance should be included as part of the Committee's Annual Report
- That the Executive Director – Resources and Transformation (formally the Strategic Director [Corporate Resources]) undertakes a review of Internal Audit provision in the future.

### **3.12 Appendix B – Self-assessment of good practice: South Derbyshire District Council – Audit Sub-Committee.**

3.13 The self-assessment shows compliance by way of “x” as either:

- Does not comply; or
- Partially complies and requires:
  - Significant improvement;
  - Moderate improvement; or
  - Minor improvement; or
- No further improvement.

3.14 Where commentary has been added to the document, this is highlighted in yellow.

3.15 A number of areas were identifying as not complying or requiring improvement.

### **3.16 Appendix C**

3.17 Actions to be taken forward are set out in Appendix C, along with proposed timescales. Where actions require changes to the Council's Constitution, it is proposed that these are fed into a future governance review.

## **Conclusion**

3.16 The outcome of the working group has identified several areas that require further attention to be in line with the CIPFA guidance. These matters will be reported to the Finance and Management Committee at its next meeting on 20 June 2024.

3.17 It is proposed that actions are taken forward as outlined in Appendix C, and with actions requiring changes to the Constitution to be fed into a future governance review which is currently being scoped and timetabled by the Executive Director – Law and People.

## **4.0 Financial Implications**

4.1 None

## **5.0 Corporate Implications**

5.1 None directly

## **6.0 Community Implications**

6.1 None directly

7.0 **Background Papers**

7.1 [Audit Committee Self-Assessment, 6 September 2023.](#)

# Self-assessment of the impact and effectiveness of the Audit Sub-Committee: South Derbyshire District Council April 2024

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Promoting the principles of good governance and their application to decision making.</b></p>	<ul style="list-style-type: none"> <li>Supporting the development of a local code of governance.</li> <li>Providing a robust review of the AGS and the assurances underpinning it.</li> <li>Supporting reviews/audits of governance arrangements.</li> <li>Participating in self-assessments of governance arrangements.</li> <li>Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>The authority’s scrutiny arrangements are forward looking and constructive.</li> <li>Appropriate governance arrangements established for all collaborations and arm’s-length arrangements.</li> <li>The head of internal audit’s annual opinion on governance is satisfactory (or similar wording).</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>Head of Internal Audit opinion satisfactory</li> <li>Local Code of Corporate Governance reviewed annually and clear and up to date</li> <li>Committee is undertaking this self-assessment</li> <li>More training is being undertaken</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>Scrutiny arrangements may be under utilised. The Overview &amp; Scrutiny Committee could consider undertaking a self-assessment.</li> <li>Audit Sub-Committee recommendations do not have traction with Leadership Team in all cases.</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>Include an update on Committee’s review of the Local Code of Corporate Governance as part of the of the Committee’s Annual Report</li> </ul>

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Contributing to the development of an effective control environment.</b></p>	<ul style="list-style-type: none"> <li>• Encouraging ownership of the internal control framework by appropriate managers.</li> <li>• Actively monitoring the implementation of recommendations from auditors.</li> <li>• Raising significant concerns over controls with appropriate senior managers.</li> </ul>	<ul style="list-style-type: none"> <li>• The head of internal audit’s annual opinion over internal control is that arrangements are satisfactory.</li> <li>• Assessments against control frameworks such as CIPFA’s FM Code have been completed and a high level of compliance identified.</li> <li>• Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Satisfactory opinion from the Head of Internal Audit</li> <li>• CIPFA Financial Management Code review undertaken previously and Strategic Director (Corporate Resources) has advised current review underway</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>
<p><b>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>• Monitoring improvements to risk management.</li> <li>• Reviewing accountability of risk owners for major/strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>• A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Acknowledge the External Auditors recommendation around risk management (ASC 06/03/2024) and await the outcome of the ongoing Section 151 Officer’s review</li> <li>• Acknowledge the Audit Sub-Committee do not currently comply in respect of managing risk</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the adequacy of the leadership team’s assurance framework.</li> <li>• Specifying the committee’s assurance needs, identifying gaps or overlaps in assurance.</li> <li>• Seeking to streamline assurance gathering and reporting.</li> <li>• Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority’s leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Review the effectiveness of assurance providers – e.g. Internal Audit coverage reviewed 2023/24</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Difficult to review the effectiveness on External Audit due to lack of engagement / presence since 2020</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>• That the Strategic Director (Corporate Resources) undertakes a review of Internal Audit provision in the future</li> </ul>
<p><b>Supporting effective external audit, with a focus on high quality and timely audit work.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>• Providing good engagement on external audit plans and reports.</li> <li>• Supporting the implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of liaison between external audit and the authority is satisfactory.</li> <li>• The auditors deliver in accordance with their audit plan, and any amendments are well explained.</li> <li>• An audit of high quality is delivered.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Review and support External Audit plan</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Difficult to review the effectiveness on External Audit due to lack of engagement / presence since 2020</li> <li>• Liaison between External Audit and the authority could be improved</li> <li>• Audit has not been delivered, despite the Council having prepared its statements on time</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>



Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<b>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</b>	<ul style="list-style-type: none"> <li>• Reviewing the audit charter and functional reporting arrangements.</li> <li>• Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>• Actively supporting the quality assurance and improvement programme of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>• The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <a href="#">Statement on the Role of the Head of Internal Audit</a> (2019).</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Internal Audit and Head of Internal Audit conforms with relevant requirements</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>• As above, future review of Internal Audit provision</li> </ul>
<b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b>	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>• Reviewing the effectiveness of performance management arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority's arrangements to review and assess performance are satisfactory.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Arrangements to review and assess performance are satisfactory</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>•</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>•</li> </ul>

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<b>Supporting the development of robust arrangements for ensuring value for money.</b>	<ul style="list-style-type: none"> <li>Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>Considering how performance in value for money is evaluated as part of the AGS.</li> <li>Following up issues raised by external audit in their value-for-money work.</li> </ul>	<ul style="list-style-type: none"> <li>External audit's assessments of arrangements to support best value are satisfactory.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li></li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>The ASC has not received a report on the Council's value for money arrangements due to the audit backlog</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li></li> </ul>
<b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b>	<ul style="list-style-type: none"> <li>Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014).</li> <li>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</li> <li>Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>	<ul style="list-style-type: none"> <li>Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>Receive annual fraud update and good connectivity with fraud team (Derby City)</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>The role of "Assessing the effectiveness of ethical governance arrangements for both staff and governors" is conducted via Annual Governance Statement. Are there requirements around regular reporting? Where does this sit?</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>Include an update on Committee's engagement on fraud as part of the of the Committee's Annual Report</li> </ul>

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</b></p>	<ul style="list-style-type: none"> <li>• Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>• Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</li> <li>• Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>• Publishing an annual report from the committee.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>• The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>• The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>• The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>• Annual accounts and Annual Governance Statement are published in accordance with statutory guidelines</li> </ul> <p>Observations / Questions / Concerns:</p> <ul style="list-style-type: none"> <li>• Accounts are published on time, but due to audit backlog, yet to receive auditors view on quality of accounts and adjustments</li> <li>• Uncertain where the remit for “Improving how the authority discharges its responsibilities for public reporting” sits.</li> </ul> <p>Proposed actions:</p> <ul style="list-style-type: none"> <li>• Publish an annual report</li> </ul>

## OVERALL QUESTIONS TO CONSIDER

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- 1 Does the committee proactively seek assurance over the key indicators?  
Yes, where the current functions are delegated to the Audit Sub-Committee under the Council's Constitution.
  
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?  
For the areas under the Audit Sub-Committee's responsibilities, yes.  
Concerns that items around governance have been raised in the past and not taken forward, but the Audit Sub-Committee is fulfilling their role in being proactive on these issues.
  
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?  
Audit cttee recommendations do not have traction with those in leadership team in all cases.

## REPORTING RESULTS

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The outcome of the review can be used to inform the committee's annual report.

# Self-assessment of good practice: South Derbyshire District Council – Audit Sub-Committee

Good practice questions	Does not comply		Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	

**Audit committee purpose and governance**

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s 2022 Position Statement? <b>No, as per Part 3 of Constitution, Responsibilities for Functions</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles? <b>Examples include outstanding internal audit recommendations 2023/24.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually? <b>Annual report under development, but requires recognition in Part 3 of Constitution, Responsibilities for Functions</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• results of the annual evaluation, development work undertaken and planned improvements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• how it has fulfilled its terms of reference and the key issues escalated in the year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>The arrangements do not currently comply, but plans are being taken forward for an annual report to be shared for the 2023/24 year.</b>					
<b>Functions of the committee</b>					
<b>9</b> Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• financial management					
• value for money					
• ethics and standards					
• counter fraud and corruption					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Limitations because of Sub-Committee status</b>					
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Not in respect of risk management</b>					

11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?

12 Has the committee met privately with the external auditors and head of internal audit in the last year?

The Chair has, but the committee hasn't.



Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance? <b>More required around risk</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Effectiveness of the committee</b>					
20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work? <b>Internal and External Auditors to be approached</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement? <b>Committee assessed as fully compliant, but keen to garner views from Officers, Internal Audit and External Audit</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

members? Committee assessed as fully compliant, but keen to garner views from Officers, Internal Audit and External Audit

23 Has the committee maintained a non-political approach to discussions throughout?

Committee assessed as fully compliant, but keen to garner views from Officers, Internal Audit and External Audit

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? <b>The Committee felt they fulfill their role but this has been ineffective in some areas</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements? <b>Yes and recent examples of this, such as referral of overdue Internal Audit actions to F&amp;MC</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles? <b>The Committee felt that this was not in all cases.</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation? <b>Annual report for 2023/24 agreed to be taken forward by Chair</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Subtotal score</b>					
<b>Total score</b>					<b>110</b>
<b>Maximum possible score</b>					<b>200**</b>

**Actions to be taken forward, arising from the  
Self-Assessment of the Audit Sub-Committee against the CIPFA guidance**

Action(s) arising from self-assessment	How will be taken forward	Timescales
<p>Publish an annual report, in accordance with the 2022 guidance, including:</p> <ul style="list-style-type: none"> <li>• compliance with the CIPFA Position Statement 2022</li> <li>• results of the annual evaluation, development work undertaken and planned improvements</li> <li>• how the committee has fulfilled its terms of reference and the key issues escalated in the year</li> <li>• How the committee has evaluated whether and how it is adding value to the organisation</li> </ul> <p>Ensure the annual report also includes:</p> <ul style="list-style-type: none"> <li>• an update on Committee's review of the Local Code of Corporate Governance as part of the of the Committee's Annual Report</li> <li>• an update on Committee's engagement on fraud as part of the of the Committee's Annual Report</li> <li>• Request for feedback on the committee's performance from those interacting with the committee or relying on its work</li> </ul>	<p>Annual report to be developed in consultation with Chair</p>	<p>Deliver to Audit Sub-Committee March 2025 and Council May 2025</p>
<p>Schedule member training to ensure all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee</p>	<p>Schedule and deliver training</p>	<p>By March 2025</p>
<p>That the Strategic Director (Corporate Resources) undertakes a review of Internal Audit provision in the future</p>	<p>Undertake review</p>	<p>By March 2026</p>
<p>Update the governance structure of the Council so that the audit committee report directly to full council</p>	<p>Feed into future governance review</p>	<p>TBC</p>
<p>Update the terms of reference to clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement and in particular, in respect of</p> <ul style="list-style-type: none"> <li>• Governance arrangements</li> <li>• Risk management arrangements</li> <li>• Financial reporting</li> <li>• Assurance framework</li> </ul>	<p>Feed into future governance review</p>	<p>TBC</p>

Schedule private meeting with the external auditors and head of internal audit	Schedule meetings	By March 2026
Recruitment of lay/co-opted independent members in accordance CIPFA's recommendation	Feed into future governance review	TBC
Undertake an evaluation of knowledge, skills and the training needs of the chair and committee members	Undertake evaluation and implement training	By March 2025
Raise any issues around the audit committee recommendations having traction	Chair to raise any issues with Executive Director – Resources and Transformation / Finance and Management Committee accordingly	Ongoing

<b>REPORT TO:</b>	<b>AUDIT SUB COMMITTEE</b>	<b>AGENDA ITEM: 10</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: DELEGATED or RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>EXECUTIVE DIRECTOR - RESOURCES AND TRANSFORMATION</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>CHARLOTTE JACKSON, 01283 595501 <a href="mailto:Charlotte.Jackson@southdersysshire.gov.uk">Charlotte.Jackson@southdersysshire.gov.uk</a></b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>RISK MANAGEMENT FRAMEWORK</b>	<b>TERMS OF REFERENCE: AS04</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	

## **1.0 Recommendations**

1.1 For consultation purposes the Committee notes the Risk Management Framework in Appendix A for adoption in the management of risk from Quarter 1 2024/25 and delegates approval for the Executive Director – Resources and Transformation to make any final amendments in consultation with the Finance and Management Committee Chair.

## **2.0 Purpose of the Report**

2.1 To update the Council's Risk Management Framework to reflect the Council's approach to, and management of risk and to align the Framework with the Council Plan 2024-2028.

2.2 Under the Committees terms of reference, it is responsible for monitoring the effective development and operation of risk management.

## **3.0 Executive Summary**

3.1 The Council Plan 2024-2028 was approved by Members at Council on the 28<sup>th</sup> February 2024 and was effective from the 1<sup>st</sup> April 2024, following the conclusion of the Corporate Plan 2020-2024.

3.2 The Risk Management Framework has been revised to respond to the finding reported by the external auditor in their report to the Audit Sub-Committee on 6<sup>th</sup> March 2024.

## **4.0 Detail**

## **Revised risk management approach**

- 4.1 As part of their progress update to the Audit Sub-Committee on 6<sup>th</sup> March 2024, the external auditors EY LLP, identified the following observation upon review of the Risk Management Framework:

*'we have identified that there are three risk registers (Corporate, Chief Executive and Services) comprising of over 50 risks that are monitored via the Council's committees.*

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

- 4.2 The auditors' findings were accepted, although it should be noted there are 38 risks across the three risk registers, and not 50 as stated by the external auditor. A review of the Risk Management Framework was undertaken during quarter 1, 2024-2025, led by the Executive Director – Resources and Transformation as the Council's Section 151 Officer and having responsibility for risk.
- 4.3 Upon reviewing the Framework, it was necessary to make substantial amendments to ensure the structure of the Framework allowed for the most strategic risks to be given the due regard and attention required.
- 4.4 All risks recorded in the three risk registers have been reviewed and the nature of the risk was assigned as 'strategical' or 'operational'. This approach was endorsed by the Leadership Team, following consultation and redesign of the Leadership Team approach for managing corporate oversight over risk and other corporate matters.
- 4.5 The new Strategic Risk Register will incorporate all existing risks that were deemed to be 'strategic risks' as part of the review of the three risks registers. All other risks were assigned as operational and will be included in the development of the Operational Risk Registers for each service area of the Council.
- 4.6 The Strategic Risk Register, owned by the Leadership Team will be updated quarterly by the risk owners and will be reported to the Finance and Management Committee.
- 4.7 Operational Risk Registers for each service area, will be maintained by the Heads of Service. The Head of Service will review the operational Risk Register with their Executive Director and will be updated quarterly.
- 4.8 A new Corporate Risk Management Group will be developed in quarter 2. The group will be made up of a range of officers who will meet on a regular basis to act as champions for risk within their services and support the Leadership Team in the active monitoring, assessing and advising on the reduction of risk for the Council.
- 4.9 There is a clear escalation route detailed in the Framework, outlining how operational risks can be escalated to the Risk Management Group and Leadership Team, for consideration for inclusion in the Strategic Risk Register.

## **Risk appetite.**

- 4.10 Further consultation with Members will be undertaken during quarter 2, to determine the Council's risk appetite to support the delivery of the priorities and aims outlined in the Council Plan 2024-2028. The Risk Management Framework, Section 4, Risk Appetite Statement, will be updated following this, and agreed with the Finance and Management Committee Chair.
- 4.11 The consultation with Members on the Council's risk appetite may impact on the current escalation levels outlined in the Framework to facilitate the escalation of operational risks to the Strategic Risk Register. This will be reviewed and amended if required, following the consultation.

## **5.0 Financial Implications**

- 5.1 None directly.

## **6.0 Corporate Implications**

### **Employment Implications**

- 6.1 None directly.

### **Legal Implications**

- 6.2 None directly.

### **Corporate Plan Implications**

- 6.3 The Risk Management Framework has been updated to align with the Council Plan 2024-2028.

### **Risk Impact**

- 6.4 The Risk Management Framework provides transparency and ensures robust controls are in place to mitigate risk to the Council.

## **7.0 Community Impact**

### **Consultation**

As detailed above, further consultation with Members will be undertaken during quarter 2, to determine the Council's risk appetite to support the delivery of the priorities and aims outlined in the Council Plan 2024-2028. Any final changes to the Risk Management Framework will be agreed in consultation with the Finance and Management Committee Chair.

### **Equality and Diversity Impact**



7.1 Not applicable in the context of the report.

### **Social Value Impact**

7.2 Not applicable in the context of the report.

### **Environmental Sustainability**

7.3 Not applicable in the context of the report.

## **8.0 Conclusions**

8.1 The Risk Management Framework has been amended to fully address the observation made by the external auditor. The final Risk Management Framework will be adopted by the Council from Q1 2024/25.

## **9.0 Background Papers**

9.1 Interim Value for Money report 2021-22 and 2022-23, [Audit Sub-Committee, 6 March 2024](#)

9.2 Appendix A – Risk Management Framework.

# RISK MANAGEMENT FRAMEWORK

**AUTHOR: PERFORMANCE AND POLICY OFFICER**

**DATE: MAY 2024**

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## Version Control

Version	Description of version	Effective Date
1.0	Policy Statement and Framework Fully Revised	December 2012
2.0	Review and Update for New Corporate Plan (no major changes)	March 2016
3.0	Review and update to reflect new Corporate Plan and recommendations following an Audit	December 2020
4.0	New Risk Register Template and amendments to sections 4,6,7,8 and section 10 new.	May 2021
5.0	Amended to include the recommendations made by internal audit in September 2022.	February 2023
6.0	New Risk Management Framework	May 2024

## Approvals

Approved by	Date
Finance and Management Committee	December 2012
Director of Finance and Corporate Services	March 2016
Audit Sub Committee	December 2020
Audit Sub Committee	June 2021
Finance and Management Committee	20 <sup>th</sup> June 2024
Audit Sub Committee	19 <sup>th</sup> June 2024

## Associated Documentation

Description of Documentation	
Performance Management Framework	Version 3.0
Annual Governance Statement	
Emergency Planning and Business Continuity Framework	Held centrally on the Government's "Resilience Direct" website

## 1.0 INTRODUCTION

This document outlines the Council's commitment to managing risk in an effective and appropriate manner. It is intended to be used as the framework for the delivery of the Risk Management function and provides guidance to ensure management of risk is a routine process for all services.

This Framework will ensure that:

1. The management of risk contributes towards ensuring effective service delivery and the achievement of the Council's priorities and aims.
2. Ownership and accountability are clearly assigned for the management of risks throughout the Council.
3. There is a commitment to embedding risk management into the Council's culture and organisational processes, at all levels, including strategic and operational.
4. All Elected Members and officers acknowledge and understand the importance of risk management as a good governance process, by which key risks and opportunities are identified, evaluated and managed.
5. Effective monitoring and reporting mechanisms are in place to continuously review the Council's exposure to, and management of, risks and opportunities.
6. Best practice systems for managing risk are used throughout the Council, including mechanisms for monitoring and reviewing effectiveness against agreed standards.
7. Where possible the Council's approach is regularly assessed by the audit subcommittee.
8. The Risk Management Framework is reviewed and updated in line with the Council's developing needs and requirements.

## 2.0 WHAT IS RISK MANAGEMENT?

Risk management has been defined as any action taken by an organisation to minimise a threat to the achievement of its objectives. In order to achieve this, threats – or risks – must be identified & assessed and control measures implemented to reduce the impact and/or likelihood of the risk being realised (occurring). Risk management is what the Council is doing every day as it delivers services to the residents of South Derbyshire, as every control in every process has in some way been implemented to ensure required services meet the needs of communities, businesses, and individuals to the fullest extent possible within current resources.

The risk management approach is vital to ensure that all elements of the organisation are challenged including decision making processes, working with partners, consultation, existing policies and procedures and also the effective use of assets – both staff and physical assets.

The risks facing the Council will change over time, some changing continually, so this is not a one-off process. Instead the approach to risk management should be continual and the risks and the approach to managing them should be reviewed regularly.

In broad terms risks to the Council are split into two categories:

- Strategic risks– those risks relating to the long-term strategic priorities and aims of the Council and
- Operational – risks related to the day-to-day operation of each individual service area.

### STRATEGIC RISK MANAGEMENT

Strategic risks are essentially those that threaten the long-term goals of the Council and therefore are mainly based around meeting the priorities and aims of the Council Plan.

Strategic risks will be controlled using a register that will detail the risks and associated controls. The register will be owned by the Leadership Team, with ownership for risks being assigned to individual officers, and will be reviewed every quarter by the Risk Management Group and Leadership Team.

Minutes will be taken to reflect discussion and changes to risks.

The strategic risks will be reported to the Finance and Management Committee every quarter.

### OPERATIONAL RISK MANAGEMENT

Operational risks are those that threaten the routine service delivery of the Council.

Each service area will have their own operational risk register that details the risks

associated with providing the service.

These registers will be updated by the risk owner each quarter (as a minimum) and will be reviewed regularly in 121s with the Executive Director.

Significant risks (significant risks are risks with a mitigated risk rating score of 8 or above) and the actions in controlling them will be reported to the Risk Management Group and Senior Leadership Board on a quarterly basis, as these will help in the consideration and formulation of the Strategic Risk Register.

## **2.1 RISK MANAGEMENT REVIEW AND MEASURE**

The following are some of the practical ways that risks are managed and how effectiveness is measured:

- Provision and regular review of a comprehensive Strategic Risk Register.
- The Strategic Risk Register undergoes scrutiny and challenge by the Risk Management Group.
- Consideration of Strategic risks in the Finance and Management Committee report.
- Provision and regular review of Operational Risk Registers.
- Provision and review of Project and Partnership Risk Registers.
- Successful internal and external assessment.

## **3.0 RISK MANAGEMENT AIMS AND OBJECTIVES**

Risk Management Aims are to:

- adopt best practices in the identification, evaluation, and monitoring of risks across all processes to ensure that risks are properly considered and reduced as far as practicable.
- Integrate Risk Management into the culture of the Council.
- Support risk-informed decision making at all levels.
- Raise awareness of the need for the management of risks by all those connected with the delivery of services (including partners and stakeholders).
- Enable the Council to anticipate and respond to changing circumstances.
- Minimise injury, damage, loss and inconvenience to residents, staff, service users, assets etc. arising from or connected with the delivery of Council services.
- Implement an effective Risk Management Framework.

Risk Management Objectives are to:

- Support delivery of the Council's four priorities as set out within the Council Plan 2024-2028.

- Ensure risk management is incorporated into strategic, operational and project working.
- Broaden the organisations understanding of risk management by engaging with officers from across the Council, at all levels, on risk matters at both operational and strategic level.
- Provide assurance through reporting of risk management arrangements to the Audit Sub Committee.
- Provide Risk Management training.
- Manage risk in accordance with best practice and ensure compliance with statutory requirements.
- Review and monitor our partnerships management of risk.

## 4.0 RISK APPETITE STATEMENT (Pending development)

- 4.1 Risk appetite can be defined as the amount of risk an organisation is willing to take in pursuit of its objectives. A well-defined risk appetite means Elected Members and officers are clear about which risks are acceptable and which risks should be avoided. Risk appetite should be at the heart of how the Council delivers services and sets the tone for the risk culture of the Council.
- 4.2 Understanding and setting a clear risk appetite level is essential to achieving an effective risk management framework and should be done before how to treat risks can be considered.
- 4.3 Establishing and articulating the risk appetite level helps to ensure that consideration in the way the Council responds to risk is consistent and that there is a shared vision for managing risk. There are risks for which the Council is the custodian on behalf of the public and the environment, where risk appetite may be very low, and there may be risks with choices about investment in projects, research and delivery roles, where risk taking may be encouraged.
- 4.4 This overarching risk appetite statement sets out how the Council balances threats and opportunities in pursuit of achieving its objectives.
- 4.5 In determining the statement, it is recognised that risk appetite is subject to change and needs to flex in line with the organisation's strategic environment and business conditions; and as such the statement will be reviewed periodically, every two years.

### **Risk Tolerance and Risk Acceptance Levels**



## 5.0 RISK MANAGEMENT PROCESS

### 5.1 Identifying & Documenting Risks

The first stage of the Risk Management process is to identify risks which may prevent service/project/partnership delivery. For service related and project risk, this is best undertaken by engaging staff working in the area to ensure that all potential risks are captured for assessment. A detailed breakdown of other methods which can be used to identify risks are outlined below. Such risks will be recorded in the Operational Risk Register, if relating to business-as-usual activities within services, or within a dedicated project risk register.

Each Service within the Council will maintain its own Operational Risk Register, which is subject to review by relevant Heads of Service and all corporate projects will maintain a project risk register (see Appendix 1).

### 5.2 How to identify risks to be added to the risk register.

Risk is typically identified by employing a variety of methods, each aimed at effectively managing potential threats to their communities and operations. Here are some key strategies commonly used:

**1 Risk Assessments:** Councils regularly conduct risk assessments to identify potential risks in such areas as public safety, health, environmental impact and financial stability. These assessments help in determining the likelihood of an event occurring and its potential impact.

**2 Community Consultation:** Engaging with community members through surveys, public meetings, and feedback mechanisms allows us to gather insights about concerns and potential risks perceived by residents.

**3 Data Analysis:** Utilising data from various sources, such as crime statistics, health reports, and environment data, helps us to identify patterns and emerging risks. This approach often involves collaboration with other government agencies.

**4 Expert Consultation:** Consulting with experts in fields such as public health, urban planning, and environmental science can provide us with specialised knowledge.

**5 Monitoring Media and Social Media:** Media outlets and social media platforms can be valuable sources for identifying emerging issues and risks. We can use these tools to stay informed about what is happening locally and globally.

**6 Legislation and Regulatory Changes:** Keeping abreast of changes in laws and regulation helps us to anticipate risks associated with compliance or the need to alter existing policies.

**7 Technology and Innovation:** Adoption of new technologies can also introduce new risks, such as cyber security threats, which require ongoing vigilance and adaptation.

Through these methods, we aim to proactively manage and mitigate risks, ensuring that we can respond effectively to protect public interest and community well-being.

### **5.3 Assessing Risks**

The Council utilises a 4x4 risk matrix to assess the impact and likelihood of risks in accordance with internationally recognised methods of risk assessment. Appendix 1 provides further detail on how impact and likelihood scores are defined and scored for risks. All risks are assessed twice. The first assessment involves a calculation of an overall inherent score, essentially evaluating the risk before controls in place to either minimise the threat are applied. The second assessment takes place after the control's environment has been evaluated and is referred to in 5.4 below.

The direction of travel of the mitigated risk will be recorded to show whether the risk trend is increasing, decreasing, or remaining the same.

### **5.4 Evaluating the Control Environment**

After the inherent risk score has been calculated the control environment in place in the area being assessed is evaluated to determine the extent to which risk scores are reduced by controls in place. The calculated residual score is then compared to the Risk Tolerance level to determine whether any further action is required to reduce the score (see 5.5 below).

### **5.5 Responding to Risks**

In preparing its Risk Appetite statement the Council has established Risk Tolerance and Risk Acceptance Levels to assist management in making decisions about actions necessary to minimise risk. Where the residual score of risks is above the Risk Tolerance Level, further action will need to be identified and detailed within an Action Plan for subsequent implementation and monitoring. Once the residual risk score is reduced to a level that is below the Tolerance Level no further additional actions are necessary. Where residual risk scores are determined to be below the Risk Acceptance level, those responsible for assessing the risk, may (in agreement with their Head of Service) remove it from their Operational Risk Register.

### **5.6 Monitoring Management of Risks**

All Risk Registers are reviewed by the risk owners regularly, as a minimum on a quarterly basis to determine whether any amendments are required to existing risks for example, risk scores may need to be amended as a result of changes in circumstances and/or implementation of actions or a new risk(s) may have been identified and will need to be added to the Operational or Strategic Risk Register. If a risk is no longer deemed a risk this should be discussed with the Executive Director in the first instance and recommended for removal from the risk register to the Risk Management Group and Leadership Team.

### **5.7 Reporting Arrangements**

Operational Risk Registers are reviewed and updated on a quarterly basis (as a minimum) by Heads of Service and will form part of the discussion with the relevant

Executive Director during service performance 121 discussions and/or direct management team. Minutes will be taken to reflect discussion and changes to risks. All risks with a mitigated risk score of 8 or above in the Operational Risk Registers will be escalated to the Risk Management Group for review and consideration in respect of whether the risk should be added to the Strategic Risk Register.

The Strategic Risk Register is reviewed on a quarterly basis by the Risk Management Group (RMG) who then report their recommendations to the Leadership Team who make the final decision. Following this review, a Risk Management Quarterly Report is prepared and submitted to the Finance & Management Committee.

## 6.0 OWNERSHIP AND ACCOUNTABILITY

To support effective governance and decision-making at each level, the roles and responsibilities for risk management are clarified and defined below

### **Full Council.**

Sets the Council Plan and Governance Arrangements, etc.

### **Audit Sub Committee.**

Monitor and review the Council's Governance arrangements, this Committee considers the Council's Risk Management **process** as detailed in this document.

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

### **Finance and Management Committee**

To oversee and co-ordinate the Council's approach to Risk Management.

**Risk Management Group (cross organisational officer group)** - On behalf of the Leadership Team:

- To consider operational risks which have been escalated as 'significant risks' and provide recommendation to the Leadership Team for inclusion of the risk in the Strategic Risk Register.
- Review the Strategic Risk Register each quarter and provide recommendations to the Leadership Team for review and sign off (by the Leadership Team)
- Makes recommendations for the assessment of risk and timing and nature of mitigating actions.
- Promote risk management best practice.

- Challenge specific officers responsible for taking action to manage risks.

### **Leadership Team**

- Overall ownership of the risk management process and endorsement of the strategic direction of risk management.
- Ensure that there are clear accountabilities for managing risks and that managers are equipped with the relevant skills and guidance to perform their assigned roles effectively and efficiently.
- Overall responsibility for maintaining and reviewing the Strategic Risk Register.
- Overall responsibility for agreeing if an operational/project/partnership risk should be added to the Strategic Risk Register.
- Challenges (and holds accountable) specific officers responsible for taking action to manage risks.
- Ensures Partnership boards make appropriate provision for risk management in their respective areas of control.
- Determine and continuously assess the nature and extent of the strategic risks that the Council is willing to take to achieve its objectives - its “risk appetite” - and ensure that planning and decision-making appropriately reflect this assessment.
- Incorporate risk management into Departmental Management Team agendas.
- Chair Risk Management Group meetings or nominate a suitable chair / risk champion.
- Ensure the allocation of appropriate resources for risk management, which can include, but is not limited to people, skills, experience and competence.
- Use horizon scanning to identify emerging sources of uncertainty, threats and trends.
- Agree the frequency and scope of its discussions on risk to review how management is responding to risks and how this is integrated with other matters including business planning and performance management processes.

### **All Heads of Service**

- Maintain the operational risk register for their service, ensure the register is maintained and up to date and escalate risks that are ‘significant’ for consideration to be added to the Strategic Risk Register on a quarterly basis.
- Ensure that mitigating actions are carried out and controls are in place to reduce risks, whilst identifying and enabling cost-effective strategies to be put in place to minimise the incidence of these.
- Maintain partnership risk register(s) for partners identified as ‘significant’ ensure the register is maintained and up to date and escalate risks that are ‘significant’ for consideration to be added to the Strategic Risk Register on a quarterly basis.
- Maintain project risk register(s) for projects that sit outside of the Digital and Customer Transformation Plan and ensure the register is kept up to date and escalate risks that are ‘significant’ for consideration to be added to the Strategic Risk Register on a quarterly basis.
- Contribute to the development of a risk management culture in their teams.
- Use horizon scanning to identify emerging sources of uncertainty, threats and trends.
- feedback on the effectiveness of the risk management process.

## **Line Managers**

- Contribute to the maintenance of a risk register for their service area.
- Share relevant information with colleagues.
- Feedback on effectiveness of the risk management process to their Heads of Services.
- Utilise risk management data to minimise unwanted incidents and outcomes at operational level.
- Ensure staff have the appropriate skills to manage risk.

**Elected Members** - Understand the strategic risks faced by the Council. Oversee the effective management of these risks by officers. Ensure that risks have been considered in decision-making.

## **Internal Audit**

- Evaluating the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems.
- Assessing and making appropriate recommendations to improve the Council's governance processes for overseeing risk management and controls.

**External Audit** – as part of their annual Value for Money judgement, they review the Council's overall Governance arrangements as published in the Annual Governance Statement, which includes risk management.

**Executive Director (Resources and Transformation)** – Lead officer for the risk management process, demonstrating a commitment to managing risk.

- Executive Directors - Reviews Operational Risk Registers for their relevant service areas.
- Ensure reports to members seeking approval for decisions include appropriate reference to relevant risk management arrangements.

**Health and Safety** - Ensures the Council has appropriate arrangements in place to manage health and safety risk.

**Data Protection Officer** - Assists in the identification of areas of information risk; and • Co-ordinates all information management activity.

**Performance and Policy Officer** – Responsible for co-ordination of the risk management process, co-ordinating and preparing reports and providing advice and support.

## **All Employees**

- Liaise with their line manager to assess areas of risk and opportunity in their job.
- Identify new or changing risks in their job and feed these back to their line manager.
- Highlight any risk management issues or inadequacies with their job or department.
- Be aware of their accountability for ensuring that risks are adequately managed.
- Understand how they can make a positive contribution to the improvement of risk management practices.

## 7.0 REPORTING

No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues / processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk management process to both Elected Members and officers.

### Types of Report

- **The Strategic Risk Register** is reported to the Risk Management Group and Leadership Team on a quarterly basis.
- **Operational Risk Registers** are reported to the Executive Director and are reviewed regularly in 121s. The Operational Risk Register should be maintained and kept up to date, if a significant risk is identified and the Executive Director agrees, the risk should be escalated for consideration to the Strategic Risk Register on a quarterly basis. Significant risks identified in the Operational Risk Registers will be referred to the Risk Management Group for consideration for inclusion on the Strategic Risk Register. The Risk Management Group will submit their recommendations report to the Leadership Team each quarter.
- **Project Risk Registers** (projects that sit outside of the Digital and Customer Transformation Plan) are reported to the Executive Director and are reviewed regularly in 121s. The Project Risk Registers should be maintained and kept up to date, if a significant risk is identified and the Executive Director agrees, the risk should be escalated for consideration to the Strategic Risk Register.
- **Digital and Customer Transformation project risks** are reported through the project management process and reported to the Leadership Team.
- **Partnership Risk Registers** are maintained for 'high risk partnerships' see Appendix 2.
- The Strategic Risk Register is presented to Finance and Management Committee every quarter.
- An annual report review of the Risk Management Framework taking into account changes in methodology and results of internal and external reviews. Going to the Risk Management Group, Leadership Team and Audit Sub Committee.

## 8.0 RISK MANAGEMENT TRAINING

For the benefits of Risk Management to be realised, it is necessary for the process to be embedded in the culture and operations of the Council. To facilitate this, regular training will be included in the council's workforce development plans to ensure staff have the necessary knowledge and skills to effectively identify and manage risk. Initial emphasis will be placed on the provision of training to the Leadership and Management Teams, with further training to be rolled out where this is considered necessary.

## 9.0 LINKS

Risk management cannot operate in isolation to other management processes. To fully

embed a risk management culture, it must be demonstrated that risk is considered and influences all decisions that the Council makes. It is essential that there is a defined link between the results of managing risk and the following:

- The Council Plan
- Service Plans
- Developing risk management links with key partners and contractors, to ensure that principles are adopted in all areas of service delivery.

## 10.0 PARTNERSHIPS AND CONTRACTORS

Partnership working plays an important role in the way the Council delivers key outcomes or important services. The focus for many public, private, voluntary and community organisations has been on the opportunities offered by partnership or joint working arrangements.

Partnership working presents the authority with governance and accountability challenges which needs to be managed. Guidance on Risk Management with Partnerships is outlined in **Appendix 2**.

The Councils significant partnerships are detailed in the Councils operational Service Plans which are reviewed and published annually.

## 11.0 REVIEW

The Risk Management Framework will be reviewed on an annual basis.

**APPENDIX 1 RISK REGISTER TEMPLATE**

REF	RISK TITLE & DESCRIPTION	RISK CAUSE	RISK IMPACT	Inherent Risk Rating (See table below for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	Mitigated Risk Rating			FURTHER ACTION REQUIRED	SUMMARY OF CHANGE SINCE LAST QUARTER	RISK OWNER	DIRECTION OF TRAVEL OF MITIGATED RISK SCORE
				LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING				
							•				•			



## RISK IMPACT AND LIKELIHOOD DEFINITIONS

The table below outlines how the impact and likelihood of the risk is scored using the threshold and description as guidance.

<b>Impact</b>	<b>Very High (4)</b>	4	8	12	16	<table border="1"> <tr> <td>12-16</td> <td rowspan="3"><b>Significant Risk</b></td> </tr> <tr> <td>6-9</td> <td><b>Medium Risk</b></td> </tr> <tr> <td>1 - 4</td> <td><b>Low Risk</b></td> </tr> </table>	12-16	<b>Significant Risk</b>	6-9	<b>Medium Risk</b>	1 - 4	<b>Low Risk</b>
	12-16	<b>Significant Risk</b>										
	6-9		<b>Medium Risk</b>									
	1 - 4		<b>Low Risk</b>									
<b>High (3)</b>	3	6	9	12								
<b>Medium (2)</b>	2	4	6	8								
<b>Low (1)</b>	1	2	3	4								
		<b>Remote (1)</b>	<b>Possible (2)</b>	<b>Probable (3)</b>	<b>Highly Probable (4)</b>							
		<b>Likelihood</b>										

<b>Impact</b>	<b>Thresholds and Description</b>
1 – Low	Limited impact on service objectives if any, section objectives unlikely to be met, financial loss less than £10,000, no media attention
2 – Medium	Slight delay in achievement of service objectives, minor injuries, financial loss over £50,000, adverse local media attention, breaches of local procedures
3 – High	Significant threat to Council objectives. Non-statutory duties not achieved, permanent injury, financial loss over £100,000, negative national media attention, litigation expected, serious issues raised through inspection, breakdown of confidence of partners.
4 – Very high	Objectives cannot be delivered. Statutory duties not achieved, death, financial loss over £500,000, adverse national media attention, litigation almost certain, prosecutions, breaches of law, inspection highlights inadequate service, Council unable to work with partner organisation
<b>Likelihood</b>	<b>Thresholds and Description</b>
1 – Remote	May occur only in exceptional circumstances (e.g. once in 10 years)

2 – Possible	Unlikely to occur but could at some time (e.g. once in three years)
3 – Probable (in two years)	Fairly likely to occur at some time or under certain circumstances (e.g. once in two years)
4 – Highly probable (in 12 months)	Will probably occur at some time or in most circumstances (e.g. once in 12 months)

## Risk Matrix

The below table summarises the risk likelihood and impact for risks after controls have been put in place to mitigate the risk.

<b>Impact</b>	<b>Very High (4)</b>				
	<b>High (3)</b>				
	<b>Medium (2)</b>				<b>CR1 Universal Credit</b>
	<b>Low (1)</b>				
		<b>Remote (1)</b>	<b>Possible (2)</b>	<b>Probable (3)</b>	<b>Highly Probable (4)</b>
		<b>Likelihood</b>			

1 Universal Credit      The implementation of Universal Credit could have an impact on resources in Benefits and Customer Services.

## Use of a RAG System

The Risk Register includes the **'inherent risk rating'** the level of risk in place before actions are taken to alter the risk's impact or likelihood and the **'mitigated risk rating'** is the remaining risk level following the development and implementation of the actions.

The Risk Register will capture all controls (actions) that have been put in place to mitigate the risk, whilst the likelihood of the risk may remain the same the level of impact should reduce. The **'mitigated risk rating'** will be reviewed every quarter by the risk owner.

Risks are rated, scored and classed as **Red**, **Amber**, or **Green**. The Risk Matrix Table in Appendix 1 outlines the scoring of impact and likelihood of the risk using the threshold and description as guidance.

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

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

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

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

## APPENDIX 2 GUIDE TO RISK MANAGEMENT WITH PARTNERSHIPS

There are many definitions as to what constitutes a ‘partnership’. For the purposes of this guide a key partnership is defined as:

***“An agreement between two or more independent bodies to work collectively to achieve a common objective.”***

and typically partner may comprise of one or more of the following criteria:

- are independent of the Council i.e. another public sector body, voluntary organisation etc.
- agree to co-operate to achieve a common goal or shared objective(s)
- plan and implement a jointly agreed programme, often with staff or resources provided jointly.
- pool resources and rewards.
- work collaboratively with other authorities.
- may receive a grant to provide a service on behalf of the Council.

What is not a Partnership? The above definition should exclude the following:

- where the Council is consulting partners but ultimately has direct control over budgets or decision making
- consultation groups set up to discuss or consider specific topics.
- appointments and/or financial commitments to outside bodies where the Council has no strategic or policy function.
- private finance initiatives and other commercial agreements, or contracts where the Council is paying other organisations to deliver a service or goods and vice versa.
- joint ventures will developers

## ASSESSING THE SCALE OF YOUR PARTNERSHIP

It is recommended all key partnerships outlined in the Council’s Service Plans undergo the assessment to determine if the partnership is high or low risk. A record of this assessment should be retained by the Head of Service for audit purposes.

A crucial first step in the way the Council manages risk in partnerships is an initial assessment to decide what scale of partnership you are dealing with. This assessment process should be completed at the earliest possible stage of a partnership.

The process uses five criteria relating to financial commitment, impact on the Council’s key aims, procurement complexity, organisational impact and legal requirement.

The process is simple and enables us to identify a partnership as **high** or **low** risk and therefore decide on the level of risk management application required.

From a risk management perspective, it is not necessary to devote the same amount of resources and attention to every partnership. The scale of the partnership will determine the level of input required. Once you have completed this process you should then be able to determine if the partnership is “High” or “Low” risk. Clearly the higher the risk the

more risk management activity is required.

Looking at the table below, under each 'impact evaluation' heading find the statement that best matches your partnership. Each statement is assigned a score of 1 to 4 according to the column it sits in.

**If during this process your partnership fits into any one red box, then it will be deemed as **high** risk and therefore you should refer to Appendix B.**

If none of the statements in red boxes apply to your partnership, calculate the total value of your partnership by adding together the scores of the statements you have selected for each of the evaluation statements.

IMPACT EVALUATION	SCORE			
	1	2	3	4
<b>Estimated SDDC Financial Commitment</b> What is the estimated SDDC financial commitment for the partnership? This should include capital investment required, resource costs, staff costs, equipment costs etc.	Up to £10K	Over £50K	Over £100K	Over £500K
<b>Contribution to corporate key aims</b> Will this partnership make a significant contribution to the achievement of any of SDDCs key aims	No contribution	Linked to other work that contributes to a corporate key aim	Partial contribution to a corporate key aim	Significant contribution to 1 or more corporate key aim
<b>Organisational impact</b> What impact will your partnership have on the way the organisation works? (Change to business processes, staff redeployment etc.)	None or very minimal	Some new business processes and possibly some retraining	Significant restructure of processes and work areas	Transfer of staff or outsourcing
<b>Contribution to delivery of external policy or legislation</b> Is this partnership required to meet the specific requirements laid out in a piece of legislation, mandatory central government policy directive or Audit Commission recommendation?	No contribution	Contributes to other work that is delivering policy or legislation	Direct links to policy or legislation	Fundamental to achievement of policy or legislation
<b>Procurement complexity</b> Does your partnership involve the purchase of any service or other goods that will require a procurement contract? If so, what level of risk is attached to the contract?	No contracts involved	Low risk contract	Medium risk contract	High risk contract

**5-9 Points**  
**Low Risk**  
**Go to Appendix A**

**10-20 Points**  
**High Risk**  
**Go to Appendix B**

## APPENDIX A

### LOW RISK PARTNERSHIPS

If your partnership has been assessed as low risk, then there is no need to go through a detailed risk management process. There is still however a need for robust management of the partnership and provided that you are able to answer yes to the questions in the checklist below the risks should be under control.

- Is there a clear business need for the partnership?
- Is a partnership approach the best way to achieve our objectives?
- Is there a written partnership agreement?
- Are there clear aims and objectives set out?
- Is there a clear governance structure in place?
- Are there clearly defined roles and responsibilities set out?
- Are there clear lines of accountability set out?
- Is there a clear means of controlling finance?
- Has a means of identifying performance been agreed and defined?
- Is a regular operational meeting held to review performance and jointly identify risks and agreed control measures?
- Has a clear exit strategy been agreed?
- Is there a secondary/back up plan in place should the partnership fail?

If you are unable to answer yes to these questions, then the partnership could be at risk. You therefore need to take action to ensure a positive answer.

## APPENDIX B

### HIGH RISK PARTNERSHIPS

If you have assessed your partnership as high risk, then you should adhere to the guidance in this appendix.

You will need to gain the agreement of the partner to work to the Council's Risk Management Framework and follow the 'risk management process guidance' as outlined in the framework – identify, assess, treat, monitor and report. The Council will work with the partner to jointly identify any risks and agree appropriate actions to mitigate against the risk. It is recommended the risk register template and accompanying matrix (**Appendix 1**) is adopted with the partner to support the management and review of risks.

The owner of the relationship with the partner (Head of Service or Director) will update the appropriate Council Risk Register (Chief Executive, Corporate, Service Delivery) to indicate that the partnership is under risk management review. The 'risk category' should be selected to ensure transparency.

Risk Management will not happen unless it is properly resourced. This includes the provision of people, time and in some cases finance to make it happen. You should create a plan for managing risk. The plan will describe how risk will be addressed in the partnership. It will set out the agreed framework for who will lead, who will be involved, responsibilities and accountabilities, in addition to establishing the frequency of risk monitoring. The idea is to ensure that risk is considered as an integral part of the

partnership management. Resources for the management of risk should be agreed at the outset





<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 11</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: DELEGATED or RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>HAYLEY CLARK, EY LLP <a href="mailto:HClark3@uk.ey.com">HClark3@uk.ey.com</a></b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>AUDIT PROGRESS UPDATE</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

## **1.0 Recommendations**

1.1 That the Sub-Committee note the report attached as Appendix 1

## **2.0 Purpose of the Report**

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

## **3.0 Introduction**

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

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

## **4.0 Financial Implications**

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

## **5.0 Corporate Implications**

### **Employment Implications**

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

### **Legal Implications**

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

### **Corporate Plan Implications**

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

## **Risk Impact**

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

## **7.0 Community Impact**

### **Consultation**

7.1 There are no consultation matters to be considered.

### **Equality and Diversity Impact**

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

### **Social Value Impact**

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

### **Environmental Sustainability**

7.4 There are no environmental sustainability matters to be considered.

## **8.0 Background papers**

8.1 Interim Value for Money report, [Audit Sub-Committee 6 March 2024](#)

## **South Derbyshire District Council**

### **Audit progress update**

**6 June 2024**

#### **Overview**

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

Following the update paper reported in March 2024, we held catch-up meetings with section 151 officer where additional matters were brought to our attention.

Our work remains in progress at this time, and we will seek to finalise our reporting to management and the committee at a later date once our procedures have been concluded. We have included a summary of the previous Value for Money related matters in appendix 1 to this report.

#### **Value for Money progress update**

As previously reported, we identified one significant weakness that will result in exception reporting in our audit opinion related to budget setting (please see appendix 1). We also identified three other areas, which whilst they did not result in significant weaknesses, they did result in recommendations for the Council.

Since our March 2024 report management have informed us of two further matters relating procurement and compliance with Housing Consumer Standards for Social Housing. We have included a summary of the matters below and their impact on our reporting where relevant.

#### **1. Procurement Service arrangement**

During our Value for Money review we have considered the limited assurance report issued by Internal Audit as part of the 2022/23 Internal Audit Plan on procurement, specifically *'the arrangements in place for the Council to monitor the delivery and performance of the contract for Procurement Services, and that the contract was being delivered by the Procurement Service Provider in accordance with contractual requirements'*.

The Internal Audit report identified 4 recommendations being, 1 low risk, 2 moderate risk and 1 significant risk. The significant risk finding identified that *'It could not be demonstrated that the contract with the Procurement Service Provider provided an effective procurement function which sought genuine competition'*. The two moderate risk findings related to a lack of KPI monitoring and progress reporting, with satisfaction levels being below the 80% required by the contract with the Procurement Service Provider.

Internal audit recommended that the Council needed to consider a more competitive approach in procuring council services.

One of the actions by management linked to the above and the Council's procurement contract evaluation and renewal process, was that the Council appointed an interim Procurement Lead to evaluate the procurement processes of Council.

As part of a routine procurement spend analysis the Council identified that the process of acquiring temporary staff through agency arrangements have not followed the Council's preferred procurement framework for Temporary Resourcing. This has resulted in non-compliance over a 5-year period from 2019 to 2024 with initial reporting identifying that the associated spend is material over this period and on an annual basis.

Management is continuing to investigate the matter along with considering if there are any further instances of non-compliance.

However, we have evaluated the Council's arrangement against the guidelines of Auditor Guidance Note 3 (AGN 03) - Auditors' Work on Value for Money (VfM) Arrangements, and consider the above matters related to procurement to be a significant weakness in the arrangements in place for the 2021/22 and 2022/23 financial years; specifically, improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services - where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Based on the recently identified non-compliance related to the agency services; we conclude that the Council has significant weakness in arrangement related to the commissioning of temporary staff from years 2019-2024 and will be included in the VfM conclusion for 2021/22 and 2022/23.

#### Management response

The auditors' findings are accepted. This matter was identified by additional resource employed because of Leadership Team review of the current arrangements for procurement and additional resource agreed as part of setting the 2024/25 budget. The issue has been reported within the Annual Governance Statement for 2023/24. Since identifying the issue, an action plan has been developed and is currently being implemented to ensure that future temporary staffing arrangements are commissioned via the Council's preferred framework route or where necessary, other routes that are compliant with the Public Contract Regulations 2015 and that live temporary staffing arrangements that are not compliant, are exited appropriately. The Internal Auditor has also been engaged to undertake a review of this position and a wider spend analysis review.

## **2. Housing Services review**

Management informed us that a self-referral to the Social Housing Regulator was made in April 2024 due to non-compliance with the Housing Consumer Standards that became effective from 1 April 2024.

The White Paper was published in 2020 and therefore provided the Council with sufficient time to plan to ensure that the Council was compliant with the new standards by 1 April 2024.

This constitutes non-compliance with laws and regulations, however, from a value for money perspective we note that our reporting on the Council's arrangements for those years covers 2021/22 and 2022/23. We note the non-compliance and bring it to the attention of Those Charged with Governance, but do not consider this to be a significant weakness in arrangements for 2021/22 and 2022/23 given the timing of when the Housing Consumer Standards came into effect.

We do note that the Council has had time to prepare for meeting the requirements of the Standards and therefore recommend that the Council assure themselves as to why non-compliance was not identified sooner so that it could be rectified before the Standards coming into effect, and where that was not achievable why the non-compliance was not identified flagged to the Social Housing Regulator in advance.

#### Management response

The auditors' findings are accepted. This matter was identified by the Leadership Team and reported to Those Charged with Governance at the earliest opportunity when the full information was understood. Council resolved to request a 12-month extension from the regulator to meet the standards and to form a Housing Services Working Group to develop a Performance Improvement Plan. At the time of writing, dialogue with the Social Housing Regulator has commenced. The issue has been reported within the Annual Governance Statement for 2023/24. We have also referred the matter to our Internal Auditor and have engaged them to undertake a review of our governance arrangements with a view to identifying improvements in our arrangements to identify and mitigate any occurrences of non-compliance with laws and regulations, should they arise in the future.

#### **Further actions required**

As a result of our findings to date we have discussed with management the need to update the Annual Governance Statements for 2021/22 and 2022/23 to reflect the identified issues and weaknesses in arrangements in line with the requirements of the CIPFA Code of practice on local authority accounting in the United Kingdom.

We are continuing to finalise our audit procedures and are considering what additional work is required to ensure that the risk of further significant weaknesses has been addressed. This includes ensuring that the Annual Governance Statements for 2021/22 and 2022/23 are compliant with the CIPFA Code of practice on local authority accounting in the United Kingdom and associated guidance.

## Appendix 1 – Previously reported matters in the March committee meeting

As reminder to the committee the following will be considered in our final Value for Money report for South Derbyshire District Council but was reported to the committee at its meeting in March 2024.

### 1. Budget setting

During 2021/22 internal audit identified a significant risk finding where they concluded that *"The annual General Fund, Housing Revenue Account and Capital budgets were not formally received and approved by Full Council, as required by the Council's Constitution and to meet the requirements of the Local Government Act 2000"*.

This has also been included in the Annual Governance Statement for 2021/22, along with details of remedial action. Given that the approval of the budget is a statutory requirement of full council we consider this to be evidence of a significant weakness in relation to Governance- how the body ensures that it makes informed decisions and properly manages its risks, specifically related to how the body approaches and carries out its annual budget setting process.

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

The matter also constitutes non-compliance with laws and regulations.

#### Management response:

The auditors' findings, subject to further investigation, are accepted.

The 2024/25 budget setting has complied in full with the statutory requirements of the Local Government Act, with approvals at its meeting on 28 February 2024.

This has included separate decisions in relation to approval of the:

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

We are currently considering the position in previous years with the External Auditor. This includes the findings of the Auditor's Annual Report for the Year ended 31 March 2021,

which was issued in June 2023, which stated that the budget once completed was approved by Council.

## **2. Inspection period**

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

### Management response:

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

## **3. Risk management**

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

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

### Management response:

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

## **4. Medium Term Financial Planning Strategy**

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

### Management response:

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



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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 12</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>CHARLOTTE JACKSON</b> <a href="mailto:charlotte.jackson@south-derbyshire.gov.uk">charlotte.jackson@south-derbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>LOCAL CODE OF CORPORATE GOVERNANCE</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 04</b>

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## **1.0 Recommendations**

- 1.1 That the updated Local Code of Corporate Governance as detailed in Appendix 1 is approved.

## **2.0 Purpose of Report**

- 2.1 For the Committee to consider and approve the Local Code of Corporate Governance, which is a requirement of the Accounts and Audit Regulations.

## **3.0 Detail**

- 3.1 The Local Code of Corporate Governance describes the arrangements in place to ensure that the council conducts its business in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The local code aligns with the requirements of the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) joint guidance on corporate governance.
- 3.2 The Local Code for South Derbyshire District Council was last reviewed and updated in 2023, where a self-assessment was also undertaken. Typically, the code has been reviewed annually and updated in the Council's Constitution. Going forward, the Section 151 Officer will undertake an annual self-assessment of the Council's governance arrangements against the CIPFA/SOLACE framework as part of the Annual Governance Statement. The Local Code of Corporate Governance will only be reviewed where new or revised guidance deems it necessary to do so, otherwise the code will be maintained as core part of the Council's Constitution.
- 3.3 The revised Local Code of Corporate Governance is set out Appendix 1 for approval. Following approval by the Audit Sub-Committee the code will be made publicly available via publication in the Constitution, available on the Council's website.

#### **4.0 Financial Implications**

4.1 There are no financial implications arising directly from this report.

#### **5.0 Corporate Implications**

##### **Employment Implications**

5.1 None

##### **Legal Implications**

5.2 None

##### **Council Plan Implications**

5.3 There are no direct priorities identified in the Council Plan (2024 to 2028). However, “good governance” underpins everything that the Council carries out and ensuring a robust system of corporate governance is a key corporate indicator which demonstrates that the Council is operating on a sound basis.

##### **Risk Impact**

5.4 None directly.

#### **6.0 Community Implications**

##### **Consultation**

6.1 None required.

##### **Equality and Diversity Impact**

6.2 None

##### **Social Value Impact**

6.3 Not applicable

##### **Environmental Sustainability**

6.4 Not applicable

#### **7.0 Background Papers**

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

**South Derbyshire District Council**  
**Local Code of Corporate Governance**

**1 Introduction**

- 1.1 Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which the Council is accountable to, must engage with and where appropriate, lead their communities.<sup>1</sup>
- 1.2 The Chartered Institute of Public Finance and Accountancy in association with SOLACE have published a new Framework entitled 'Delivering Good Governance in Local Government 2016'. The document defines the principles that should underpin the governance of each local government organisation and forms the basis of our Local Code of Corporate Governance.

**2 Commitment**

- 2.1 By adopting this Local Code of Corporate Governance, South Derbyshire District Council commits to the CIPFA/SOLACE Joint Working Group Guidance and Framework entitled 'Delivering Good Governance in Local Government'.
- 2.2 In doing South Derbyshire District Council will:
- Accept the six core principles set out in section 3 below as the basis for our Corporate Governance arrangements.
  - Publish an Annual Governance Assurance Statement with the Council's Statement of Accounts.
  - Draw up Action Plans of improvements to our corporate governance arrangements, such plans to be monitored by the Audit and Governance Committee.

**3 Fundamental principles of good corporate governance**

- 3.1 Set out in this document is the Council's Local Code of Corporate Governance which is based on the seven core principles adopted for local government from the report of the Independent Commission on Good Governance in Public Services.

The seven principles are:

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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<sup>1</sup> CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2015

## Appendix 1

Principle B – Ensuring openness and comprehensive stakeholder engagement

Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Principle F – Managing risks and performance through robust internal control and strong public financial management

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

**Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Council is committed to:

**Behaving with Integrity**

- Ensuring members and officers behave with integrity and lead as a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
- Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (The Nolan Principles).
- Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.

**Demonstrating strong commitment and ethical values**

- Seeking to establish, monitor and maintain the organisation's ethical standards and performance
- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation

**Respecting the rule of law**

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations
- Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders
- Dealing with breaches of legal and regulatory provisions effectively
- Ensuring corruption and misuse of power are dealt with effectively

## **Principle B – Ensuring openness and comprehensive stakeholder engagement**

The Council is committed to:

### **Openness**

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action

### **Engaging comprehensively with institutional stakeholders**

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring that partnerships are based on: trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit

### **Engaging stakeholders effectively, including individual citizens and service users**

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
- Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the interests of future generations of tax payers and service users

**Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The Council is committed to:

<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"><li>• Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions</li><li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li><li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li><li>• Identifying and managing risks to the achievement of outcomes</li><li>• Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available</li></ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"><li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</li><li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints</li><li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li><li>• Ensuring fair access to services</li></ul>
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<sup>1</sup> CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2015

## **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

The Council is committed to:

### **Determining interventions**

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts

### **Planning interventions**

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
- Considering and monitoring risks facing each partner when working collaboratively including shared risks
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances
- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured
- Ensuring capacity exists to generate the information required to review service quality regularly
- Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

### **Optimising achievement of intended outcomes**

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage
- Ensuring the achievement of 'social value' through service planning and commissioning.



## **Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

The Council is committed to:

### **Developing the entity’s capacity**

- Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently
- Recognising the benefits of partnerships and collaborative working where added value can be achieved
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

### **Developing the capability of the entity’s leadership and other individuals**

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority
- Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
  - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
  - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
  - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and
- Ensuring that there are structures in place to encourage public participation
- Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- Holding staff to account through regular performance reviews which take account of training or development needs Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

## **Principle F – Managing risks and performance through robust internal control and strong public financial management**

The Council is committed to:

### **Managing risk**

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
- Ensuring that responsibilities for managing individual risks are clearly allocated

### **Managing performance**

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook
- Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements )

### **Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving the objectives
- Evaluating and monitoring the authority's risk management and internal control on a regular basis
- Ensuring effective counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon

**Managing Data**

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

**Strong public financial management**

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

## **Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

The Council is committed to:

### **Implementing good practice in transparency**

- Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand

### **Implementing good practice in reporting**

- Reporting at least annually on performance, value for money and the stewardship of its resources
- Ensuring members and senior management own the results
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)
- Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations

### **Assurance and effective accountability**

- Ensuring that recommendations for corrective action made by external audit are acted upon
- Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations
- Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement
- Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met

**4 Revisions of this Local Code of Corporate Governance**

4.1 The contents of this Local Code will be reviewed when necessary.

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<b>REPORT TO:</b>	<b>AUDIT SUB-COMMITTEE</b>	<b>AGENDA ITEM: 13</b>
<b>DATE OF MEETING:</b>	<b>19 JUNE 2024</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION</b>	<b>OPEN</b>
<b>MEMBERS’ CONTACT POINT:</b>	<b>TRACY BINGHAM (01283 595811)</b> <a href="mailto:tracy.bingham@southderbyshire.gov.uk">tracy.bingham@southderbyshire.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>COMMITTEE WORK PROGRAMME</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: G</b>

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## **1.0 Recommendations**

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

## **2.0 Purpose of Report**

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

## **3.0 Detail**

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

## **4.0 Financial Implications**

4.1 None arising directly from this report.

## **5.0 Background Papers**

5.1 Work Programme.

**Audit Sub-Committee  
Work Programme for the Municipal Year 2024/25**

<b>Work Programme Area</b>	<b>Date of Committee Meeting</b>	<b>Contact Officer (Contact details)</b>
Internal Audit Annual Report 2023-24	19 June 2024	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Internal Audit Progress Report 2024/25	19 June 2024	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Annual Governance Statement 2023/24	19 June 2024	Tracy Bingham Executive Director – Resources and Transformation <a href="mailto:Tracy.bingham@southderbyshire.gov.uk">Tracy.bingham@southderbyshire.gov.uk</a>
Audit Sub-Committee Self-Assessment against CIPFA Guidance	19 June 2024	Charlotte Jackson Head of Finance and Performance <a href="mailto:Charlotte.jackson@southdernityshire.gov.uk">Charlotte.jackson@southdernityshire.gov.uk</a>
Risk Management Framework	19 June 2024	Clare Booth <a href="mailto:Clare.booth@southdernityshire.gov.uk">Clare.booth@southdernityshire.gov.uk</a>
External Audit Progress Report 2021/22 and 2022/23	19 June 2024	Hayley Clark, Audit Partner EY LLP <a href="mailto:HClark3@uk.ey.com">HClark3@uk.ey.com</a>
Internal Audit Progress Report 2024-25	04 September 2024	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
External Audit Progress Report 2021/22 and 2022/23 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	04 September 2024	Hayley Clark, Audit Partner EY LLP <a href="mailto:HClark3@uk.ey.com">HClark3@uk.ey.com</a>
External Audit Plan 2023/24 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	16 October 2024	Mark Surridge, Partner, Mazars LLP <a href="mailto:mark.surridge@mazars.co.uk">mark.surridge@mazars.co.uk</a>

**Annexe A**

Accounting Policies and Materiality 2024/25	05 March 2025	Charlotte Jackson Head of Finance and Performance <a href="mailto:Charlotte.jackson@southderbyshire.gov.uk">Charlotte.jackson@southderbyshire.gov.uk</a>
Internal Audit Progress Report 2024-25	04 December 2024	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
External Audit Progress Report 2023/24 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	04 December 2024	Mark Surrige, Partner, Mazars LLP <a href="mailto:mark.surrige@mazars.co.uk">mark.surrige@mazars.co.uk</a>
External Audit Progress Report 2023/24 <i>*This item may be rescheduled as is subject to the audit backlog timetable</i>	05 March 2025	Mark Surrige, Partner, Mazars LLP <a href="mailto:mark.surrige@mazars.co.uk">mark.surrige@mazars.co.uk</a>
Internal Audit Progress Report 2024-25	05 March 2025	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>
Internal Audit Plan 2025-26 and Audit Charter	05 March 2025	<a href="mailto:Adrian.manifold@centralmidlandsaudit.co.uk">Adrian.manifold@centralmidlandsaudit.co.uk</a>