CHESTERFIELD
BOROUGH COUNCIL

Please ask for Brian Offiler
Direct Line: 01246 345229
Email committee.services@chesterfield.gov.uk

The Chair and Members of Standards
and Audit Committee

17 May 2017

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 24 MAY 2017 at 2.30 pm in Committee Room 2, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1.   Declarations of Members' and Officers' Interests relating to Items on the Agenda

2.   Apologies for Absence

3.   Minutes (Pages 3 - 10)

Minutes of the Meeting of the Standards and Audit Committee held on 5 April, 2017.

4.   Internal Audit Consortium Annual Report 2016/2017 (Pages 11 - 42)

5.   Review of Code of Corporate Governance and the Annual Governance Statement (Pages 43 - 124)

6.   Progress Reports on Outstanding Internal Audit Recommendations (Pages 125 - 134)

7.   Local Government Act 1972 - Exclusion of Public

     To move "That under Section 100(A)(4) of the Local Government Act 1972
     the public be excluded from the meeting for the following item of business
     on the grounds that it involves the likely disclosure of exempt information as
     defined in Paragraph 3 of Part 1 of Schedule 12A of the Act".

8.   Summary of Internal Audit Reports Issued 2016/17 - May 2017 (Pages
     135 - 200)

                              Yours sincerely,

     Local Government and Regulatory Law Manager and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE

Wednesday, 5th April, 2017

Present:-

Councillor Rayner (Chair)

Councillors   A Diouf   Councillors   Brown
                  Derbyshire   Hollingworth
                  Caulfield   Brown

*Matters dealt with under the Delegation Scheme

42   **DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

43   **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor Tidd.

44   **MINUTES**

RESOLVED -

That the minutes of the Standards and Audit Committee meeting held on 8 February, 2017 be approved as a true record.

45   **EXTERNAL AUDIT PLAN 2016-17**

Kay Meats of KPMG presented a report for Members to consider the External Audit Plan for 2016/17.

The plan outlined how the External Auditor (KPMG) proposed to undertake the audit of the financial statements and the value for money conclusion for 2016/17.

The plan identified potential changes in the pension liability due to the triennial revaluation of the Local Government Pension Scheme as a

significant risk requiring specific audit attention within the audit of the financial statements and financial resilience as a significant risk on the value for money work.

The plan identified that any uncorrected individual omissions or misstatements of £55,000 or above would be reported to the Standards and Audit Committee.

The planned audit fee for 2016/17 of £52,445 had not changed since being presented in April 2016, although variations may be required, subject to consultation with the Director of Finance and Resources and in accordance with Public Sector Audit Appointments requirements in respect of the disclosures associated with retrospective restatement of the Comprehensive Income and Expenditure Statement (CIES), the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS). It was noted that any such additional costs were expected to be relatively small.

*RESOLVED –

That the External Audit Plan for 2016/17 be received.

46   EXTERNAL AUDIT PROGRESS REPORT - APRIL 2017

Kay Meats of KPMG presented the external audit progress report and technical update.

The external auditor had undertaken an interim audit visit in March 2017, from which there were no matters to be reported to the Committee. Work was continuing on the Value for Money (VFM) conclusion. The year-end audit visit had been arranged for July 2017.

*RESOLVED –

That the External Audit Progress Report and Technical Update be noted.

47   INTERNAL AUDIT PLAN 2017-18

The Internal Audit Consortium Manager presented a report for Members to consider and agree the Internal Audit Plan for 2017/18.

The detailed plan for 2017/18 was attached at Appendix 2 to the report and had been prepared in consultation with the Senior Leadership Team and the Corporate Management Team, taking into account the following factors:

- The Council's objectives and priorities;
- Local and national issues and risks;
- The requirement to produce an annual internal audit opinion;
- The Council's assurance framework;
- An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit;
- The Council's strategic risk register;
- The views of the Corporate Management Team.

The plan outlined the assignments to be carried out during 2017/18, their respective priorities and the estimated resources needed. The plan allocated 560 days to Chesterfield Borough Council for 2017/18, which was the same allocation as in the previous two years.

A copy of the audit plan was being provided to the Council's external auditor to facilitate co-ordination of work programmes.

In response to questions from Members, it was confirmed that the waste management contract was not included on the plan for 2017/18 as this would be reviewed in 2018/19 following the procurement process for a new contract.

*RESOLVED –

That the Internal Audit Plan for 2017/18 be agreed.

48   **OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS**

Pursuant to Minute No. 16 (Standards and Audit Committee 2016/17), the Internal Audit Consortium Manager presented a report to inform Members of outstanding internal audit recommendations and the progress being made to implement them.

The implementation of audit recommendations was being monitored by the Corporate Leadership Team on a regular basis with a commitment to pro-actively ensuring that recommendations were implemented as agreed where possible.

A summary of outstanding internal audit recommendations as at the beginning of March 2017 relating to the 2014/15, 2015/16 and 2016/17 financial years was attached at Appendix A to the report.

It was noted that there were now fewer outstanding recommendations than previously, and that the Internal Audit Plan for 2017/18 included time to revisit those areas with the majority of outstanding recommendations, i.e. procurement, data protection, non-housing property repairs, crematorium, Queen's Park Sports Centre, section 106, IT network security and health and safety.

Arising from Members' questions it was confirmed that a 10 year maintenance plan was being developed with Kier for the Council's non-housing properties. Officers agreed to provide further information to Members of the Committee on the other work and delays impacting the report on the non-housing properties condition surveys and the publishing of the contracts register.

It was suggested that progress be reported to the next meeting of the Committee on the outstanding recommendations relating to non-housing property repairs and health and safety, and that the Customer, Commissioning & Change Manager be requested to attend the next meeting to report progress on the outstanding recommendations in respect of IT security, procurement, data protection and FOI procedures.

* RESOLVED –

(1)   That the report be noted.

(2)   That the Customer, Commissioning & Change Manager be requested to attend the next meeting of the Committee to report progress on the outstanding recommendations in respect of IT security, procurement, data protection and FOI procedures, and that progress also be reported to the next meeting on the outstanding recommendations relating to non-housing property repairs and health and safety.

(3)   That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in September, 2017.

49 **PROGRESS REPORT ON IMPLEMENTATION OF AUDIT REPORT RECOMMENDATIONS ON HEALTH AND SAFETY**

Pursuant to Minute No. 39 (Standards and Audit Committee 2016/17), the Health and Wellbeing Manager presented the updated implementation schedule in respect of the health and safety internal audit report.

It was noted that a prioritised plan to review current health and safety policies, including streamlining and consolidation of guidance documents, would be submitted to the Health and Safety Committee later in April.

Generic health and safety training was now available via the online Learning Pool resource and a report on a further review of training needs would be considered by the Health and Safety Committee in April.

Options to enable sufficient resource within the service to address existing urgent and priority issues, including health and safety audits would be considered by the Senior Leadership Team later in April.

The majority of corporately occupied Council owned non-domestic premises had been surveyed to assess for asbestos and surveys of the commercially let premises would commence later in April.

A task and finish group to review the policies, processes and arrangements for contractor assessment and management had been established with an initial meeting in April.

As part of the budget setting for 2017/18 the centralised training budget would cover health and safety training.

Arising from Members' comments and questions the following points were raised:

- The online Learning Pool resource would be able to identify when refresher training was due (for generic training) and record when training had been completed;

- It was the responsibility of Corporate Management Team members to identify and arrange training specific to their particular service areas;

- It was important that policies and guidance were 'user-friendly';

- Health and safety induction training included generic manual handling principles, with more specific manual handling training available for particular groups. The Health and Wellbeing Manager agreed to check the arrangements in place for Careline staff, including whether the countywide manual handling package for care staff would be appropriate;

It was noted that further progress on the implementation of the recommendations on the health and safety audit had been requested to be provided to the next meeting of the Committee (Minute No. 48 above).

* RESOLVED –

(1)   That the report be noted.

(2)   That further progress on the implementation of the recommendations on the health and safety audit be provided to the next meeting of the Committee.

50   DERBYSHIRE AUDIT FORUM

The Internal Audit Consortium Manager presented a report informing Members of the establishment of the Derbyshire Audit Forum Group by KPMG.

The Group had been established in January 2017 for Audit Committee Members, Finance Heads and Heads of Audit from various sectors including the County Council, District Councils, hospitals and colleges to share best practice ideas and discuss current topics.

The Chair of the Standards and Audit Committee and the Internal Audit Consortium Manager had attended the initial meeting, and the slides and presentations on effective audit committees from the meeting were attached as appendices to the report. It had been agreed that the Group would meet every six months.

Arising from Members' comments it was suggested that Committee Members assess the effectiveness of the Committee and the Internal Audit Consortium Manager agreed to distribute to Members the CIPFA Guidance for Audit Committees including a self assessment questionnaire for consideration at the next meeting.

* RESOLVED

(1)   That the presentations and slides from the initial meeting of the Derbyshire Audit Forum be noted.

(2)   That the Chair of the Committee attend the next meeting of the Forum in June, 2017.

(3)   That the CIPFA Guidance for Audit Committees including a self assessment questionnaire be distributed to Members for consideration at the next meeting.

51   REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) ANNUAL REPORT TO STANDARDS COMMITTEE 2017

The Monitoring Officer presented a report on activities relating to surveillance by the Council and policies under the Regulation of Investigatory Powers Act 2011 (RIPA).

The Council had powers under the Regulation of Investigatory Powers Act 2000 to conduct authorised directed surveillances and use of human intelligence sources in certain circumstances in connection with the conduct of criminal investigations. All directed surveillances (covert, but not intrusive) and use of covert human intelligence sources required authorisation by a senior Council officer.

A confidential database of authorised surveillances was maintained, charting relevant details, reviews and cancellations, although there had been no authorisations since 2010.

Since November, 2012 any RIPA surveillance which the Council wished to authorise had to be approved by an authorising officer at the Council and also by a magistrate.

During the last year training had been provided for officers and a routine inspection of the Council's procedures by a surveillance inspector had recommended changes to the Council's practices, including:

(a)   maintaining a state of preparedness;
(b)   ensuring regular corporate training for appropriate officers and access to procedures and guidance;

(c)   understanding more about Arvato and Kier's knowledge about and involvement with the process;

(d)   reviewing who should be the Senior Responsible Officer overseeing the process;

(e)   carrying out biannual audit of processes;

(f)   regularly reviewing policy and guidance;

(g)   reporting at least annually to Members, regardless of any activity;

(h)   ensuring up to date CCTV procedures were in place;

(i)   ensuring liaison with local magistrates court.

These recommended changes had been set out in the Cabinet report (attached as an appendix to the report) and had now been approved, and the annual request for statistical returns to the Surveillance Commissioner was being completed by the Monitoring Officer for return in April 2017.

Responsibility for RIPA had been moved to the Cabinet Member for Finance and Governance, and the Council's RIPA Policy and Procedure Guide had been updated to take account of these changes and current best practice.

Refresher training for relevant staff would be provided with online training being developed using the online Learning Pool, and new guidance would be developed on the use of bodycams by Council enforcement staff.

* RESOLVED

That the report be noted.

For publication

INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2016/2017

Meeting:	Standards and Audit Committee
Date:	24th May 2017
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0   Purpose of report

1.1   The purpose of this report is to:-

- Present a summary of the internal work undertaken during 2016/17 from which the opinion on the internal control environment is derived.
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- Compare work actually undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS).
- Confirm progress against the Internal Audit action plan that was developed following an external review of internal audit.
- Comment on the results of the internal quality assurance programme.
- Confirm the organisational independence of internal audit

- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter.

2.0   Recommendations

2.1   That the Internal Audit Consortium Annual Report for 2016/17 be accepted.

2.2   That the progress made in respect of implementing the action plan arising from the external review be noted.

3.0   Report details

SUMMARY OF WORK UNDERTAKEN

3.1   Appendix A details the audit reports issued in respect of audits included in the 2016/17 internal audit plan. The appendix shows for each report the overall opinion on the reliability of the internal controls and the opinion given at the last audit. The report opinions can be summarised as follows:

Control Level	Number of Reports	Percentage 2016/17	Percentage 2015/16
Good	8	28	28
Satisfactory	12	41	56
Marginal	4	14	10
Unsatisfactory	5	17	6
Unsound	0	0	0
	29	**100**	**100.0**

3.2   A definition of the above control levels is shown in Appendix A.

3.3   There were no issues relating to fraud arising from the reports detailed in Appendix A.

3.4   The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2016/17		2017/18
	Plan	Actual	Plan
Cost per Audit Day	£286	£256 **Note 1**	£280
Percentage of Plan Completed (CBC)	96%	91% **Note 2**	96%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	2.4	8.0
Customer Satisfaction Score (CBC)	85%	95%	85%
To issue internal audit reports within 10 days of the close out meeting (CBC)	90%	100%	90%
Number/proportion of audits completed within time allocation (CBC)	80%	76% **Note 3**	80%
% 2016/17 Agreed recommendations implemented (CBC)	80%	82%	80%
Quarterly reporting to Standards and Audit Committee	100%	100%	100%

3.5   **Note 1 -** This is due mainly to the 0.5 vacant post within the Consortium structure not being filled and an underspend on the training budget. A decision has been taken not to fill the vacant post however the budget for this has now been used to fund a full time Senior Auditor post (as opposed to 0.9 FTE of the retiring Senior Auditor) and also to pay a market supplement on this post which has enabled another qualified Officer to be appointed.

Note 2 - 3 audits from the 2016/17 plan had not been completed at the time of writing this report.
1) The planned audit in respect of the new system review (Mentor replacement) has not taken place as the system has not yet been replaced, this has therefore been included within the 2017/18 internal audit plan.

2) The review of safeguarding has been carried forward to the 2017/18 plan.
3) The Choice Based lettings audit is near conclusion at the time of writing this report and will be issued shortly.

The 2016/17 internal audit plan has not been completed in full for several reasons, firstly there have been a larger number then usual of unsatisfactory and marginal reports issued and so the time taken to complete these audits was greater than anticipated. Secondly, internal audit resources were diverted in March 2017 at the request of the Director of Finance and Resources to review the controls in place in relation to the processing of British Gas invoices following a legal dispute with British Gas.

Note 3 – There have been more marginal and unsatisfactory audit reports issued this year. Where there are a lot of issues identified the audit generally takes longer leading to an over run on the original time budget allocation.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

3.6 In respect of the main financial systems, Appendix A demonstrates that internal controls were generally found to be operating satisfactorily or well giving an overall confidence in the internal control system operating in relation to these systems. However, 3 of the main financial systems – payroll, accounts payable and housing Repairs were given a marginal opinion (a number of areas have been identified for improvement). It is important that the recommendations made in respect of these systems are implemented promptly in order to enhance the control environment.

3.7 Overall, 69% of the areas audited received a good or satisfactory opinion, last year this figure was 84% indicating that there has been a weakening of the overall control environment.

3.8 There have been 5 unsatisfactory reports issued during the year (Data Protection, Non housing property repairs, Section 106/CIL, ICT network security and health and safety) and

these areas have been raised as significant issues within the Annual Governance Statement. In these areas unacceptable risks have been identified and it is critical that the Corporate Management Team work together and with other officers to reduce the risks identified and improve the effectiveness of the control environment.

3.9   The audit recommendations in respect of the above areas have been agreed and are in the process of being implemented.

3.10   Part of the reason for a weakening of controls could be related to the restructure of the Corporate Management Team which led to some key staff leaving or retiring and there being a gap of knowledge/capacity whilst the new structure was being recruited to. The Corporate Management Team is now fully staffed and the new structure is in the process of embedding.

3.11   Performance management procedures are in place to ensure that CMT receive regular reports in relation to outstanding audit recommendations in order that appropriate action can be taken.

3.12   The Standards and Audit Committee also now receive a 6 monthly report in relation to outstanding audit recommendations. Where an unsatisfactory audit report is issued, managers are also required to attend the Standards and Audit Committee to discuss progress and to provide assurance that recommendations are being implemented in a timely fashion.

3.13   In addition to the issues highlighted by internal audit Members should also be aware of other high risk areas that are highlighted within the Council's Corporate Risk Register. In particular:-
- Budget – the general fund and the housing revenue account are both under increasing pressure;
- Devolution – Plans to become a full member of the Sheffield City Region Combined Authority have been delayed;
- Transformation – the ability to deliver key projects

- Workforce – ensuring the council has the right skills and capacity
- Procurement – delivering value for money
- Provision of social housing
- Safeguarding children and vulnerable adults

The full impact of BREXIT is also unknown and may lead to further risks for the Council.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

3.14 The internal control issues arising from audits completed in the year have been considered during the preparation of the Annual Governance Statement. The issues surrounding data protection, non-housing property repairs, information security and health and safety have all been raised as significant governance issues within the annual governance statement.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

3.15 The Internal Audit Plan for 2016/17 was approved by the Standards and Audit Committee on the 6th April 2016. The majority of the plan has been completed. The planned audit in respect of the new system review (Mentor replacement) has not taken place as the system has not yet been replaced, this has therefore been included within the 2017/18 internal audit plan. In addition to this, the review of safeguarding has been carried forward to the 2017/18 plan and the choice based lettings audit is in the process of being completed. The reasons for the plan not being fully completed are stated in paragraph 3.5 (Note 2).

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

3.16 During 2016/17 a self- assessment was undertaken to review compliance with the Public Sector Internal Audit Standards.

The review confirmed that there were no significant areas of non- compliance

3.17 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with Public Sector Internal Audit Standards. The review concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. The progress made against that action plan so far is detailed at Appendix B.

3.18 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Director of Finance and Resources but has a direct and unrestricted access to the Corporate Leadership Team and the Standards and Audit Committee.

3.19 Quality control procedures have been established within the internal audit consortium as follows:

- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.

- Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.

- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit Manual has been updated to reflect the requirements of the standards and issued to all staff. A further review of the audit manual is scheduled for the summer of 2017.

3.20 The above quality control procedures have ensured conformance with the PSIAS.

3.21 Based on the customer satisfaction survey forms returned, the average score was 95% for customer satisfaction during 2016/17 (2015/16 result 89%).

3.22 The results of the Client Officer survey for Chesterfield was a score of 97% (34 out of a maximum of 35) for the seven areas reviewed this represented 7 'very good' scores).

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

3.23 The Audit Charter was last reported to and approved by the Audit and Standards Committee in June 2016.

3.24 Based on the information provided in this report on the completion of the 2016/17 internal audit plan, it is considered that the requirements of the Charter were met during the year.

4 Human resources/people management implications

4.1 There are no human resources implications.

5 Financial implications

5.1 There are no financial implications

6 Legal and data protection implications

6.1 There are no legal or data protection implications.

7 Consultation

7.1   Not Applicable.

8 Risk management

8.1   This report ensures that Members are aware of the work undertaken by internal audit during 2016/17 and their opinion on the adequacy and effectiveness of the systems in place at Chesterfield Borough Council.

9 Equalities Impact Assessment (EIA)

9.1   Not Applicable.

10 Alternative options and reasons for rejection

10.1 Not Applicable.

11 Recommendations

11.1 That the Internal Audit Consortium Annual Report for 2016/17 be accepted.

11.2 That the progress made in respect of implementing the action plan arising from the external review be noted.

12   Reasons for recommendations

12.1 To present to Members the annual report for the Internal Audit Consortium in respect of Chesterfield Borough Council for 2016/17.

12.2 To ensure compliance with the Public Sector Internal Audit Standards.

12.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

Decision information

Key decision number	
Wards affected	
Links to Council Plan priorities	Internal audit work aids in the Council's priority to provide value for money.

Document information

Report author	Contact number/email
Jenny Williams Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Internal Audit Reports Issued 2016/17
Appendix B	Internal Audit Consortium external review action plan update

Chesterfield Borough Council – Internal Audit Reports Issued 2016/17

Ref	Report Title	Overall Opinion	
		2016/17	Previous Audit
1	Data Protection	Unsatisfactory	Unsatisfactory
2	Non Housing Property Repairs	Unsatisfactory	Unsatisfactory
3	Planning Fees	Good	Satisfactory
4	Crematorium	Satisfactory	Satisfactory
5	Council Tax	Satisfactory	Marginal
6	Queens Park Sports Centre	Marginal	Marginal
7	Non Domestic Rates	Good	Good
8	Healthy Living Centre	Satisfactory	Marginal
9	Bank Reconciliation	Satisfactory	Satisfactory
10	Risk Management	Satisfactory	Satisfactory
11	Housing Repairs - Capital	Good	Good
12	Section 106/CIL	Unsatisfactory	Satisfactory
13	Housing Benefits and Council Tax Support	Good	Good
14	ICT Network Security/Cyber Risk	Unsatisfactory	Satisfactory
15	Cash and Banking	Good	Good
16	Collection and Deposit Book checks	Satisfactory	Satisfactory
17	Treasury Management	Satisfactory	Good
18	Accounts Receivable	Good	Good
19	Health and Safety	Unsatisfactory	N/A
20	Car Park Income	Satisfactory	Marginal
21	Homelessness	Satisfactory	Good
22	BACS System	Satisfactory	N/A
23	Housing Rents	Satisfactory	Satisfactory
24	Markets Income	Satisfactory	Satisfactory
25	Payroll	Marginal	Satisfactory
26	Accounts Payable	Marginal	Satisfactory
27	Commercial Waste	Good	Good
28	Agresso FMS & Budgetary Control	Good	Good
29	Housing Repairs Responsive	Marginal	Satisfactory

Internal Audit Report Opinion Definitions

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

Report Title:	External Review of Internal Audit (October 2016).		Update April 2017		

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
RESOURCES **Supervision** Supervision of an internal audit assignment is not always evidenced within internal audit files. A formal file review document is completed by a supervisor following exit meetings or production of a draft report, with supervision during an audit being conducted through discussion and monthly 121 meetings.	The nominated supervisor should ensure and evidence that active supervision is maintained and documented throughout the assignment process through recording involvement and instructions on the review form. A suggested format for diarising supervision which is used within peer providers is attached as Appendix 1 File review forms should be introduced at DDDC as part of a standard approach.	Part Y	IAC Manager/ Senior Auditors IAC Manager	Ongoing Immediate	**Complete** – review documentation is completed at the end of an audit with any significant issues arising during the audit also being recorded. **Complete** – forms introduced
COMPETENCY **Governance and standards** The Internal Audit Manual is a	The Internal Audit Manual could be beneficially improved by referring directly to those PSIAS	Y	IAC Manager	August 2017	**Not Started** - IAC Manager to review and update audit manual to include more detail in respect of specific PSIAS standards.

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Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	**Date**	
comprehensive document which refers to the PSIAS but does not sufficiently reference the processes that audit staff should follow in conducting assignments to the various standards. We feel that this would help to elevate the understanding and status of internal audit if the key standards within the PSIAS were fully documented within the document.	standards that **must** be followed and providing detailed advice regarding expectations, particularly in respect of each area.				Internal audit staff all have a copy of the standards however a copy of the PSIAS Standards will be appended in the audit manual
COMPETENCY **Internal Audit Planning** Whilst planning is based upon a risk model as required by the PSIAS, the process largely depends on an assessment devised by internal audit; this shows a financial bias and the use of different definitions of risk impact to those approved within	a) Audit Plans should be constructed to achieve the objectives of the department as set out in the Internal Audit Charter and the audit planning process designed to reflect the same through transparent alignment with the Council wide approach to risk management.	Y	IAC Manager	For 17/18 IA Plan	**Complete** – Audit plans devised following thorough risk analysis and discussion with client officers. The plan details the key risk element and links to the strategic/corporate risk registers.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
the Council risk management strategy; rather than reflecting the wider and accepted risk issues being recognised by the Council. There should be a direct and identified link between the internal audit plan content discussed with Audit Committees which aligns with the Council's risk management systems; beneficially reflecting both identified controls and assurances available. The risk based reasoning for inclusion of the assignment in the audit plan should be evident (why is there a need for independent assurance?) and in turn this should drive the preparation of the terms of reference for each assignment as recorded within the Audit Brief.	b)The internal audit planning process should further identify other sources of assurance that are available and upon which Councils can place reliance.	Y	IAC Manager	August 2017	**Not Started** - IAC Manager to meet with Directors/Heads of Service/ raise at CMT/quarterly Directorate meetings to identify and document other sources of assurance that are available upon which the Council can place reliance. The results of this exercise can then be used to further inform the basis for the internal audit plan.
	c) The starting point for the development of the Audit Brief should be a preliminary discussion with management regarding the inherent and residual risks relevant to the audit area under review. It may aid assignment planning if the management objectives for the area under review were also identified. This should result in the formation of a direct link with the Authority's risk register and	Y	IAC Manager/ Senior Auditors	April 2017	**Complete** – Audit Brief updated to record potential risks. Preliminary discussion with management identifies risks and mitigation factors.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	**Date**	
	the key mitigating controls highlighted, thereby aiding the understanding and ability of members of the Audit Committee to contribute to the assurance agenda.				
COMPETENCY **Training** The department has an experienced team of internal audit staff whose training needs are assessed through regular 121 meetings and appraisal and development meetings. Most staff have a relevant qualification, although only the IACM and one other member of staff have a recognised CCAB or IIA certification. The team attend routine meetings of various groups locally and regionally and use is made of dedicated cost effective	a) Consideration should be given to those areas within the training matrix which reflect greatest need for routine mandatory training of a professional or technical nature. These may relate to areas such as Data Protection or health and Safety where it is important for all staff to have a firm understanding or specific training relating to internal audit such as risk based internal audit or reporting.	Y	IAC Manager	Ongoing	**On-going** - all audit staff have regular data protection, information security and safeguarding training and undertake corporate training as available/required. Health and safety modules are soon to be added to CBC's learning pool of training modules. Consideration will continue to be given to the provision of other training in relation to technical and professional areas within the confines of the budget available. Consideration will be given to further risk training for the audit team. The Nottinghamshire Audit

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	**Date**	
training that is available. The IACM ensures that available budgets are used to best effect. Whilst the IA team have identified technology related issues given the nature of cyber risk it is felt that this is a weakness that should be addressed.					Group is currently investigating the provision of risk management training for staff.
	b) There is a need for the Consortium to be able to provide assurance relating to IT risks given the increasing complexity of technology and associated controls. It is therefore essential that appropriate professional training is supported for a member of the team or that the service is acquired externally in order to deliver on the assurance needs of the consortium members.	Y	IAC Manager	As required	**On- going** A discussion has been held with the Head of IT and it is evident that a great deal of assurance can be gained from the external assessment and requirements to meet PSN. The Internal Audit Consortium will continue to review elements of IT during every audit and to conduct specific IT audits. The possibility of utilising external specialist support e.g. DCC or Derby City IT internal auditors will be kept under review.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
COMPETENCY **Control evaluation** The IAC uses the following gradings for the assessment of controls included within the testing schedule. **Good** – A few minor recommendations (if any) **Satisfactory** – minimal risk; a few changes identified where changes would be beneficial **Marginal** – a number of areas have been identified for improvement **Unsatisfactory** – Unacceptable	The Consortium should consider the merits of moving to expression of the control in environment in the form of:- a) The appropriateness of the control environment having regard to the significance of the risks involved – adequate/inadequate, and b) Whether the control is being consistently applied – effective/ineffective	Y	IAC Manager	April 17	**Complete** - the audit opinion from 2017/18 will be based on levels of assurance.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
risks identified, changes should be made **Unsound** – Major risks identified; fundamental improvements are required Our view would be that this represents an overly complex structure for expression of an opinion on the control environment and the nature of the issue identified against which a recommendation will be made. Standard practice is for each control to be assessed in terms of its adequacy and effectiveness, with the subsequent recommendation being graded as risk based (see Delivery 3b/c)					
DELIVERY **Focus on pre-identified controls** Assignments are dominated by	Internal audit working papers should focus on major risks to the Council that have been identified and discussed with the	Part	IAC Manager/ Senior Auditors	Ongoing	**On-going** – test schedules are reviewed before the commencement of each audit to ensure that they are still relevant and concentrate on the key risk

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
previously identified controls emanating from CIPFA control matrices which are then tested to specified testing levels rather than provide focus on significant risk and associated key controls identified and evaluated as part of the documentation process. Benefits would be achieved through increased focus on agreed "local" key controls relating to the business critical risks and then tested according to the materiality of their contribution to the Council's risk management framework. Whilst the current testing is robust, documented and well evidenced it may not provide assurance relating to the most significant risks to which the service is exposed.	auditee. Assignment briefs should therefore reflect assessment of risks as defined within the Councils risk impact definitions and then consider the controls that are required to mitigate that risk within the risk appetite of the Council. An example risk based Assignment Brief is included as Appendix 2.				areas. The audit brief has been updated to record the key risks identified at the commencement of the audit

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
DELIVERY **Methodology and use of walk-through tests** For core financial systems, systems documentation exists and is we understand supported by flowcharts, in accordance with para 8.1.1 of the Internal Audit Manual. For other audits whilst it is accepted the system notes exist mostly in the form of notes within the evidence collected, files do not contain an outline of the system as specified in the	a. Auditors should complete at least a system note at the start of each audit in order to outline an overview of the processes being reviewed in order to aid understanding and the structure of the audit and provide an understanding of the system to aid supervision and the efficient conduct of future audits.	Part	All audit staff	April 17	**Complete** - permanent files are now being set up as each audit is undertaken. Sample documentation and system, notes are already routinely placed on file to evidence the processes in place whilst undertaking sample testing.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
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internal audit manual as stage 4 of the above and there is therefore a reliance on previously constructed testing schedules to define the scope of the audit. As the risk environment, service provision, staff in post and therefore systems change it is considered important that each audit commences with providing a documented oversight of the component parts of the system in which key controls that are to be relied upon for the purposes of providing an opinion are documented and tested using a walk through test.	b. The internal audit manual should specify the minimum standards requirements for file structure and content for electronic files in order to aid supervision. These may be planning and communication, systems documentation and identified procedures, fieldwork (control summaries supported by testing and evidence) and reporting. (Refers to section 9.3.3 of the internal audit manual)	Y	IAC Manager	August 17	**Not started** - The structure of the electronic files for each audit review will be developed to ensure a consistency of approach amongst the Consortium members.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
DELIVERY **Audit Opinions -** *Recommendations* These are currently developed and assessed by each internal auditor, and reviewed by the Audit Manager prior to release of the draft report (sometimes subsequent to discussion of findings at an 'exit meeting' at which the grading of recommendations may have been discussed). This system relies on personal judgement	a)Audit supervisors should formally agree the grading of recommendations prior to the conduct of exit meetings.	Y	IAC Manager/ Senior Auditors	Ongoing	**Complete** – this is already done as a matter of routine during the file review stage.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	**Date**	
related to 'Priority' for which no definition exists to articulate the meaning of High, Medium or Low. The definitions used by internal audit to support opinions therefore lack clarity and should be more closely linked with each Authority's risk appetite and the definitions of impact risk being used to embed risk management thinking within the organisation. The basis for grading of recommendations should as a result influence the overall	b)Risk definitions used by internal audit should be developed to reflect the risk appetite within each organisation, and the definitions of impact and likelihood used by the Council. These should be used by each internal auditor to grade the recommendation and discuss the level of risk to which the organisation is exposed with each auditee at the exit meeting	Y	IAC Manager	April 17	**Complete** - Definitions have been developed for High, Medium and Low internal audit recommendations linked to risk. This will aid in reducing subjectivity and increase consistency.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	**Date**	
opinion for each audit directly, for example if a risk falling into a definition of the highest category is identified (potential for death, loss greater than £500k) then the assurance level given is reduced. Any risk of this nature should automatically trigger a negative audit opinion of 'limited assurance'.	c) Consideration should be given to removing the need to include 'low' rated recommendations in formal audit reports; alternatively reflecting on these in a side letter to the manager. This would aid the profile of internal audit through concentrating on things that really matter in relation to significant risk as defined within risk management policies.	N			This approach would lead to the risk that low priority recommendations are not even considered by managers. Managers can already disagree recommendations if they feel the risk is too low given the resource available etc. It is up to managers to set the risk appetite of the Council.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
DELIVERY ***Audit Opinions - Overall opinions*** These are currently based upon the personal judgement of each auditor, within the definitions specified as relating and subject to review by the supervisor and IACM of the draft report prior to release. The overall opinion also appears to be loosely based on the aggregate number of recommendations made and not the level of risk identified. The current is for the opinion to reflect the reliability of the internal controls operating in the system / area reviewed was assessed as good* / satisfactory* / marginal* / unsatisfactory* / unsound*.	a) The grading of recommendations should be based upon the level of risk exposure identified within the review and reflect the highest ranked recommendation being reported upon. Best practice would reflect: - Where a fundamental risk (red) is identified that no/limited assurance is given. - Where significant risks (amber) are identified then adequate assurance is given, and - Where 'merits attention' (green) risks are identified these are not referred to in the report and substantial assurance is given	Part	IAC Manager	April 17	**Complete** - Definitions have been developed for the use of High, Medium and Low when grading recommendations. This will help to ensure consistency based on levels of risk.

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
Wider best practice provides for three levels of opinion being substantial, adequate or limited as this provides a clearer indication to stakeholders of the level of assurance that can be gained. This opinion can then be aligned directly with the nature of the risks being identified and the grading of those recommendations being made.	b) Reducing the levels of opinion to three would provide a clearer indication of the assurance being provided and represent a more straight-forward approach for internal audit staff to administer.	Part	IAC Manager	April 17	**Complete** – The levels of opinion have been considered by the Internal Audit Consortium Manger, Client Officers and each Audit Committee and reduced to four. This will be implemented from 2017/18.
DELIVERY **Report format** The Consortium currently provides a detailed report which is then summarised appropriately to inform other meetings within the Council at Officer and Member levels. It would not be appropriate to	The Consortium should consider whether focusing on risk as a basis for reporting would allow movement towards an 'executive summary' approach which highlights only significant risks. This may help further build the profile of internal audit	N			Managers have not liked this approach in the past as reports were seen as focusing purely on the negative. Current feedback from customer satisfaction surveys on the current reporting style is positive. Where a marginal or worse

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comment negatively on this approach particularly as positive feedback regarding internal audit performance can be seen in the return of satisfaction surveys during 2016/17 and was gained in meetings with officers as part of the EQA. However, internal audit reports are 'lengthy' and in developing an increasingly risk based approach consideration could be given to moving to an exceptions based executive summary highlighting significant risks.	and allow greater efficiency within the team through reducing the time consumed in report production and clearance.				conclusion is reached the main issues / risks will be summarised in a paragraph under the conclusion. The majority of reports are already short.
DELIVERY **Auditee feedback** At the time of the review feedback questionnaires had been received in respect of 24 audits undertaken during 2016/17, all received scores in excess of 80% with the only areas showing as requiring	The IACM should continue to monitor feedback as it moves towards an increasingly risk focused so that as changes are made to internal audit practices; these can be aligned with improvements in the way internal audit value is perceived.	Y	IAC Manager	March 18	**On-going** - All customer satisfaction surveys are reviewed with a view to taking on board any learning points. Surveys are also used as a discussion point with Auditors at EPD's and 1:1's As the Consortium further

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Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
improvement relating to:- - Were recommendations practical and useful, and - Sufficient to remedy weaknesses identified in the report					develops risk based auditing the customer satisfaction survey will be reviewed to ensure that it is still collecting relevant feedback.
DELIVERY **Annual Report** The IACM produces an Annual Audit report which summarises the years' work and includes analysis of performance. The opinion reflects '*In respect of the main financial systems, Appendix 1 shows that internal controls were found to be operating satisfactorily or well, giving an overall confidence in the internal control system operating in relation to these systems'* . The form required by the PSIAS requires a wider statement which '*must also include significant risk exposures and control issues,*	In alignment with recommendations made earlier the internal audit plan should be constructed so that the IACM is able to provide a wider assurance to each Authority in support of the governance statement. Best practice is that the Annual Report should also contain reference to all significant risks and therefore co-ordination with and an understanding of issues being raised the range of assurances available is essential in order to meet this broader	Y	IAC Manager	2016/17 audit opinion	**In progress** – the 2016/17 internal audit opinion is in the process of being drafted. The internal audit work during the year is used as the basis upon which to formulate the annual audit opinion. The audit plan is risk based and devised to cover a broad range of the Council's activities and functions. This enables the IAC Manager to produce an opinion on the control environment as a whole. However, the annual internal audit opinion will be developed to take in to account other significant risks that may not have been covered by the audit plan in a particular year. The Annual Governance

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including fraud risks, governance issues, and other matters needed or requested by senior management and the board'.	scope. In this way the Annual report can be used to support the Council's Governance Statement.				Statement and strategic risk register will be utilised to do this.
DELIVERY **Reports produced by the IACM** It is considered good practice that the IACM is involved in conducting assignments particularly in relation to high risk areas but in such circumstances appropriate arrangements should be made for 'supervision' and clearance of reports.	In circumstances where the IACM undertakes a review personally arrangements should be made for a second person review of the file.	Y	Senior Auditors	Immediate	**Complete –** A senior Auditor now reviews any audits undertaken by the IACM
DELIVERY **Derbyshire Dales DC** Whilst it is recognised that arrangements for this Council are outside of the core Consortium arrangements. It would be	Standardised procedures should be implemented regarding: - The use of Audit Briefs, - Working paper review, and	Y	IAC Manager and Senior Auditor	Immediate	**Complete** – standardised procedures are in use

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beneficial for the established internal audit processes contained within the Internal Audit Manual to be applied as this will aid consistency of approach, training and supervision.	- The approach to IT audit				

Agenda Item 5

For publication

REVIEW OF CODE OF CORPORATE GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT

Meeting: Cabinet
               Standards and Audit Committee

Date: 16th May 2017
               24th May 2017

Cabinet portfolio: Cabinet Member for Governance

Report by: Internal Audit Consortium Manager

For publication

1.0 Purpose of report

1.1 To Review compliance with the Code of Corporate Governance requirements during the year 2016/17 and to present the Annual Governance Statement and associated action plan.

2.0 Recommendations

2.1 That the Cabinet consider the following documents and refer any comments to the Standards and Audit Committee:
 a) the Annual Review of the Local Code of Corporate Governance for 2016/17 (Appendix A);
 b) The review of the key elements that comprise the Council's governance arrangements (Appendix B)
 c) the Annual Governance Statement (Appendix C);
 d) the Annual Governance Statement Action Plan (Appendix D).

2.2 That the Standards and Audit Committee:
 a) consider the documents listed in 2.1 above, together with any comments from Cabinet;

b) subject to any amendments that they consider appropriate, approve the Annual Governance Statement and Action Plan; &

c) recommend that the Annual Governance Statement be signed by the Leader and Chief Executive.

2.3   That a review of the Code of Corporate Governance be undertaken in 12 months' time.

2.4   That progress on the Action Plan is monitored by the Corporate Management Team.

3.0   Report Details

Background

3.1   As good practice and to promote sound governance arrangements local authorities are recommended to adopt and regularly review a Code of Corporate Governance. The Code of Corporate Governance details the system by which the Council controls and directs its functions and how it relates to its local community. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3.2   The Council's Code of Corporate Governance has been revised for 2016/17 following the issue of "delivering good governance in Local Government Framework 2016 Edition" by CIPFA/SOLACE. This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

3.3   The Annual Governance Statement builds on the annual review of the Code of Corporate Governance. In England, the preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015. The Regulation requires authorities to prepare an Annual Governance Statement in accordance with "proper practices" in relation to internal control. The CIPFA / SOLACE framework, 'Delivering Good Governance in Local Government: Framework (2016)', defines such "proper practices".

3.4   The Annual Governance Statement should be an open and honest self-assessment of the organisation's performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern. The 2016 CIPFA/SOLACE Framework sets out the following core principles of good Governance:-

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 optimize the achievement of the intended outcomes;

E) Developing the entity's capacity, including the capability of its leadership and the individuals within it;

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.

3.5   Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in the Framework.

3.6   Within the delivering good governance in Local Government Framework 2016 Edition is a list of the key elements of the structures and processes that comprise an authority's governance arrangements. The Corporate Management Team and other senior officers have reviewed the position in Chesterfield Borough Council against the key elements and this review is shown at Appendix B.

<u>Review of compliance with the Code of Corporate Governance requirements</u>

3.7   The Review in Appendix A shows that compliance with the Code requirements has been largely achieved during the year 2016/17. Where there is only part compliance or no compliance these areas have been addressed within the Annual Governance Statement Action Plan.

<u>The Annual Governance Statement</u>

3.8   The review of compliance with the Code of Corporate Governance helps to identify evidence which is then used in the Annual Governance Statement.

3.9   The guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) has also been used when producing the Annual Governance Statement. The Annual Governance Statement (Appendix C) and action plan (Appendix D) have been derived from a detailed review of the assurances by senior officers and from the work undertaken and risks identified by internal audit.

3.10 The Corporate Management Team and other senior officers have all been involved in the review.

3.11 The review indicates that many of the processes and procedures in place at Chesterfield Borough Council are compliant with good practice however there are a number of governance issues that are detailed within the annual governance statement that require addressing.

3.12 Where it has been found that there is a gap or an area where the system of internal control could be further improved, the relevant item has been incorporated into an Action Plan shown as Appendix D. The items in the Action Plan have been ranked, with the more significant issues being included in the Annual Governance Statement (Appendix C) that will be published with the Council's Statement of Accounts.

3.13 The Annual Governance Statement (Appendix C) follows the layout of a pro forma statement recommended by the CIPFA guidance**.** The Statement should be signed by the Leader of the Council and the Chief Executive.

4.0   Human resources / people management implications

4.1   None

5.0   Financial implications

5.1   There are no cost implications.

6.0   Legal and data protection implications

6.1   The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

7.0   Consultation

7.1   The Corporate Management Team and other senior officers have been involved in the review.

8.0   Risk Management

8.1   The failure to operate a sound system of Corporate Governance would represent a significant risk to the Council. The review of the Code of Corporate Governance and the preparation of the Annual Governance Statement have resulted in the production of an action plan to address the risks identified. Progress against the action plan will be monitored by the Corporate Management Team and the Standards and Audit Committee.

9.0   Equalities Impact Assessment (EIA)

9.1   Whilst there are not considered to be any direct equalities impacts in relation to this report, sound corporate governance arrangements will support the achievement of the Council's equalities objectives.

10   Alternative options and reason for rejection

10.1 Not Applicable

11.0 Recommendations

11.1 That the Cabinet consider the following documents and refer any comments to the Standards and Audit Committee:
a) the Annual Review of the Local Code of Corporate Governance for 2016/17 (Appendix A);
b) The review of the key elements that comprise the Council's governance arrangements (Appendix B)

c) the Annual Governance Statement (Appendix C);
d) the Annual Governance Statement Action Plan (Appendix D).

11.2 That the Standards and Audit Committee:
a) consider the documents listed in 2.1 above, together with any comments from Cabinet;
b) subject to any amendments that they consider appropriate, approve the Annual Governance Statement and Action Plan; &
c) recommend that the Annual Governance Statement be signed by the Leader and Chief Executive.

11.3 That a review of the Code of Corporate Governance be undertaken in 12 months' time.

11.4 That progress on the Action Plan is monitored by the Corporate Management Team.

12.0 Reasons for recommendations

12.1 To enable the Cabinet and the Standards and Audit Committee to monitor compliance with the Code of Corporate Governance.

12.2 In order to comply with the requirements of the Accounts and Audit Regulations 2015.

12.3 To support the maintenance of sound governance arrangements within the Council.

Decision information

Key decision number	
Wards affected	All
Links to Council Plan priorities	All

Document information

Report author	Contact number/email

Jenny Williams	**01246 345468** **Jenny.williams@chesterfield.gov.uk**

Background documents
These are unpublished works which have been relied on to a material extent when the report was prepared.
Accounts and Audit (England) Regulations 2015 CIPFA/SOLACE publication – Delivering Good Governance in Local Government Framework 2016 Edition LOCATION: Internal Audit Office

Appendices to the report	
Appendix A	Annual Review of the Code of Corporate Governance
Appendix B	Review of the key elements that comprise the Council's governance arrangements
Appendix C	Annual Governance Statement
Appendix D	Annual Governance Statement Action Plan

Chesterfield Borough Council
Local Code of Corporate Governance – 2016/17 Review

Principle A	A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
	Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
Behaving with integrity Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby	Members, SLT, CMT	• Codes of conduct • Individual sign off with regard to	Member and Officers Codes of Conduct are within the Constitution Complaints procedure Councillor complaints assessed in accordance	Yes

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Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
protecting the reputation of the organisation		compliance with code	with the council procedure with various	
		• Induction for new members and staff on standard of behaviour expected	All new staff have a Corporate Induction and follow an induction process with their line manager Councillors have training on standards generally and also specifically (relating to e.g. planning, licensing). Training is supplemented by updates and refresher sessions as well as advice as necessary	

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Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
		• Performance appraisals	All staff have annual performance appraisals, a 6 month review and 1:1's	
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)	Members, Monitoring Officer	Communicating shared values with members, staff, the community and partners	There is a Council Plan that includes a vision statement which is approved by Council on an annual basis. The Council Plan is cascaded down through SLT, CMT, service Managers meetings, team meetings and the Borough Bulletin.	Yes
Leading by example and using these standard operating principles or values as a framework for decision	Members, SLT, CMT	• Decision making practices • Declarations of interests made at	These are set out in the Constitution Declarations of interest are asked for at the start	Yes

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
making and other actions		meetings • Conduct at meetings • Shared values guide decision making • Develop and maintain an effective standards committee	of every Committee meeting Included in the Members Code of Conduct Protocols on Members/Officer relations There is an Audit and Standards Committee to consider these issues	
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	Monitoring Officer, Internal Audit Consortium Manager, HR, Policy and communications Officer	• Anti-fraud and corruption policies are working effectively	Anti-Fraud Bribery and Corruption policy approved by the Standards and Audit Committee September 16 and advertised to staff on the intranet and in the Borough Bulletin. Anti – fraud training	Yes

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
Page 54		• Up-to-date register of interests (members and staff) • Up-to-date register of gifts and hospitality • Whistleblowing policies are in place and protect individuals raising concerns • Whistleblowing policy has been made available to members of the	provided to officers and Members September 16. Members and staff are expected to declare any interests There is a current register of gifts and hospitality The Council has a current Confidential Reporting Code (Whistleblowing Policy) in place The Whistleblowing Policy is on the intranet and the Council's	

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
		public, employees, partners and contractors	website	
		• Complaints policy and examples of responding to complaints about behaviour	The Council keeps a record of complaints and how they are dealt with	
		• Changes/improvements as a result of complaints received and acted upon	Lessons are learnt from complaints	
		• Members and officers code of conduct refers to a requirement to declare interests	The Members and Officers Codes of Conduct refer to a requirement to declare interests	
		• Minutes show	Declarations of interest	

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Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
		declarations of interest were sought and appropriate declarations made	is a Standard heading on Committee minutes and any declarations are recorded	
Demonstrating strong commitment to ethical values Seeking to establish, monitor and maintain the organisation's ethical standards and performance	Members, Monitoring Officer Policy and Communications	• Scrutiny of ethical decision making	There are 3 Scrutiny Committees:- 1)Overview and Performance Scrutiny Forum 2)Enterprise and Wellbeing Scrutiny Committee 3)Community, Customer and Organisational Scrutiny Committee	Yes
		• Championing	An annual Scrutiny	

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Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
		ethical compliance at governing body level	report goes to Full Council	
Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Members, SLT, CMT	Provision of ethical awareness training	Members receive training on ethical standards which is repeated as necessary. Regulatory Committees have a mandatory training requirement

All staff and elected members receive a comprehensive induction which covers behaviour and ethical values | Yes |

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
			Training is also available to both members and officers on specific equality and diversity issues. The Council has established core values which are publicised widely to staff and members and re-enforced during EPD process.	
Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	Policy and Communications Manager, Monitoring Officer	• Appraisal processes take account of values and ethical behaviour • Staff appointments policy	Yes e.g. ensuring that others are treated fairly Anti- harassment and bullying policy Anti- Fraud, Bribery and corruption policy	Yes

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
		• Procurement policy	Code of Conduct Equality, diversity and social inclusion policy There is a recruitment Policy that ensures a fair appointments process The Procurement Strategy is currently in Development but will include ethical issues. Council values form part of EPD process	

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
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	SLT,CMT	• Agreed values in partnership working: Statement of business ethics communicates commitment to ethical values to external suppliers • Ethical values feature in contracts with external service providers • Protocols for partnership working	Review required 2017/18	Part – Review required see action plan
Respecting the rule of law Ensuring members and staff demonstrate a strong commitment to the rule of the	Monitoring Officer	• Statutory provisions • Statutory	Legal Services Protocols Constitution Standards and Audit	Yes

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
law as well as adhering to relevant laws and regulations		guidance is followed • Constitution	Committee Procedures in place and training to ensure e.g. planning decisions properly made. Legal duty to maintain and uphold Standards, vested in Standards and Audit Committee	
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	SLT, CMT, HR	• Job description/specs • Compliance with CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government*	All jobs are required to have job descriptions and person specifications The Director of Resources is the nominated section 151 Officer and the Chief Accountant is the Deputy. CIPFA'S statement on the role of	Yes

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
		(CIPFA, 2015) • Terms of reference • Committee support	the Chief Financial Officer is complied with The Constitution is underpinned by legal references Democratic and Scrutiny functions.	
Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	Monitoring Officer	Record of legal advice provided by officers	Constitution is underpinned by legal references Committee minutes and reports Constitution reviewed and updated as necessary	Yes

Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	Responsibility	Examples of systems, processes, documentation and other evidence demonstrating compliance	CBC Situation	Compliance Achieved
Dealing with breaches of legal and regulatory provisions effectively	Monitoring Officer	• Monitoring officer provisions • Record of legal advice provided by officers • Statutory provisions	The Council has a Monitoring Officer With oversight of governance at the Council	Yes
Ensuring corruption and misuse of power are dealt with effectively	Monitoring Officer, Internal Audit Consortium Manager, SLT	• Effective anti-fraud and corruption policies and procedures • Local test of assurance (where appropriate)	The Anti-Fraud Bribery and Corruption Policy was approved by the Standards and Audit Committee September 2016	Yes

Principle B	Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders				
Openness Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	Members, SLT, CMT	• Annual report	There is not a specific annual report published but there are other means of communication:- • Annual financial statements • Council Plan • The Council Newspaper "Your Chesterfield" • The Council website • Social Media Channels. • An annual report to tenants is prepared and sent to the Housing Regulator (HCA), published on the website and a summary sent to all tenants at the		Yes

			end of September each year.	
		• Freedom of Information Act publication scheme	The Council has adopted a current FOI Publication Scheme	
		• Online council tax information	Council Tax information is on the website	
		• Authority's goals and values	Included in the Council Plan	
		• Authority website	Current website full of information	
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	Members, SLT, CMT	Record of decision making and supporting materials	All reports are "open" agenda items unless there is a valid reason. All decisions by Committees are minuted	Yes

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	Policy and Communications – Democratic and Scrutiny	• Decision making protocols	Set out in the Constitution	Yes
		• Report pro-formas	There is a template for Committee reports with Standard headings	
		• Record of professional advice in reaching decisions	Officers reports are all retained with the Committee agendas and papers Officer	
		• Meeting reports show details of advice given	Recommendations included in Committee reports	
		• Discussion between members and officers on the information needs of members to support decision making	Members can request whatever information they want	
		• Agreement on the information that		

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		will be provided and timescales		
		• Calendar of dates for submitting, publishing and distributing timely reports is adhered to	Terms of reference of the Committees and scheduled meetings during the year Meeting timetable is published	
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	Policy and Communications Manager	• Community strategy • Use of consultation feedback • Citizen survey	External communications strategy. Housing have a Customer Engagement Strategy as required by the HCA and provide a variety of opportunities for tenants to be involved in and shape service delivery.	Yes
Engaging comprehensively with institutional stakeholders Effectively engaging	Policy Manager, Communications and Marketing	Communication strategy	There are approved internal and external communication strategies in place.	Yes

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	Manager		Senior Leadership Team has defined relationship leads for key stakeholders.	
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	SLT, CMT	Database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes	Stakeholder groups identified for different consultation types e.g. community and voluntary sector, sport and leisure organisations, planning consultations, equality and diversity forum etc.	Yes
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	Policy and Communications Manager	• Partnership framework • Partnership protocols	Housing's Tenant Challenge Panel (Scrutiny equivalent) has a clear set of Terms of Reference and Code of Conduct for Members. Update required to partnership strategy and protocols for 2017/18	Part – under review see action plan

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.	Policy and Communications Manager	• Record of public consultations • Partnership framework	Community Engagement Strategy Community Engagement Programme Consideration in decision reports Equality impact assessments		Yes
Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	Policy Manager, Communications and Marketing Manager	Communications strategy	There are internal and external communication strategies in place. Community Engagement Strategy Community Engagement Group		Yes
Encouraging, collecting and evaluating the views and	Policy and Communication	• Communications strategy	There is an external Communications		Yes

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experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	s Manager	• Joint strategic needs assessment	Strategy in place Community Engagement Strategy Annual Community Engagement Programme Housing operates a variety of ways for tenants to be involved and give their views e.g. focus groups/ formal meetings/ informal drop in's/ use of a consultation bus in the community.	
Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	Policy Manager, Communications and Marketing Manager	Communications strategy	There are internal and external communication strategies in place. Community Engagement Strategy Community Engagement Group	Yes

			Part of decision making process – report template Equality Impact Assessments Results of consultation exercises are published e.g. (during 16/17) on future use of the former Queens Park Sports Centre Site.	
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	Policy and Communications Manager	Processes for dealing with competing demands within the community, for example a consultation	Forms part of the decision making report template Equality Impact Assessments	Yes
Taking account of the interests of future generations of tax payers and service users	SLT, CMT	• Reports • Joint strategic needs assessment	Annual State of the Borough Report and briefing notes on emerging issues.	Yes

Principle C	**Defining outcomes in terms of sustainable economic, social, and environmental benefits** The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.			
Defining outcomes 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	Members, SLT,CMT	Vision used as a basis for corporate and service planning	There is a Council Plan that defines the Council's vision and priorities. This sets the framework for all service plans.	Yes
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over	Policy and communications Manger	• Community engagement and involvement	The Council Plan covers 4 years and covers what the Council aims to achieve and what that will mean for people	Yes

the course of a year or longer		• Corporate and service plans	Service Plans are renewed every year and are developed from the Council Plan	
		• Community strategy	Community Engagement Strategy	
			State of the Borough Report	
Delivering defined outcomes on a sustainable basis within the resources that will be available	SLT, CMT	Regular reports on progress	The council plan is aligned to the medium term financial plan and refreshed each year on the basis of the affordability of each of the priorities	Yes
Identifying and managing risks to the achievement of outcomes	SLT, CMT, Risk Management Group	• Performance trends are established and reported upon • Risk management protocols	The performance framework is in the process of being embedded The risk management group meets on a quarterly basis and reviews the strategic risk	Part – The performance framework is in the process of being embedded – see action plan

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			register and the service risk registers on a rotational basis There is a risk management strategy in place	
Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available	SLT, CMT	• An agreed set of quality standard measures for each service element and included in service plans • Processes for dealing with competing demands within the community	Communications strategy Service plans include performance targets Budgeting/service reviews/forward planning	Yes
Sustainable economic, social and environmental benefits Considering and balancing	Members, SLT	Capital investment is structured to achieve appropriate life spans and adaptability for	The Council's property portfolio is constantly under review, The aim is to sell a number of	Yes

the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision		future use or that resources (e.g. land) are spent on optimising social, economic and environmental wellbeing: • Capital programme • Capital investment strategy	assets to release funds for capital projects. The capital programme is approved by Members each year. Officers have to submit capital bids There is a treasury management strategy that is reviewed and approved on an annual basis	
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	Members, SLT, CMT	• Discussion between members and officers on the information needs of members to support decision making • Record of	Meetings with Cabinet Member for Finance and Governance on constitution review and effective decision making. Scrutiny interest in these matters. HRA Business Plan	Yes

cycle or financial constraints		decision making and supporting materials	Steering Group to lead on the development of the HRA Business Plan. Comprises of tenants, officers and elected members (scrutiny is part of this group) All committee meetings are minuted and the associated reports retained	
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	Policy and Communications Manager	• Record of decision making and supporting materials • Protocols for consultation	Community Engagement Strategy Annual action plans External Communications Strategy including media protocol and social media policy. State of the Borough Report. Modgov system to access decision making papers and records.	Yes

Ensuring fair access to services	Policy and Communications Manager	Protocols ensure fair access and statutory guidance is followed	Community engagement Strategy External communications strategy Consultation is part of our Equality Impact Assessments. Equality, Diversity and Social Inclusion Policy, Strategy and action plan.	Yes

Principle D	**Determining the interventions necessary to optimise the achievement of the intended outcomes** Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.			
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	SLT, CMT	Discussion between members and officers on the information needs of members to support decision making • Decision making protocols • Option appraisals • Agreement of information that will be provided and timescales	Member/officer decision making protocols in place All Committee reports contain various options and an officer recommendation All committee reports contain a risk analysis	Yes
Considering feedback from citizens and service users when making decisions about	SLT, CMT	Financial strategy	There is a medium term financial strategy in place and a savings plan	Yes

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			both of which are regularly reviewed. HRA Business Plan Steering Group has been fully involved in recommending financial savings to Cabinet in respect of HRA Business Plan.		
Planning interventions Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	SLT, CMT	Calendar of dates for developing and submitting plans and reports that are adhered to	Schedule of meetings in place Annual budgets and revised budgets Council plan reviewed annually		Yes
Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	Policy and Communications	Communication strategy	The Council has adopted a Community Engagement Strategy and develops annual action plans. Feedback given on consultation via the CBC website, Community Assemblies and Your Chesterfield where		Yes

			appropriate Internal and external communications strategy	
Considering and monitoring risks facing each partner when working collaboratively including shared risks	Policy and Communications Manager SLT, CMT	• Partnership framework • Risk management protocol	There is a risk management strategy in place that is refreshed every year	Yes
Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	SLT, CMT	Planning protocols	Corporate Management Team managers are empowered to run their service flexibly to deliver the Council Plan priorities. Competency based JD/PS for SLT/CMT increases flexibility and agility. This is being rolled out across the Council. One Council: One Team is a core CBC value which is considered during all EPD's.	Yes

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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	SLT, CMT	KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly	Service plans all contain performance indicators. Performance Management Framework adopted and currently being implemented.	Part – performance management framework is currently being embedded – see action plan
Ensuring capacity exists to generate the information required to review service quality regularly	SLT, CMT	Reports include detailed performance results and highlight areas where corrective action is necessary	The Policy and Communications Service has now been restructured with resources being identified to embed the framework. Quarterly performance reports reviewed by CMT, Executive Members and Scrutiny.	Part compliance – see action plan
Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	Director of Resources/ Chief Accountant	Evidence that budgets, plans and objectives are aligned	Accountancy has regular budget meetings with service managers. Budgets prepared in liaison with service managers taking in to	Yes

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			account service plans and savings targets	
Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	Director of Resources/ Chief Accountant	• Budget guidance and protocols • Medium term financial plan • Corporate plans	Budget guidance protocols issued to all managers There is a medium term financial plan that is reported to Members There is a financial planning group that meets every fortnight	Yes
Optimising achievement of intended outcomes Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	Director of Resources/ Chief Accountant	• Feedback surveys and exit/ decommissioning strategies • Changes as a result	Service managers are involved in the budget and revised budget process and receive monthly budget information. The medium term financial plan incorporates budget savings targets etc.	Yes
Ensuring the budgeting process is all-inclusive, taking into account the full cost of	Director of Resources	Budgeting guidance and protocols	Budget guidance and protocols are issued to all service managers.	Yes

operations over the medium and longer term			Well established budget preparation and review procedures	
Ensuring the medium term financial strategy sets the context for on-going 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	Director of Resources	Financial strategy	The financial strategy is regularly reviewed and updated as new external information emerges	Yes
Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"	SLT,CMT	• Service plans demonstrate consideration of 'social value' • Achievement of 'social value' is monitored and reported upon	The priorities in the Council plan are 1) To make Chesterfield a thriving Borough 2) To improve the quality of life for local people 3) To provide value for money services	Yes

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			Service plans are built up to reflect these priorities	

Principle E	**Developing the entity's capacity, including the capability of its leadership and the individuals within it**
	Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Developing the entity's capacity Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness	Executive Director/Kier	Regular reviews of activities, outputs and planned outcomes	The use of the Council's buildings is regularly reviewed to ensure that they are fully utilised or potentially sold. The Town Hall is being modernised to facilitate bringing in other businesses to share the accommodation. Council staff from Venture house are being relocated so that more rental income can be achieved at Venture	Part compliance – use of condition surveys linked to the repairs fund needs development – see action plan

			House.	
			Housing has an agreed process for disposing of underperforming assets. Disposal of shops, miscellaneous properties and plot garage sites.	
			Work to use condition surveys to inform an appropriate level of contribution from each service to the repairs fund has been delayed bringing some risk that future repair requirements are not fully funded.	
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	SLT, CMT	Utilisation of research and benchmarking exercise	Within each service area use is made of available benchmarking e.g. through APSE, in order to compare service provision, value for money etc. Fees and charges are set with	Yes

effectively and efficiently			regard to those in place in other areas and reviewed each year by Cabinet. Sector led improvement activity including LGA peer challenge, East Midlands Performance Network and APSE.	
Recognising the benefits of partnerships and collaborative working where added value can be achieved	Members, SLT, CMT	Effective operation of partnerships which deliver agreed outcomes	The Council has many partnerships including Arvato, Kier, Internal Audit Consortium, Building Control, Joint Crematorium, Sheffield City Region and these are monitored to ensure that the desired outcomes are obtained	Yes
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	SLT, HR	• Workforce plan • Organisational development plan	The Council has a workforce Strategy and plan that all managers have been made aware of. The plan was revised during 2016/17 to ensure focus and a realistic set	Yes

			of deliverables. A new staff group has been set up to help deliver this.	
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	SLT, Monitoring Officer	• Job descriptions • Chief executive and leader pairings have considered how best to establish and maintain effective communication	Every post has a job description and person specification. The CE has regular meetings with the leader	Yes
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	Monitoring Officer	• Scheme of delegation reviewed at least annually in the light of legal and organisational changes • Standing orders and financial regulations which	The Constitution is reviewed on an on-going basis Standing orders and financial regulations are reviewed periodically	Yes

		are reviewed on a regular basis		
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	Members, CE	Clear statement of respective roles and responsibilities and how they will be put into practice	The Constitution defines the roles of Committees and Members. Part 2 of the Constitution defines management roles at paragraph 12.1 including the role of the Chief Executive.	Yes
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	SLT, CMT, HR	• Induction programme • Personal development plans for members and officers	Training programme for managers Annual employee development reviews that identify training requirements Induction programme IIP accreditation	Yes

and risks by: -ensuring members and staff have access to appropriate induction tailored to their role and that on-going 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 external		For example, for members this may include the ability to: • scrutinise and challenge • recognise when outside expert advice is required • promote trust • work in partnership • lead the organisation • act as a community leader • Efficient systems and technology used for effective support Arrangements for succession planning	Cabinet members and senior management hold regular away days to foster a collaborative working relationship. All members undergo induction training, and this is supplemented by specific training on e.g. planning, licensing, standards. Officers undergo relevant CPD to ensure their professional skills and knowledge maintained and updated. Workforce Planning Strategy

Ensuring that there are structures in place to encourage public participation	Policy and Communications Manager	• Residents' panels • Stakeholder forum terms of reference • Strategic partnership frameworks	Community Engagement Strategy Annual Community Engagement Programme	Yes
Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	Monitoring Officer	• Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs • Peer reviews	The Council had a Peer challenge review in November 2013 Investors in people Various external reviews External review of internal audit	Yes
Holding staff to account through regular performance	SLT, CMT	• Training and	6 monthly EPD'S. The EPD contains a Learning	Yes

reviews which take account of training or development needs		development plan • Staff development plans linked to appraisals • Implementing appropriate human resource policies and ensuring that they are working effectively	and Development section that should be completed and forwarded to Learning and Development. Learning and Development undertaken in the previous year is also reviewed.		
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	HR	Human resource policies	Managing workplace Stress policy Capability Policy Managing attendance Policy Mental Health awareness training day for managers. Training for managers on a number of these policies was undertaken in 2016/17.		Yes

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Principle F	Managing risks and performance through robust internal control and strong public financial management			
	Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.			
Managing risk Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	Members, SLT, CMT	Risk management protocol	There is a risk management strategy in place that is reviewed every year	Yes
Implementing robust and integrated risk management arrangements and ensuring that they are working	Director of Resources	Risk management strategy/ policy formally approved and adopted and reviewed and	There is a risk management strategy in place that is reviewed every year.	Yes

effectively		updated on a regular basis	There is a Corporate risk register and service risk registers	
Ensuring that responsibilities for managing individual risks are clearly allocated	Risk Management Group, SLT, CMT	Risk management protocol	The risk management strategy outlines everybody's responsibilities	Yes
Managing performance Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	SLT, CMT	• Performance map showing all key activities have performance measures • Benchmarking information • Cost performance (using inputs and outputs) • Calendar of dates for submitting, publishing and distributing timely reports that are adhered to	All areas have a service plan and performance measures form part of that. Financial Planning Group receives regular reports from each service to track delivery against financial targets. Performance Management Framework with quarterly reporting schedule.	Yes

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	Member, SLT, CMT	• Discussion between members and officers on the information needs of members to support decision making • Publication of agendas and minutes of meetings • Agreement on the information that will be needed and timescales	All committee reports have a section for risk that officers must complete for Members information. All agendas and minutes are published Agreed between Members and Officers	
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	Monitoring Officer, Policy and Communications – Democratic and Scrutiny.	• The role and responsibility for scrutiny has been established and is clear • Agenda and minutes of scrutiny meetings • Evidence of improvements as	Scrutiny Roles and Responsibilities are defined in the Constitution. There are 3 scrutiny committees:- Enterprise and wellbeing Community, customer and organisational Overview and performance	Yes

		a result of scrutiny	Their role is to produce reports and recommendations which advise Cabinet, the Council or relevant Committees on Policies, budget and service delivery.	
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		• Terms of reference • Training for members • Membership		
Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	CMT	Calendar of dates for submitting, publishing and distributing timely reports that are adhered to	A full Committee calendar is published at the start of each financial year	Yes
Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg. financial statements)	Director of Resources	• Financial standards, guidance • Financial regulations and standing orders	Financial Standards and guidance are adhered to. The accounts are audited by KPMG Financial Regulations and Standing orders are within the Constitution	Yes

Robust internal control Aligning the risk management strategy and policies on internal control with achieving the objectives	Internal Audit Consortium Manager	• Risk management strategy • Audit plan • Audit reports	The audit plan takes in to account high risk areas and areas that are included in the corporate and service risk registers		Yes
Evaluating and monitoring the authority's risk management and internal control on a regular basis	Standards and Audit Committee, Internal Audit Consortium Manager	Risk management strategy/ policy has been formally approved and adopted and is reviewed and updated on a regular basis	The risk management Strategy is formally reviewed and approved every year by Standards and Audit Committee and Cabinet Internal Audit review the Council's risk management arrangements		Yes
Ensuring effective counter fraud and anti-corruption arrangements are in place	SLT	Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)	There is an anti-fraud Bribery and Corruption policy in place (revised September 2016). All managers received fraud awareness training in September 2016 The CIPFA fraud checklist has been completed and reported		Yes

			to the Standards and Audit Committee Sept 16		
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	Director of Resources, Standards and Audit Committee	• Annual governance statement • Effective internal audit service is resourced and maintained	The Internal Audit Consortium Manager is heavily involved in producing the AGS. The IAC is resourced and maintained at a satisfactory level. An external review of internal audit took place in October 2016 and concluded that the IA Consortium was compliant with the PSIAS.		Yes
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	Standards and Audit Committee	Audit committee complies with best practice. See Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) • Terms of reference • Membership • Training	The Audit Committee terms of reference are defined in the constitution. The Committee consists of 7 members – 5 Councillors other than the Executive leader. No more than one of those 5 councillors may be a member of the Cabinet.		Yes

that its recommendations are listened to and acted upon			Two parish reps one from Staveley Town Council and one member of Brimington PC Standards and Audit Committee members received relevant training after appointment in May 16	
Managing data Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Customers, Commissioning and Change Manager	• Data management framework and procedures • Designated data protection officer • Data protection policies and procedures	There is a data retention schedule covering all areas of the Council. We don't yet have a designated Data Protection Officer but measures are underway to have one in place by 2018 when European Data Protection Directive comes in to effect. There are still various weaknesses in terms of Data Protection issues that are in the process of	No – There are Data Protection issues that require addressing – see action plan

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			being addressed	
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Customers, Commissioning and Change Manager	• Data sharing agreement • Data sharing register • Data processing agreements	Work is underway to improve arrangements in this area but further work is still required	No – under review – see action plan
Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Policy and communications Manager, Executive Director	• Data quality procedures and reports • Data validation procedures	Due to be reviewed by internal audit in 2017/18. Methodology checks for data e.g. consultation activity, State of the Borough report Performance Management Framework	Yes
Strong public financial management Ensuring financial management supports both long term achievement of outcomes and short-term	Director of Resources	Financial management supports the delivery of services and transformational change as well as securing good	Medium term financial plan Financial Planning Group Reporting to Members	Yes

financial and operational performance		stewardship		
Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Director of Resources	Budget monitoring reports	Managers receive monthly budget monitoring reports Regular reporting to Members Financial Planning Group Savings Strategy	Yes

Principle G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.			
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	SLT, CMT	• Website • Annual report	There is an internal and an external communications strategy The website has been developed The Council newspaper "Your Chesterfield" is sent out 3 times a year There is no specific annual report but achievements against priorities are communicated to the public through the media, council website and various social media channels.	Yes

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Implementing good practices in reporting Reporting at least annually on performance, value for money and the stewardship of its resources	SLT	• Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery • Annual financial statements	The annual update on the council plan includes a section on performance in the previous year The annual financial statement for 2015/16 were signed off by the required date	Yes
Ensuring members and senior management own the results	Members, SLT	Appropriate approvals	The Corporate Management Team are all involved in monitoring progress against the council plan	Yes
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	SLT, CMT, Internal Audit Consortium Manager	Annual governance statement	The annual governance statement is produced via a robust process that involves all of the Corporate Management Team. Attainment against the framework is assessed. Each year an action plan is produced	Yes

demonstrate good governance (annual governance statement)			and monitored to address identified weaknesses	
Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	SLT	Annual governance statement	The framework applies to jointly managed and shared service organisations	Yes
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	Director of Resources	Format follows best practice	The financial statement are reviewed and signed off by external audit which confirms that they comply with best practice.	Yes
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	Director of Resources	• Recommendations have informed positive improvement • Compliance with CIPFA's Statement on the Role of the Head	An action plan is put in place to implement external audits recommendations. The implementation of internal audit recommendations is monitored by CMT and	Yes

access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon		of Internal Audit (2010) • Compliance with Public Sector Internal Audit Standards	the Standards and Audit Committee. The Internal Audit Consortium Manager is CIPFA qualified and complies with the statement on the role of the Head of Internal Audit.	
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	SLT	Recommendations have informed positive improvement	Investors in people action plan in place External review of Internal audit undertaken October 2016 – action plan in place The Council's insurers Zurich have aided in putting effective risk management procedures in place Safeguarding – the framework of another council has been used to challenge and review our own approach.	Yes

Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	SLT , Internal Audit Consortium Manager	Annual governance statement	Internal audit review the areas that are delivered by Arvato and Kier and any significant internal control weaknesses are fed through to the AGS e.g. Non housing property repairs	Yes
Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	Policy and Communications Manager	Community strategy	Community Engagement Strategy Decision making arrangements – committee management and Modgov.	Yes

SLT = Senior Leadership Team

CMT = Corporate Management Team

CHESTERFIELD BOROUGH COUNCIL

KEY ELEMENTS OF THE SYSTEMS AND PROCESSES THAT COMPRISE THE
COUNCIL'S GOVERNANCE ARRANGEMENTS 2016/17

Key Element	CBC Arrangement
Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively	Codes of conduct for members and staff are included within the Constitution which is available to all staff on the intranet. Codes of conduct cover conflicts of interest. The Council has a Confidential Reporting (Whistle blowing)Policy which is held in the policies section on the intranet Councillors have training on standards generally and also specifically (relating to e.g. planning, licensing). Training is supplemented by updates and refresher sessions as well as advice as necessary. All staff and elected members receive a comprehensive induction which covers behaviour and ethical values.
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	Retain a properly resourced internal audit function and have an appointed monitoring officer and section 151 officer.
Documenting a commitment to openness and acting in the public interest	Annual financial statements Council Plan The Council has adopted a current FOI Publication Scheme There are approved internal and external communication strategies in place Community Engagement Strategy All decisions by Committees are minuted There is an HRA Business Plan Steering Group to lead on the development of the HRA Business Plan that comprises of tenants, officers and elected members.
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	The Council Newspaper "Your Chesterfield" The Council website Social Media Channels Council Tax information is on the website Current website full of information

	All reports are "open" agenda items unless there is a valid reason. Community Engagement Strategy. Feedback given on consultation through the website. An annual report to tenants is prepared and sent to the Housing Regulator (HCA), published on the website and a summary sent to all tenants at the end of September each year. Housing have a Customer Engagement Strategy as required by the HCA and provide a variety of opportunities for tenants to be involved in and shape service delivery e.g. focus groups/formal meetings/informal drop ins/ use of a consultation bus in the community.
Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning	The council has a Council Plan 2015 – 19 which specifies the Council's vision, priorities and values. This document details the aims of the council and sets the framework for all service plans. The council plan is aligned to the medium term financial plan and refreshed each year on the basis of the affordability of each of the priorities. One Council : One Team is a core CBC value which is considered during all EPD's.
Translating the vision into courses of action for the authority, its partnerships and collaborations	The "vision" / corporate Plan is fed in to service plans which include service objectives and performance indicators which all tie back to the Council's Corporate Plan
Reviewing the effectiveness of the decision making in partnerships, information provided to decision makers and robustness of data quality	The Partnership Strategy is under review, conversations will be required with the new political leadership from May 17 so the new Strategy should be in place by September 2017.
Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money	Performance management is under development. The Policy and Communications Service has now been restructured with resource being identified to embed the framework. The contractual review relating to ICT is underway. The review of the remaining services under the public private partnership is currently being scoped. It is intended that the future delivery of services will be party

	defined by the review and therefore any changes to PI's will be considered after that output has been received. It is expected that KPI's will be reviewed by June 17
Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the authority and partnership arrangements	The roles of members and management are documented within the Constitution. All managers have job descriptions. The Partnerships Strategy is currently under review
Ensuring that financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2015) and where they do not, explain why and how they deliver the same impact	The Council has in place an experienced qualified accountant as Chief Financial Officer and complies with the requirements of the CIPFA statement on the Role of the Chief Financial Officer. There is also a very experienced Chief Accountant in post.
Ensuring effective arrangements are in place for the discharge of the monitoring officer function	The Council has an experienced Monitoring Officer in place
Ensuring effective arrangements are in place for the discharge of the head of paid service function	The Chief Executive is the Head of Paid service
Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	All Members undergo induction training and this is supplemented by specific training on e.g. planning, licensing, standards. All officers have an induction and undergo relevant CPD to ensure that their professional skills and knowledge are maintained and updated. Training needs are identified at EPD's and feed through in to a learning and development plan.
Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability	There is a risk management Group in place, membership is made up of senior officers from every area of the Council. The Group regularly review the strategic and operational Risk registers and is supported by an officer from the Council's insurers. Internal audit undertake regular reviews of the risk management process.
Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014)	The Council has an anti-fraud, bribery and corruption policy and a confidential reporting Code. CIPFA's fraud checklist has been completed and the results reported to the Standards and Audit Committee. Fraud

	awareness training has been provided to all service managers in September 2016.
Ensuring an effective scrutiny function is in place	There are 3 Scrutiny Committees Overview and Performance Scrutiny Forum Enterprise and Wellbeing Scrutiny Committee Community, Customer and Organisational Scrutiny Committee An annual Scrutiny report goes to Full Council
Ensuring that assurance arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact	The Council is compliant with the CIPFA statement on the Role of Head of Internal Audit. The Internal Audit Consortium Manager is CIPFA qualified and there are sufficient resources to deliver the risk based audit plan.
Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013)	The Standards and Audit Committee's terms of reference are included within the Constitution.
Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.	The 2015/16 final accounts were signed off in a timely manner. External audit recommendations are properly considered and acted upon.
Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.	Core partnerships are supported by Service Level Agreements and are monitored accordingly by the Council's Client Officer, Joint Board etc. Housing's Tenant Challenge panel has a clear set of Terms of Reference and Code of Conduct for Members.

CHESTERFIELD BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016/17

Scope of Responsibility

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

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

Chesterfield Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government Framework 2016 edition*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31st March 2017 and up to the date of approval of the statement of accounts.

The governance framework

The key elements of the systems and processes that comprise the Council's governance framework are as follows:-

Chesterfield Borough Council identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users via its Council Plan and Vision statement. The Council Plan consists of 3 priorities:-

To make Chesterfield a thriving borough
To improve the quality of life for local people
To provide value for money services

The Council's values reflect the way the council wants to achieve its vision, these are:-

Customer focused: delivering great customer service, meeting customer needs
Can do: striving to make a difference by adopting a positive attitude
One council, one team: proud of what we do, working together for the greater good
Honesty and respect: embracing diversity and treating everyone fairly

The Council Plan is cascaded down through, managers, meetings, service plans, team plans, budgets, the medium term financial plan and employee development reviews. This flow ensures that resources are utilised for the achievement of the Council Plan and vision.

The Council works with a number of partnerships to deliver its aims. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision of its purpose and intended outcomes for citizens and service users and that they are subject to appropriate governance and performance management arrangements. Two of the Council's significant partnerships are Sheffield City Region Combined Authority and the Local Enterprise Partnership for Derbyshire and Nottinghamshire for which there are inter authority agreements in place.

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking and monitoring budgets.

Chesterfield Borough Council has a formal constitution in place that sets out how it operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. In addition, the constitution sets out the roles and responsibilities of Members and Senior Managers.

The Cabinet is the part of the authority which is responsible for most day to day decisions. The overview and scrutiny committees support the work of the Council by scrutinising the decisions made. The Standards and Audit Committee are responsible for maintaining and promoting high standards of conduct and for considering the effectiveness of the Council's risk management arrangements and the control environment. The Committee also reviews reports from internal and external audit and other inspection agencies and seeks assurance that action has been taken where necessary.

Formal Codes of Conduct are in place for Members and Officers and are available on the intranet and form part of induction procedures. To further enhance these high standards the

Council has in place a comments, complaints and compliments procedure, a Customer Services Charter, an Anti- Fraud, Bribery and Corruption policy and a Confidential Reporting (whistle blowing) Code.

In order to ensure compliance with relevant laws and regulations, internal policies and procedures Chesterfield Borough Council has a comprehensive induction policy and provides training for staff and Members on a regular basis. The Constitution is underpinned by legal references. Training needs are identified through Member and employee performance and development reviews and continuous professional development is encouraged. Policies are readily available on the intranet.

Chesterfield Borough Council has a risk management strategy, a risk management group and risk is considered as part of all Cabinet reports. The corporate risk register and service risk registers are regularly reviewed and appropriate training is provided.

The Council has a suitably qualified Business Transformation section and a Business Transformation Strategy.

The Chief Executive is the designated Head of Paid Service, with the statutory responsibility for the overall review of the Council's staffing and operation. The Chief Executive is monitored for performance in the delivery of political priorities which are in turn monitored and measured across all staff. The Council's Monitoring Officer attends Corporate Management team meetings and is suitably qualified.

The Chief Financial Officer is professionally qualified and experienced to undertake their roles and responsibilities and is supported by an experienced and appropriately qualified finance team. The Chief Financial Officer is a key member of the Corporate Management team and leads and directs a finance function that is fit for purpose. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Internal Audit is provided on a Consortium basis for Bolsover District Council, North East Derbyshire District Council and Chesterfield Borough Council. The Internal Audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and conforms to the requirements of the CIPFA statement on the Role of the Head of Internal Audit. The Internal Audit Consortium Manager is a senior manager, professionally qualified and leads an appropriately resourced and experienced audit team. The recent external review of internal audit confirmed that the team is compliant with the PSIAS.

Chesterfield Borough Council has a variety of means of communicating with all sections of the community and stakeholders including the Community Engagement Strategy, the Council's website, the publication of "Your Chesterfield" three times a year and an annual Community Engagement Programme.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework include:

- Internal audit reviews of systems and procedures in accordance with the agreed internal audit plan
- Annual review of the Council's Code of Corporate Governance
- Assessment against the key elements of the governance framework
- Monitoring Officer reviews and monitors the operation of the Council's Constitution
- The Chief Executive, Executive Directors and Corporate Management Team monitoring the risks and the associated controls assigned to them
- The Chief Financial Officer (the Director of Finance and Resources) providing the Council and the Management team, with financial reports and financial advice covering the whole range of Council Activities
- Reviews by external agencies such as the Council's external auditor
- A review of the system of assurances/internal controls
- The Council's Standards and Audit Committee receives reports on the work of internal audit, including the annual report by the Internal Audit Consortium manager. The annual review of the Local Code of Corporate Governance is reported to both the Standards and Audit Committee and the Council's Cabinet.
- The Cabinet receives and considers reports on the outcome of reviews by the external auditor and other review agencies.

It can be demonstrated that on the whole the Council's governance arrangements support the council's corporate plan by the sheer volume of achievements. A few of these are:-

- Completing a £350,000 development of Eastwood park
- Refurbishing 5 children's play areas
- Publishing a draft new Local Plan
- Launching the Community infrastructure Levy
- Ensuring all our homes meet the Decent Homes Standard
- Opening and running the new Queen's Park Sports Centre
- Launched a new homelessness Strategy

A Review of 2015/16 Governance Issues

A mid - year review of progress against the 2015/16 AGS action plan was undertaken by the Corporate Management team and was reported to the Standards and Audit Committee. As at march 2017, some actions have been completed but others are in progress and remain to be completed. Where necessary the uncompleted actions have been carried forward to the 2016/17 AGS action plan.

Significant governance issues

Whilst there are many areas of the Governance Framework that are operating satisfactorily, the work of internal audit and discussions with the Corporate Management Team has identified that there are a number of areas where action can be taken to improve the governance arrangements in place. The significant issues are summarised below and Appendix D of this report presents the full action plan.

The following significant governance issues have been identified:

No.	Issue Identified	Action to address
1.	Budget – There is a budget gap as identified in the Medium Term Financial Plan 2017/18 – 2019/20. The general fund and the Housing Revenue Account are both under increasing pressure.	Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council's corporate plan for the period 2015-2019. This will be achieved through the established mechanisms for financial planning and reporting: • Financial Planning Group • Great Place Great Service Board • Corporate Cabinet and CMT workshops • Monthly budget monitoring reports to service managers • Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum • Regular dialogue with the trade unions
2.	Data Protection – there is still a significant amount of work required to ensure that the Council will be able to comply with the new European Data Protection Regulations that come in to force from May 2018.	Resources have been allocated to address the weaknesses outstanding. An Information Assurance officer has been appointed.
3.	Information Technology - the Council's IT infrastructure is in need of review to ensure that it is fit for purpose. Although PSN compliance has been achieved there is a need to ensure that this is retained and that IT can successfully support the Council's transformation projects.	The Council has initiated a contractual review of the PPP services and is requesting a 'deep dive' into the ICT service provided by Arvato. Results of the contractual review will be received during the 1st quarter of 2017 and will inform changes required.
4	Devolution - Plans to become a full member of the Sheffield City Region Combined Authority have been delayed following a legal challenge from Derbyshire County Council. This has resulted in implementation of the SCR devolution deal being delayed as well as any decision about membership or	A further public consultation exercise will be carried out during 2017. The Council's Chief Executive and Executive Directors will continue to assist and support the SCR with this project to ensure that the best deal is obtained for Chesterfield residents and business.

	Mayoral elections.	
5	Non Housing Property Repairs – The previous 10 year plan has not been adhered to, monitored for completion or adjusted as a result of condition surveys. This issue has been carried forward from 2015/16.	Kier has committed to providing additional resource to bring this work back on track as it has continued to be de-prioritised in relation to other work. This is now likely to be used to inform a fuller re-setting of the property repairs fund leading into the budget setting process for 18/19.
6	Health and Safety - There has been a lack of capacity to ensure that health and safety arrangements are fit for purpose. This is as a result of major projects in 2016/17 such as the town hall restack that has identified asbestos issues and the opening of the Council's new Queens Park Leisure Centre and destruction of the old leisure centre.	The Health and Wellbeing Manager has produced an action Plan to resolve the issues that will be monitored for completion by the Standards and Audit Committee and the Health and Safety Committee.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Standards and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified for improvement form part of the 2016/17 Annual Governance Statement action plan which is detailed at Appendix D.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

_____   _____

H Bowen   Councillor T Gilby
Chief Executive   Leader of Chesterfield Borough Council

Date:

On behalf of Chesterfield Borough

CHESTERFIELD BOROUGH COUNCIL – ANNUAL GOVERNANCE STATEMENT 2016/17
ACTION PLAN

	Governance Issue	Action Proposed				Annual Governance Statement	
		Description	By Date	Officer	Priority	Yes	No
1	Budget – There is a budget gap as identified in the Medium Term Financial Plan 2017/18 – 2019/20. The general fund and the Housing Revenue Account are both under increasing pressure.	Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council's corporate plan for the period 2015-2019. This will be achieved through the established mechanisms for financial planning and reporting:- • Financial Planning Group • Great Place Great Service Board • Corporate Cabinet and CMT workshops • Monthly budget monitoring reports to Service Managers • Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum • Regular dialogue with the trade unions.	On going	Members / CE / Executive Directors/ Director of Finance and Resources	H	√	

	Governance Issue	Action Proposed				Annual Governance Statement	
		Description	By Date	Officer	Priority	Yes	No
2	Data Protection – there is still a significant amount of work required to ensure that the Council will be able to comply with the new European Data Protection Regulations that come in to force from May 2018.	Resources have been allocated to address the weaknesses outstanding. An Information Assurance officer has been appointed.	April 2018	Customers, Commissioning and Change Manager	H	√	
3	IT Council's IT infrastructure is in need of review to ensure that it is fit for purpose. Although PSN compliance has been achieved there is a need to ensure that this is retained and that IT can successfully support the Council's transformation projects.	The Council has initiated a contractual review of the PPP services and is requesting a 'deep dive' into the ICT service provided by Arvato. Results of the contractual review will be received during the 1st quarter of 2017 and will inform changes required.	Sept 2017	Customers, Commissioning and Change Manager	H	√	
4	Plans to become a full member of the Sheffield City Region Combined Authority have been delayed following a legal challenge from Derbyshire County Council. This has resulted in implementation of the SCR devolution deal being delayed as well as any decision about membership or Mayoral elections.	A further public consultation exercise will be carried out during 2017. The Council's Chief Executive and Executive Directors will continue to assist and support the SCR with this project to ensure that the best deal is obtained for Chesterfield residents and business.	March 2018	Senior Leadership Team	H	√	

Annual Governance Statement Action Plan 2016/17

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	Governance Issue	Action Proposed				Annual Governance Statement	
		Description	By Date	Officer	Priority	Yes	No
5	Non Housing Property Repairs – The previous 10 year plan has not been adhered to, monitored for completion or adjusted as a result of condition surveys. This issue has been carried forward from 2015/16.	Kier has committed to providing additional resource to bring this work back on track as it has continued to be de-prioritised in relation to other work. This is now likely to be used to inform a fuller re-setting of the property repairs fund leading into the budget setting process for 18/19.	February 2018	Executive Director	H	√	
6	There has been a lack of capacity to ensure that health and safety arrangements are fit for purpose. This is as a result of major projects in 2016/17 such as the town hall restack that has identified asbestos issues and the opening of the Council's new Queens Park Leisure Centre and destruction of the old leisure centre.	The Health and Wellbeing Manager has produced an action Plan to resolve the issues that will be monitored for completion by the Standards and Audit Committee and the Health and Safety Committee.	Sept 17	Health and Wellbeing Manager	H	√	
7	The Performance Monitoring framework requires embedding	The Policy and Communications Service has now been restructured with resource being identified to embed the framework. Recruitment is taking place at the moment.	30/09/17	Policy and Communications Manager	M		√
8	The Public Private Partnership performance indicators require review to ensure that they focus on what the Council wants to achieve	The review of services within the PPP is currently being scoped. It is intended that the future delivery of the services will be partly defined by the review and therefore any changes to PIs will be considered after that output has been received.	30/06/17	Executive Director	M		√

Annual Governance Statement Action Plan 2016/17

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	Governance Issue	Action Proposed				Annual Governance Statement	
		Description	By Date	Officer	Priority	Yes	No
9	Monitoring arrangements for partnerships require review and update.	The Partnership Strategy is to be reviewed in 2017/18 and significant partnerships re-assessed. Discussions will be held with the new political leadership.	30/09/17	Policy and Communications Manager	M		√
10	Procurement – progress has been made during 2016/17 however the procurement Strategy and training still need to be disseminated to staff	The Procurement Strategy is due to be approved by Cabinet in March 2017. Procurement training is to be added to the new E learning system that is in the process of being launched.	30/06/17	Customers, Commissioning and Change Manager	M		√

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Appendix A

<u>Outstanding Internal Audit Recommendations as at 15th March 2017</u>

Recommendations Made	2014/15	2015/16	2016/17
Number of High Priority	54	58	40
Number of Medium Priority	34	42	48
Number of Low Priority	25	21	30
Total	113	121	118
Recommendations Implemented	**109**	**107**	**73**
Number of high recommendations outstanding	2	7	1
No of medium recommendations outstanding	2	5	0
Number of Low recommendations outstanding	0	1	1
Outstanding but not overdue/ response not received	0	1	43
Total Outstanding	**4**	**14**	**45**
Percentage due implemented	**96%**	**89%**	**97%**

- **Where recommendations have been raised in more than 1 year they are just shown below in the first year raised**

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Agenda Item 6

Outstanding Internal Audit Recommendations 2014/15

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
IT Security December 14	R1 It is essential that the current Council's Use of ICT by Employees Policy is reviewed to determine if it is still fit for purpose. If it is deemed not fit for purpose that a new ICT policy should be devised in accordance with the risk appetite, strategies and direction of business of the Council.	H	End May 2015 Revised date end March 2017	**Manager Responsible : Tony Smith/Mick Blythe/James Drury/Rachel O Neil** Jan 17 ICT policies are being reviewed and updated. The suite of policies will be implemented by the end of March 2017. The Council's use of ICT by employees' policy has been drafted and is currently being reviewed by Councillor Blank informally, before formal adoption.
Procurement – February 2015	R3 The Council should publish a procurement toolkit on the Council's intranet and provide relevant Service Managers/Managers with compulsory training. This should include: • The Council's contract procedure rules. • EU legislation requirements. • Local Government Transparency Code 2014. • Confirmation of the respective roles in the procurement process. • Procurement methods and best practice. Also raised March 16	H	September 15 Extended to 3 months after SLA sign off date	**Manager Responsible : Rachel O'Neil** January 2017 – Procurement toolkit developed. Aspire being updated. Procurement training being added to new E learning system and will be ready for launch in February 17. Member training scheduled for 19/01/17.

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
Procurement Feb 2015	R4 The Council should formulate an updated procurement strategy. This should be reported to Members and adopted by the Council as soon as possible. Also raised March 16	M	March 2016 Extended to 3 months after SLA sign off date	**Manager Responsible : Rachel O'Neil** January 2017 – Strategy developed and presented to GPGS Executive Board, Scrutiny and Standards and Audit Committee. Scheduled for adoption at Cabinet March 2017.
Car Parks March 2015	R4 To ensure compliance with part 4 of the Council's Constitution quotations should be obtained for the supply of car parking tickets or an exemption documented by the Service Manager. Also raised March 2016	M	September 2015 Revised Date January 2017	**Manager Responsible : Andy Bond/Mike Brymer** January 2017 – Procurement of new Pay and Display machinery was completed in November 2016, implementation to commence in January 2017. At this point we will go to the market through a procurement exercise for a new supplier of tickets.

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Outstanding Recommendations 2015/16

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Data Protection May 2015	R1 It is essential that the programme of training embarked on in April 2015, is monitored to ensure all staff fully complete the training and that the anticipated further training to data asset owners occurs and is completed within a prescribed timescale.	H	November 2015 Revised Date April 2017	**Manager Responsible: Rachel O'Neil/Tony Smith/Gerard Rogers (as SIRO)** January 2017 - Training programme developed, Data Protection module is one of the Council's launch modules for the new e learning system. Information Asset Owners and Information Asset Assistants (IAA) are being identified. Training to begin for this group of staff in February 17. 21 IAA's in place so far – awaiting names from Environment, Resources and Regeneration to complete training schedule.
Data Protection May 2015	R2 On completion of the training programme it should be ensured that refresher training is undertaken at regular intervals.	H	Ongoing	**Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO)** Training programme assigned to staff members automatically via e

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
				learning module. Line Managers will be able to easily identify those staff members who have failed to complete mandatory training, including refresher training. CMT to receive monitoring reports on half yearly basis.
Data Protection – May 2015	R3 The review of Council forms used to collect personal data, be concluded by the revised implementation date 1st June 2015, with appropriate action being taken on any forms which are considered not to have a robust and consistent fair processing notification.	H	End July 2015 Revised Date March 2017	**Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO)** January 2017 – review underway. Will be completed by March 2017.
FOI Procedures – May 2015	R1 It must be ensured that refresher training as planned, is undertaken on a regular basis by the FOI champions.	H	January 16 Revised date April 2017	**Manager Responsible: Rachel O' Neil /Tony Smith /Gerard Rogers (as SIRO)** January 2017 - Training programme assigned to staff members automatically via e learning module. Line Managers will be able to easily identify those staff members who have failed to complete mandatory training, including refresher training. CMT to receive monitoring reports

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
				on half yearly basis.
Non Housing Property Repairs July 2015	R3 As previously agreed, a report to the Council should be prepared indicating the outcomes of the property condition surveys undertaken and the levels of maintenance required, subsequent to which liaison must occur between the Council and the service provider to provide guidance on the levels of contributions available and the level of maintenance affordable (both revenue and capital).	H	September 2015 Revised date October 2017	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan** Report to be produced by Kier January 2017 - Given other work and delays, this is still some time off. A date in the future needs to be set. We have discussed the work feeding in to budget setting in the Autumn so that we have re set budgets for 18/19.
Non Housing Property Repairs July 2015	R5 In conjunction with R2, when the new 10 year cycle is established it must be transparent as to what works are included within the cycle with the programme being adhered to as much as is practical. In instances where works are deferred or brought forward for any reason the plan should be updated to reflect the changes.	H	Ongoing	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan** January 2017 – agree and will look to set up regular (i.e. perhaps every 3 – 4 year) reviews as well as the annual budget setting. This will await the work on R3.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Corporate Credit Cards March 2016	R1 To strengthen controls procedure notes / guidance outlining acceptable usage and control / security of cards should be documented and issued to corporate credit card holders.	H	September 2016 Revised date April 2017	**Manager Responsible: Richard Staniforth** Procedure notes to be produced and distributed.
Data Protection May 2015	R4 To accord with good practice as determined by the ICO, it would be prudent to incorporate the Privacy Impact Assessment process within the data protection policy and to ensure that key officers are trained on how to undertake these.	M	December 15 Revised to September 2017	**Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO)** January 2017 - Data protection policy will be revised by March 2017 and will include privacy impact assessment requirements. DPA training will include the completion of privacy impact assessments.
Data Protection – May 2015	R11 Consideration is given to utilising the information gathered from the review of Council forms as a building block to create a Council Personal Data Asset Register to comply with proposed EU legislation.	M	December 15 Revised to September 17	**Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO)** January 2017 – To be undertaken as part of a work package.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Non Housing Property Repairs July 2015	R6 It should be clarified that the condition surveys relate to Council premises (as opposed to assets e.g. Car parks) and is a finite 5 year exercise and not a rolling exercise.	M	Further discussion required	**Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan** Matt Sorby to clarify with Michael Rich.
Non Housing Property Repairs July 2015	R7 It is essential that on conclusion of the 5 year review, a comprehensive comparison to the estates list is undertaken to ensure that there have been no omissions e.g. Coach station, public conveniences.	M	31st March 2016	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan** Matt Sorby to confirm to Michael Rich that this has been actioned.
Procurement March 2016	R6 The CBC website requires updating with the Contracts Register to comply with the Local Government Transparency Code 2015.	M	Within 3 months of SLA sign off	**Responsible Manager: Rachel O'Neil** January 2017 – Contracts register will be published from 1 April covering contracts over £50k.
Bank Reconciliation August 2015	R1The bank reconciliation procedure notes should be updated to reflect any changes in procedure once the transfer of the Councils bank account to Lloyds Bank has been fully implemented. Also raised July 2016	L	31st October 2015 Revised date June 2017	**Manager Responsible : Helen Fox** Awaiting accountancy restructure to complete.

Outstanding Recommendations 2016/17

Queens Park Sports Centre June 2016	R19 It is recommended to review the coding of the parties. Currently activity party deposits get coded to activity party's account but further payments get coded to the main hall account.	L	July 2016	**Manager Responsible: Chris Wright/Martin Key** Administration process for parties to change so that one pre-payment is required for payment of booking. No confirmation that this has happened received.
Bank Reconciliation July 2016	R2 The receipts not credited figure detailed in the period 1 bank reconciliation should be recorded as the actual receipts not credited figure and not recorded as the net of receipts not credited and bill payment transfers.	H	31st August 2016 Revised date June 2017	**Manager Responsible : Helen Fox** Awaiting review.

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For publication

Summary of Internal Audit Reports Issued 2016/17

Meeting:	Standards and Audit Committee
Date:	24th May 2017
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 Purpose of report

1.1 To present for members' information a summary of Internal Audit Reports issued during the period 14th January 2017 – 5th May 2017 in respect of reports issued relating to the 2016/17 internal audit plans. This is the last progress report in relation to the 2016/17 internal audit plan.

2.0 Recommendations

2.1 That the report be noted.

3.0 Report details

3.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager reports periodically to the Standards and Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.

3.2 Attached, as Appendix A, is a summary of reports issued covering the period 14th January 2017 to 5th May 2017, for audits included in the 2016/17 internal audit plan.

3.3 As requested previously, Members have been provided with copies of the marginal reports issued in respect of accounts payable, payroll and housing repairs. A summary of the key issues for each of these reports is detailed in Appendix B.

3.4 Appendix A shows for each report a summary of the scope and objectives of the audit, the overall conclusion of the audit and the number of recommendations made / agreed where a full response has been received.

3.5 The conclusion column of Appendix A gives an overall assessment of the reliability of the internal controls examined in accordance with the following classifications:

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

3.6 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committees attention.

4.0 Human resources/people management implications

4.1 There are no Human Resources Implications.

5.0 Financial implications

5.1 There are no financial implications.

6.0 Legal and data protection implications

6.1   There are no legal or data protection implications.

7.0   **Consultation**

7.1   Not Applicable

8.0   **Risk management**

8.1   The production of this report ensures that Members charged with governance are aware of any internal control weaknesses or fraud identified by internal audit.

9.0   **Equalities Impact Assessment (EIA)**

9.1   Not applicable.

10.0   **Alternative options and reasons for rejection**

10.1   The report is for information.

11.0   **Recommendations**

11.1   That the report be noted.

12.0   **Reasons for recommendations**

12.1   To inform Members of the internal audit reports issued in order that the strength of the internal controls in place can be assessed.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	This report links to the Council's priority to provide value for money services.

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	**01246 345468** **Jenny.williams@chesterfield.gov.uk**

Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	

Appendices to the report	
Appendix A	Summary of Internal Audit Reports Issued
Appendix B	Summary of the key issues in relation to marginal reports

Chesterfield Borough Council – Internal Audit Consortium

Report to Standards and Audit Committee

Summary of Internal Audit Reports Issued 2016/17– Period 14th January 2017 – 5th May 2017

Report Ref No.	Report Title	Scope & Objectives	Overall Opinion	Date			Number of Recommendations	
				Report Issued	Response Due	Response Received	Made	Accepted
25	Payroll	To ensure that the Council's Payroll is processed promptly and accurately	Marginal	20/02/17	13/03/17	24/3/17	9	9
26	Accounts Payable	To ensure that orders are raised and that invoices are paid promptly and accurately	Marginal	7/03/17	28/3/17	24/3/17	11	11
27	Commercial Waste	To ensure that fees and charges are charged and collected promptly	Good	24/3/17	14/4/17	2/05/17	1	1
28	Agresso FMS and Budgetary control	To ensure that main accounting and budgetary control procedures are operating effectively	Good	27/03/17	17/04/17	N/A	0	0
29	Housing Repairs Responsive	To ensure that the systems and procedures in place are operating.	Marginal	7/4/17	3/5/17		12	Note 2

Note 1 The response had not been received at the time of writing the report
Note 2 The response was not due at the time of writing the report

Summary of the key issues in relation to marginal reports

Payroll

The marginal conclusion in respect of payroll was based mainly on the volume of errors identified during testing. Errors related to:-

- Initial pay calculations being incorrect for new starters
- Inaccurate sickness records
- Incorrect overtime payments
- Incorrect pay changes
- Third party deductions not being paid over promptly or accurately (AVC Prudential and Ashgate Hospice).

The level of errors if reflective over the whole Payroll calls in to question the accuracy and integrity of payroll data and the payments made.

In addition to the above not all requests for payment were made by an authorised signatory and Payroll do not hold an up to date signatory list. The risk is that payment requests could be made by a person without the authority to do so or falsified claims may be submitted and paid.

A detailed positive response has been received from the HR Manager. Some of the issues arose due to staff shortages within Payroll that it is stated have now been resolved and that staff training has been/is taking place. Some of the issues relate to CBC as well as Arvato.

Accounts Payable

The key issue here is that there was no evidence that all requests to change suppliers bank details were being properly verified before actioned. It is a common

scam for there to be fraudulent attempts to change bank details thereby diverting payments to an illegitimate payee. This fraud has been attempted previously at CBC but the controls in place at that time prevented it however these controls appear to have lapsed on occasions.

The risk is that a large payment could inadvertently be made to a fraudster and the wrong bank account.

It is also important that any errors that would have or have resulted in an incorrect payment be recorded so that this can be used as a learning/training tool.

Another key risk identified was that the Microfax system is being used for around 20 hours a week to complete remittance faxing. This system currently runs on Windows XP. The Council was granted PSN compliance in 2014/15 on the condition that all Windows XP machines were removed. There is a risk that this could endanger the Council's achievement of PSN compliance in the future.

A comprehensive response has been received from the HR Manager and further discussions have taken place with internal audit and the client officer as to the best means to reduce the risks identified.

Housing Repairs

The key issue here is that the Council introduced the COINS system as a new housing repairs system however it cannot yet produce comprehensive job costing details. This is significant in terms of being able to monitor the profit/loss made on both internal and external jobs. The budget for introducing the system has already greatly overrun and further investment could well be required to ensure that the system can produce the required information.

The new Commercial Services Manager has placed the development of the COINS system on hold whilst a review is undertaken.

The risk is that the Council has a system that is not fit for purpose if it cannot produce the required information.

At the time of writing this report a response had not yet been received from the Commercial Services Manager.

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Bolsover, Chesterfield and North East Derbyshire District Councils'

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Payroll System
Date of Issue:	20th February 2017

Report Distribution:	Northern Site Director (Arvato Public Sector)/ Payroll and System Development Manager (Arvato)/ Customers, Commissioning + Change Manager CBC/ CBC Client Officer

INTERNAL AUDIT REPORT
PAYROLL SYSTEM

Introduction

An internal audit of the controls and procedures relating to the salaries and wages payroll system has recently been undertaken. There are approximately 689 monthly paid and 221 weekly paid employees within the Resource Link system. Payroll are currently in the process of migrating all weekly paid employees to monthly pay It's aimed to complete this by the start of 2017/18.

Scope and Objectives

The primary objectives of the review were to: -
- Confirm that all necessary key controls are operating effectively;
- Confirm the accuracy of payments to employees;
- Confirm that the levels of internal checks are adequate and operating;
- Confirm that previously agreed audit recommendations have been implemented.

The audit involved ensuring that: -
- starters / leavers are supported by official documentation signed by an authorised signatory
- all variations to pay / deductions are supported by appropriately authorised documentation;
- Payments to third parties in particular tax/NI and superannuation are paid within the eligible timescales, including the Real Time Information submission to HMRC
- Auto enrolment of new employees and declaration of currently opted out employees
- BAC's payments reconciled to net pay totals;
- weekly wage payments are supported by appropriately authorised documentation;
- accuracy of postings to the Agresso Financial Management System;
- System security.

The scope of the audit, did not include
- an in depth examination of unsocial hour payments
- bonus payments
- DCC year-end superannuation return and associated testing

Conclusion

The conclusion of the audit was that the reliability of the internal controls operating in the system reviewed was assessed as **Marginal** (A number of areas have been identified for improvement.). This has primarily been given based on the amount of inaccurate payments identified during audit testing
- 25% of new starters tested - initial pay calculation was incorrect
- 22% of sickness records examined had SSP paid incorrectly
- 13% of sickness records examined had OSP paid incorrectly
- 10% of overtime claims examined paid incorrectly
- 8% of pay changes and other payments tested paid incorrectly

- 44% of sickness records examined had sickness incorrectly recorded
- Evidence of third party deductions not being paid correctly nor being reconciled to Agresso

It is noted that the increase in the level of inaccuracies identified during the course of the audit can be attributed to the loss of key members of the payroll team at crucial times of the payroll calendar and with limited resilience available within Arvato to support the payroll team. Whilst the payroll team is now back at full complement, it would be prudent to ensure that there is sufficient support within the Arvato structure to prevent a reoccurrence should a similar situation arise.

Areas reviewed during the audit are detailed in the following report

Findings and Recommendations

Previous audit recommendations

1. The previous audit consisted of 2 recommendations, 1 of which has been adequately addressed.

2. As evidenced from the testing of employee sickness the issue of recording sickness on RL multi attendance has improved with only minor variances remaining.

3. In the previous audit it was agreed that a system of double checking manual sickness calculations would be introduced when the Service is adequately staffed. It was evidenced during testing of employee sickness that these checks are currently not being completed.

4. Discussion with the payroll manager revealed that 100% checks have been re-introduced on sickness and have been completed since November 2016.

Recommendations	
R1	As was recommended in the previous audit it is essential that internal checks on manual sickness calculations are completed to ensure an acceptable level of accuracy. *(Priority: High)*

Internal Check

5. The Payroll Manager reviews the payroll processing control checklist each pay cycle ensuring all processes including exception reports have been obtained/reviewed prior to the payroll being signed off.

6. The Checklist is modified to reflect changes to payroll processes/legislation and includes the appropriate processes for RTI and Auto enrolment.

7. The primary internal checks that were introduced with resource link are occurring:

   o **Monthly Employees:** Examination of the 'Pay run calculate exceptions' report, (This includes details of employees whose monthly net pay exceeds £2600 and when the employees monthly gross pay exceeds

£5750, Detail of employees who are not yet 65 but whose NI Category is 'C' , employees of sick pay or employees suspended from payroll)

- o **Weekly Employees:** Cross checking is completed between the details on pay advice to timesheets to ensure agreement in addition to examination of the 'Pay run calculate exceptions' (with details of employees who whose weekly net pay exceeds £625 and when the employees weekly gross pay exceeds £1150, Detail of employees who are not yet 65 but whose NI Category is 'C' , employees of sick pay or employees suspended from payroll),

8. Examination of the 'Pay run calculate exceptions' reports revealed that the following reports sampled had been reviewed with comments being recorded or with tick to confirm that the message was reviewed and the payment was correct

Monthly Reports Examined	Weekly Reports Examined
Period 5 – August 2016	Week 27 – 06/10/2016
Period 6 – September 2016	Week 28 – 13/10/2016
Period 7 – October	Week 29 – 20/10/2016
	Week 30 – 27/10/2016

9. The net pay comparison reports (monthly and weekly) are being examined and signed off by the Payroll Manager or Senior Payroll Assistant. The examination is currently restricted to the highest 5 negative and positive variances. This should be reviewed when all weekly employees have been transferred to monthly due to the increase in variable payments from previous weekly employees

   This report compares the net pay from the current period and the previous period, **See R2**

10. The report to identify basic pay changes/basic hourly rate changes (Pay elements 1000 & 1001) that would not be identified on the exception reports is obtained and examined. The Payroll manager is signing this report to confirm completion. This report is not being completed for weekly paid employees due to the relevant codes no longer being utilised.

11. It was evidenced that nil pay reports are being obtained and examined. The relevant section is contacted when an employee has had nil pay for 6 months to confirm retention on the payroll system.

12. Payroll exception reports received from BACS detailing employees whose net pay exceeds the predetermined parameters (See para. 8) are being obtained and examined

13. The car mileage calculated report is obtained for each monthly cycle and examined in comparison to the car mileage claims

14. BACS submission documents are obtained and confirmed to the pay run summary analysis

15. All reports are filed with the relevant pay cycle documentation

16. A review on the BACS limits is currently being completed in line with the Weekly to monthly pay changes, this is due to advances being issued when the employee switches from weekly to monthly pay cycles

17. Supplemental runs are kept to a minimum, with the Payroll Manager in conjunction with the Personnel & Financial Services Manager's approval being sought prior to the run occurring. No supplemental runs have occurred since the last audit.

18. A control sheet is maintained and completed for each payment run. This includes all of the required tasks related to the payment runs including obtaining relevant reports and complete RTI submissions. Examination of the control sheets identifies that these are being completed.

19. An electronic record of incorrect payments has been established, and it was confirmed is being periodically reviewed by the Personnel & Financial Services Manager.

20. A review of records of over and underpayments demonstrated that this is not a comprehensive list of incorrect payments as four instances that audit are aware of were not recorded, these were brought to the Payroll Manager's attention at the time of the audit.

Recommendations	
R2	A review of the net pay differences process should be undertaken following the migration of weekly paid employees to monthly pay. *(Priority: Low)*
R3	In order to ensure accuracy of KPI's reported so that lessons can be learnt/training provided, it is essential that the payroll under and overs record is fully updated as appropriate *(Priority: High)*

Parameters

21. Details of all parameter amendments are being retained with one member of staff inputting the relevant details another confirming the accuracy of the detail/input.

22. A review of the screenshots of the updated parameters was attempted however due to the size and resolution of the screenshots held as record the parameters were not legible, after a conversation with the payroll manager it was confirmed that these were double checked on the resource link system at the time of checking and signed to confirmed this. Since these were completed the ICT Department has provided a "snipping tool" to allow clear screenshots to be taken in future

23. As part of the audit a manual calculation of net pay was undertaken for a sample of employees with no issues arising.

<u>Sickness</u>

24. The resource link system is not being used to calculate sick pay consequently payroll staff are manually calculating and inputting sickness from BT3 forms into RL, with details being recorded on green sick cards

25. During the audit it was identified that the monitoring sheets introduced to ensure all departments BT3 sickness returns were submitted is currently not being completed.

26. Since the previous audit the recording of sickness absence on RL has improved with the majority of sickness absences being input correctly by the relevant departments

27. Examination of 15 monthly sickness absences identified multiple errors with sickness calculations and payments:
    - 8 (53%) Recording errors on sick cards
    - 4 (26%) instances of SSP not being calculated correctly
    - 2 (13%) instances of OSP not being calculated correctly
    - 1 (6%) Sick card that currently cannot be found

    The Payroll Department has been made aware and undertook appropriate action in respect of the above anomalies during the course of the audit. **See R1**

28. During the testing of sickness samples it was evidenced that a sick card was identified as incorrect within the 2014/15 audit and included on a query at the time however had still not been corrected. This has been corrected during this audit.

29. Examination of 12 Weekly sickness absences identified the following:
    - 4 (33%) Recording errors on sick cards
    - 2 (16%) instances where SSP was paid incorrectly

    The Payroll Department has been made aware and undertook appropriate action in respect of the above anomalies during the course of the audit. **See R1**

30. Due to the continued level of errors is it essential that the process of checking sickness calculations is resumed. **See R1**

Recommendations	
R4	The BT3 monitoring exercise should be resumed and should be comprehensively checked to ensure all BT3s are returned adequately *(Priority: Medium)*

<u>Deductions</u>

31. It was confirmed that National insurance and Tax Deductions for the periods 6 and 7 and for the weeks 27 to 30 had been paid promptly to the Inland Revenue inclusive of prompt and timely RTI Submissions.

32. Superannuation deductions in respect of periods 6 and 7 and for the weeks 27 to 30 were confirmed as being paid accurately and promptly

33. For a sample of 5 other third party deductions (Ashgate hospice, Westfield Health, Unison, AVC Prudential, GMB) the following was identified:
    o 1 late payment was made to AVC-Prudential, this also included an overpayment
    o 1 payment for Ashgate Hospice in October monthly deductions was not paid at the time of the audit.

    The payroll department have been made aware and are undertaking appropriate action to correct these anomalies within the next payment dates.

    It was confirmed by the payroll manager that the periodic reconciliations between the deductions monitoring spreadsheets and Agresso are not being completed.

Recommendations	
R5	A regular reconciliation of payments should be completed to ensure all deductions are being paid correctly and in a timely matter. *(Priority: High)*

Posting to Agresso

34. For each pay cycle an interface occurs with the Agresso financial management system. Accountancy in liaison with the payroll manager ensures both systems reconcile.

35. It was confirmed that there is a nil balance on the payroll suspense accounts (3077/3076)

36. It was confirmed that Accountancy are reviewing the balances on the debtors salaries and wages advance codes (annually)

37. Examination of costing for 20 weekly paid and 20 monthly paid employee revealed that all employees were costed to the relevant departments

Audit Testing

38. A sample of 16 new starters was selected from a total of 75 new starters this year (20% sample), examination of these revealed the following:
    o 4 (25%) New starters were not paid correctly in their initial pay due to incorrect calculations
       ▪ 1 of these would have continued to receive £2,525 overpayment per annum.
       ▪ 1 New starter was paid below their standard hourly wage
    o 3 (19%) New starters forms were incorrectly completed

    The Payroll Department has been made aware and undertook appropriate action in respect of the above anomalies during the course of the audit. In July 2016 a checklist was created by the payroll manager for all employees to complete for new starters with the aim to reducing payment errors.

39. Examination of 12 Leavers forms revealed no issues

40. Examination of 20 overtime claims revealed the following:
    o 2 (10%) overtime claims were not paid correctly
        ▪ 1 (5%) instance where the overtime was calculated incorrectly
        ▪ 1 (5%) instance where the employees overtime was not paid in the payment run

The Payroll Department has been made aware and undertook appropriate action in respect of the above anomalies during the course of the audit

41. Examination of 79 weekly timesheets evidenced the following:
    o 1 (1%) timesheet was not signed by the employee
    o 1 (1%) employee was paid for 4 hours were they have only worked 3 hours, this was due to the department miscalculation.
    o 1 (1%) employee was paid below their standard hourly wage due to a pay rate correction on the timesheet

The Payroll Department has been made aware and undertook appropriate action in respect of the above anomalies during the course of the audit

42. Testing completed on 18 pay changes and 18 other payments identified the following:
    o Overall 3 (8%) instance of incorrect payments were identified
        ▪ 1 (6%) change of post was not correctly updated resulting in underpayment
        ▪ 1 (6%) extension was not correctly updated resulting in underpayment
        ▪ In addition to these due to ambiguity within the HR letter 1 employee was paid incorrectly. The employee queried the pay with payroll department however the correct amount should have been clarified with the HR department.

The Payroll Department has been made aware and undertook appropriate action in respect of the above anomalies during the course of the audit

43. Examination of the 10 car expenses identified 2 (20%) minor calculation errors had occurred within the relevant department and that payroll had made the correct requested payments however it was evidenced that some expense forms had not been signed by an authorised signatory
    o 1 expense claim authorised by B. Franklin (not an authorised signatory)

Consequently the Internal Audit Manager is to send an email to all service managers to clarify the importance of checking car expense claims to confirm accuracy prior to submission to Payroll.

44. It was identified that errors which have resulted in over/under payments identified during the audit were being incorporated within the overs/unders record which is used to calculate the departments KPIs

45. Where overpayments are made to employees it is the informal policy within the council that all overpayments are to be repaid

Recommendations	
R6	It should be ensured that overrides to employees pay rate should be noted to confirm that contact has been made with the relevant officer. *(Priority: Medium)*
R7	Consideration should be given to HR, Payroll and CBC convening to formalise the overpayments policy *(Priority: Low)*
R8	It should be ensured that all requests for payments are signed an by authorised signatory *(Priority: Medium)*
R9	A system of management checks should be implemented to highlight any potential training requirements within the payroll section *(Priority: Medium)*

System Security/Enhancements/Documentation

46. It is noted that the responsibility for controlling access levels to the Resource Link system is held within the HR department

47. Examination of the current user list confirmed that a review has been undertaken by the payroll manager.

48. It was evidenced that 3 users from Sefton council have remote access to the Resource Link system; this is to ensure the payroll service can function in case of emergencies with the chesterfield employees.

49. A minimum set of requirements is set for user passwords for access to Resource Link, This is adequately secure in comparison to the council's password policy, this includes forcing a password change every 30 days.

50. A Payroll Manual has been produced and is held on the local network. This is kept as a live document which gets updated on a regular basis when changes occur within the system.

Key Performance Indicators

51. The following KPI's were examined and results confirmed as accurate to supporting records:
    o **HR1 –** Payroll payments made on time, when all relevant paperwork as data has been submitted to payroll by the agreed deadlines
    o **HR2 –** Expenses calculated and paid on time , when all relevant paperwork and data has been submitted to payroll by the agreed deadlines
    o **HR5 –** Statutory deductions, payments and returns made on time

52. Where incorrect payments are failing to be recorded on the over/under payments monitoring spreadsheet the KPIs being reported based on this data would therefore be reported incorrect. **See R3**

Auto Enrolment

53. Chesterfield Borough Council implemented automatic enrolment for the LGPS on 1st October 2013.

54. It is required that every 3 years a re-enrolment process is completed, this includes reassessing eligible job holders. The Cyclical Auto Re-enrolment Date (CARD) for CBC is 1st November 2016.

55. The council has taken the decision not to reassess eligible employees who have opted out within the last year.

56. Testing of eligible job holders was conducted and it was confirmed that all opt out documentation was renewed or was originally submitted within the last year.

57. It was identified that the Payroll Manager completed the re-declaration to the pension's regulator to confirm that the re-enrolment has been completed on 16th December 2016.

Acknowledgement

58. The assistance of Payroll staff during the audit is gratefully acknowledged

Internal Audit Report – Implementation Schedule

Report Title:	Payroll System	**Report Date:**	20th February 2017
		Response Due By Date:	13th March 2017

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By: Officer	To be Implemented By: Date	Disagreed	Further Discussion Required	Comments
R1	As was recommended in the previous audit it is essential that internal checks on manual sickness calculations are completed to ensure an acceptable level of accuracy.	High	Yes	KG	Jan17			**Training commenced with new payroll team Oct16 onwards; mthly checklist also amended to accommodate current sickness process to assist payroll team. It should be noted responsibility also lies with CBC to accurately input sickness to RsLink and to record on BT3 returns for Payroll to process in line with agreed Payroll Timetable. Monthly Payroll Processing Checklist developed to**

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagr eed	Further Discussion Required	Comments
				Officer	Date			
								incorporate 5 step process for payroll team Jul16.
R2	A review of the net pay differences process should be undertaken following the migration of weekly paid employees to monthly pay.	Low	Yes	KG	Mar17			Amendment to mthly net pay report actioned by Payroll provider 24.02.17. BACs limit review performed by KG 28.02.17; agreed by client 28.02.17 & with Accounts to instruct Lloyds to amend 28.02.17. Complete.
R3	In order to ensure accuracy of KPI's reported, it is essential that the payroll under and overs record is fully updated as appropriate	High	Yes	KG	Jan17			3 in question were missed in error May16 (at height of staff shortages within Payroll & result of inaccurate information to Payroll dept). Existing process once payroll notified of over/underpaymen t is payroll dept

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Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
								will manually calculate difference, & write to individual concerned; if no response after 2 wks reminder letter sent; after further 2 wks 3rd & final letter sent. If left, debt then sent to Revenues to recover; if still employed Manager asked to discuss direct with individual.
R4	The BT3 monitoring exercise should be resumed and should be comprehensively checked to ensure all BT3s are returned adequately	Medium	Yes	KG	Jan17			**Omission now corrected to verify return received from relevant CBC dept in line with deadlines. Ownership should also lie with CBC to ensure cut off dates achieved.**
R5	A regular reconciliation of payments should be completed to ensure all deductions are being paid correctly and	High	Yes	MR	Awaiting training from			**Training from Accounts dept requested on**

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
in a timely matter.				**Accounts**			**several occasions since 26.07.16; overview provided to Snr by Internal Audit Feb17; latest update 28.02.17 training to occur hopefully before financial year end. On-going.**
R6 It should be ensured that overrides to employees pay rate should be noted to confirm that contact has been made with the relevant officer.	**Medium**	**Yes**	**KG**	**Jan17**			**Example occurred Oct16; payroll team now aware written confirmation required in addition to any verbal confirmation from CBC. It is noted some of these errors should have been addressed by CBC Admin / Manager before authorisation to payroll. Complete.**
R7 Consideration should be given to HR, Payroll and CBC convening to formalise the overpayments policy	**Low**	**?**				**Not sure what further is**	**Payroll dept already has recovery for**

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Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
						required from Payroll?	overpayments process in place. HR have incorporated a recovery paragraph within Contracts within last year. HR to draft overpayments policy for approval by CBC.
R8 It should be ensured that all requests for payments are signed an by authorised signatory	**Medium**	**Yes**	**KG**	**Jan17**			**It is noted that CBC must also update their authorised signatories list which is dated. Payroll endeavour to check a signature accompanies payments, however have restricted resource to verify a sole signature is correct to a paper copy only held in Admin Office. It**

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By: Officer	To be Implemented By: Date	Disagreed	Further Discussion Required	Comments
							should also be responsibility of CBC to ensure employee signs documentation prior to authorising payments for payroll. Complete. CBC to provide complete list of electronic signatures for checking purposes.
R9 A system of management checks should be implemented to highlight any potential training requirements within the payroll section	**Medium**	**Yes**	**KG**	**Jan17**			**Training of new payroll team commenced Aug16 onwards, with regular mthly team meetings to review processes & reach stability with backups within the payroll team again, after key staff loses from Aug 2015 onwards. Payroll Manager**

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							constantly reviewing training needs of relatively new developing payroll team; and responsible for signing off payroll before transmission.

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service: *ullaley*		Date:	13.3.2017

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Bolsover, Chesterfield and North East Derbyshire District Councils'

Internal Audit Consortium

Internal Audit Report

Authority:	**Chesterfield Borough Council**
Subject:	**Accounts Payable/Invoice Processing Procedures**
Date of Issue:	**7th March 2017**

Report Distribution:	**Payroll and System Development Manager HR Manager (Arvato)/ Customers, Commissioning + Change Manager CBC/ CBC Client Officer**

ACCOUNTS PAYABLE SYSTEM/INVOICE PROCESSING PROCEDURES

Introduction

An internal audit of the operation and control of the Agresso Accounts Payable Module has been completed.

The audit involved a review of: -

- The central control and balancing and payment procedures operated primarily within the Accounts Payable/Invoice Processing Section.

- Examination of invoice processing (batch/web/COINS/1st/Team invoices), determining the adequacy of checking procedures, authorisation, and controls

The Construction Industry Tax Scheme was not included within the scope of the audit.

Scope and Objectives

The primary objectives of the review were to: -

- Confirm that all necessary key controls are operating effectively (key control areas as indicated below);
  - Only valid invoices are registered and authorised onto the Accounts Payable System
  - Accounts Payable section receive every invoice that has been Registered and Authorised onto the system and ensure accurate completion of coding slip by Services (batch/1st)
  - Agresso web/COINS invoices are receipted and logged accurately, confirming adequacy of the process where invoices are outside the agreed tolerances
  - Value of posting to creditors ledger agrees to value of posting to general ledger
  - Value of cheques/BAC's payments equals value of invoices due for payment
  - Value of invoices authorised in any period balances to the postings made in the Agresso System
  - VAT is correctly accounted for both individually and in total
  - Urgent manual payments are controlled and balanced and correctly dealt with
  - The system is monitored and maintained for issues such as:-
    - Review of invoices logged but not authorised for excessive periods
    - Purging of old creditors
    - No payment date specified
    - System documentation/enhancements
    - Performance monitoring

Conclusion

The overall conclusion of the audit, based on the controls examined, was that the reliability of the internal key controls operating within the Agresso Accounts Payable module was assessed as **marginal** (A number of areas have been identified for improvement).

It is noted that the Agesso web has still not been rolled out throughout the Authority with the largest section not utilising the Agresso web module being Kier.

At the time of the audit the recruiting process to replace the Team Leader who left in December 2016 was being undertaken. In the interim period the Accounts Payable Clerk (DDDC) and Clerical Assistant have been undertaking some of the duties performed by the previous Team Leader (i.e. weekly payment runs).

Areas reviewed during the audit and other matters arising are detailed in the following report.

Findings and Recommendations

Previous Audit Recommendations

1. The previous audit made a number of recommendations which the Arvato Site Manager considered that discussion and clarification were required with the PPP Client Officer.

2. Consequently a number of meetings have been held and some progress has been made on the majority of previous audit recommendations

3. The previous audit contained three recommendations, None of these are fully resolved, one has been implemented however further development is required and consequently the recommendation is reiterated later in the report

4. The current progress of the previous audits three recommendations are as follows:
    *   It was agreed that all errors that would have resulted in an incorrect payment would be recorded however currently the only record is a departmental error log; this contains errors made by the requisitioners for Agresso web. No Batch, first housing, team sigma or British gas errors were recorded.
    *   It was agreed during previous audits that when a supplier's bank details are changed contact would be made with the supplier and a letter would be sent out to confirm the changes. As at the time of the audit it was confirmed that not all the required phone calls are being made and that currently letters are being sent out for bank changes that occurred 3 months ago.
    *   It was agreed that additional measures would be brought in to increase the accuracy of the BVPI coding, currently these have been partially addressed:
        *   A new BVPI code was introduced. (BVPI 9 – Awaiting new supplier details)
        *   The BVPI reports are being sent to agresso authorisers so that any issues can be resolved, this is also sent to the client officer.
        *   Currently when invoices are deleted and re-entered into agresso there is no reason or evidence kept.
        *   From a sample of 17 invoices tested 4 (24%) of BVPIs were not coded correctly or had no evidence to show it as delayed in department.

	Recommendations
R1	It is recommended that - **All** errors identified on checking that would have resulted in an incorrect payment will have details recorded including amount i.e. web, batch, COINS, 1st, Team Sigma, British Gas - **All** duplicate/incorrect payments to be recorded on incorrect payments log. The existence of these error logs / duplicate/incorrect payments records should be brought to the attention of all AP/IP staff. *(Priority: High)*
R2	As recommended in the previous 2 audits it is essential that when an amendment to supplier bank details is completed that the supplier is contacted to confirm that correct details are being updated (this should be recorded), following this a letter should be sent out confirming the change in details. It was evidenced in the audit that this is not being completed. *(Priority: High)*
R3	As recommended in the previous audit it must be ensured that the BVPI coding classification is accurate, specifically 'delayed in department' with adequate evidence to validate the classification *(Priority: Medium)*

5.	At the time of the last audit four recommendations were still outstanding from the 2014/15 audit, a review of these recommendations evidenced that 2 of these has been implemented correctly:
- It was agreed that reports were to be sent out regularly to agresso authorisers detailing any invoices currently delayed in department and that reminder emails would be sent to the relevant authoriser with the client officer being copied in.
  - Current reports detail invoices that have been posted only
  - Invoices that are not posting and the reminder emails are not being sent to the client officer as agreed.
- It was agreed that liaison should occur between Arvato and the client officer to establish responsibility in respect of any late payment claims that the authority may receive. It has been agreed that any late payment claims will be reviewed on a case by case basis.
- It was agreed that the BVPI8 reports (detailing historical invoices delayed in department) are sent to the client manager so that any queries can be escalated and that reasons for delays would be recorded, currently the client officer is receiving the relevant reports however reasons are still not being recorded for delays, this was dealt with in a more recent recommendation. **See Para 4, R3**
- It was agreed that a newly created agresso excelerator report (a spreadsheet version of the unconfirmed batch and web reports which includes additional information to help identify why invoices are not posting) created by the systems administrator would be regularly reviewed and sent to the client officer however the current AP staff were not aware of these reports.

	Recommendations
R4	Where invoices are not correctly posting, Invoice processing should investigate to understand why they are not posting and appropriate action taken with details being recorded, this should incorporate an annual housekeeping exercise to review any invoices which are outstanding in excess of a predetermined period. In addition to this an escalation policy should be devised with the client officer. *(Priority: Medium)*
R5	It should be ensured that the Agresso excelerator report created for AP is utilised and reviewed, this should also be regularly sent to the client manager as previously agreed. *(Priority: Medium)*

Invoice Processing

6. A sample of 50 invoices processed covering all payment types (Batch processing 12; Agresso web 22; Team Sigma 2; COINS 10; 1st Housing 2, British Gas 2) and a range of Council Services was examined

7. The above sample was examined ensuring:
    - Approved by an authorised signatory
    - Invoice addressed to CBC
    - VAT invoice (where applicable)
    - Completeness/accuracy of coding slip completion (where applicable)
    - Invoice details traced to originating order (where applicable)
    - Further approval in instances where web invoices are outside tolerances

8. Examination of the above identified that of key controls operating that:-
    - 100% of invoices had been appropriately authorised
    - 100% of invoices had an order issued (excluding utilities / contracts)
    - 100% of invoices confirmed receipt of good/service
    - 100% of orders had payment details recorded
    (no change to previous audit)

9. It was confirmed that invoice processing undertake appropriate remaining checks on invoices prior to payment which include:
    - Confirm invoice addressed to CBC
    - Correct supplier being paid
    - Confirm invoice/credit note
    - Accuracy of gross amount
    - VAT applied accurately
    - CIS applied accurately and where appropriate

10. Agresso web invoices are on completion of the above checks manually 'posted' (i.e. ready for payment on the next payment run subject to the supplier terms)

11. From a review of "received dates" being detailed in the Agresso system for Agresso Web invoices it was identified that for 2 out of the 22 invoices the incorrect received date had been used. Both invoices had been scanned into the system prior to the date being input as received.

- Voucher reference 20067399 was date stamped and recorded as being received by the AP section on 14/11/2016 however had actually been scanned into the system 09/11/2016.

Recommendations	
R6	Agresso web electronic invoices must be date stamped when received, prior to them being scanned to ensure the correct received date is evidenced and the correct date as being received by the authority is recorded within the Agresso system *(Priority: High)*

Creditor Payments Section - Controls

12. Within the AP/IP Section there is a division of duties within the structure. The Team Leader (Chesterfield) undertaking the BACS transmission/cheque run, in instances where this is not possible the task is undertaken by the Accounts Payable Clerk (Derbyshire Dales) with further back up provided by the appointment of a Senior Payroll Clerk - hence retaining a division of duties between staff inputting invoices and actual payment.

13. A review of the system documentation for the AP department revealed that where this did exist the staff were not aware of where it was and these had not been updated recently (Procedure for posting agresso web invoices was last updated in 2012). The Expenditure Assistant (Derbyshire Dales) has created a folder with certain procedure notes for his reference.

Recommendations	
R7	Procedural Documentation should be formalised and reviewed annually. All staff should be aware of it location. *(Priority: Low)*

14. Examination of control sheets for the period 31st October 2016 to 27th November 2016 (weeks 31 - 34) identified that approval boxes are being appropriately signed.

15. It was confirmed that individual invoice checks within the creditor payments section in respect of batch invoices are continuing (e.g. total per invoice agrees to total on coding slip/interface report/screen check.).
    - It was evidenced that a batch header from August 2016 was brought to the attention of internal audit, the batch header shows that all the correct checks were completed and all the vouchers were ticked to show they have been checked however one of the voucher amounts was incorrect by £10,000. If the vouchers had been added up correctly and the checks had in fact been completed this would have been noticed and corrected. **See Appendix 1**

16. Invoice details and total are agreed to the batch header (where applicable).

17. In the testing of batch invoices it was evidenced that the invoice coding slip checks (completed by the Accounts Payable section) had been signed as evidence of checking invoices to the batched transaction report.

18. Weekly reports are obtained which detail invoices remaining on the system and not being paid (Batch and web).

19. In respect of the unconfirmed invoice report (Web invoices) this is being obtained and reviewed by AP Staff. The system administrator has devised a more comprehensive report (excelerator report) to assist AP, which they can sort to identify invoices which should have been processed and investigate these, It was identified that AP staff were not aware of this report. **See R5**

20. At the time of the audit there were 2 invoices with an invoice date of pre 1st April 2016 detailed on the unconfirmed batch report, it was identified that these have already been paid and should be removed from the system. **See R4**

21. Reasons for batches not processed are recorded e.g. Batch received after deadline.

22. Discussion with Accountancy ascertained that budget holders have access to an enquiry which will enable them to view outstanding requisitions/orders within their portfolio.

23. The record of 'errors'/incorrect payments by Services had been reintroduced during the previous audit. A further log of errors relating to errors on orders (restricted to web invoices) e.g. incorrect supplier number used is also being maintained. A manual record book is used to record order errors identified by the processing of COINS invoices. There is no evidence that any errors detected by AP/IP with regards to the processing of Batch, First Housing, Team Sigma or British Gas invoices are being documented or recorded. **See R1**

24. It was agreed during the course of the previous audit that the error spreadsheet would be adjusted to reflect all incorrect payments and across all payment categories. **See R1**

25. Although no evidence has come to light of any duplicate or incorrect payments made by the AP section the incorrect payments log had to be brought to the attention of AP staff and access to the spreadsheet (access restricted by the previous Team Leader) requested from the IT department.

26. It was confirmed that the system duplicate payment warning parameter is set at "Supplier invoice number" and that there has been no change to the tolerance level (currently at 2.5%).

Supplier Maintenance

27. Users request amendments to supplier maintenance fields by authorised request forms, which are submitted to the accounts payable section who action the amendment/create the new supplier.

28. Examination of a sample of supplier maintenance request forms confirmed that with the exception of 2, that these were appropriately authorised. The 2 not authorised appropriately were brought to the attention of the Team Leader (Chesterfield) to ensure appropriate authorisation sought.

29. In respect of changes to suppliers bank details, it was confirmed that the internal check by one member of the creditor section inputting the change and another member confirming the accuracy of input is occurring by a review of supplier maintenance forms.

30. In instances where the amendment is from an internal source, the check is to ensure the amendment is appropriately authorised, where it is direct from a supplier it is confirmed that the request is genuine by initially telephoning the supplier prior to the change being initiated followed by a letter to confirm the change has taken place. This check is not taking place. **See R2**

31. Evidence of 'scams' whereby individuals are fraudulently requesting supplier bank detail changes continues, with the Authority being subject to a recent request and suppliers notifying the AP section of similar attempts hence it is essential that a high level of vigilance is observed.

32. A full purge of suppliers has been undertaken by the System Administrator earlier in the financial year (July 2015) resulting in the closure of 7,752 accounts leaving 3,725 active suppliers. This task was a one off task to increase performance of the software.

Recommendation	
R8	Consideration should be given to an annual review of suppliers to ensure that any old and duplicate supplier accounts are closed if not needed. *(Priority: Low)*

Cheque Despatch Procedures

33. It was confirmed that the cheque logging record sheet is being appropriately completed (continuation of sequential serial numbers, cheque numbers, feeder system totals reconciled to cheque producing system totals and numbers despatched balanced).

34. The period 31st October 2016 to 27th November 2016 (weeks 31 – 34) was examined and it was confirmed that recording/despatch details for this period were recorded.

35. All issues in the period examined being fully accounted for.

Reconciliation Procedures

36. As part of the audit it was ensured that as at 10th February 2017 that the general ledger reconciled to the accounts payable ledger.

37. In addition the System Administrator undertakes regular reconciliations and maintains a record of these.

Key Performance Indicators/Compliance with the Late Payment of Commercial Debts Act 1998

38. For the sample of invoices examined, no Late Payment penalties were evidenced. Discussion with the AP department confirmed that late payment penalties have been imposed on the Council however these get coded with the invoice meaning that individual tracing of these is not possible.

Recommendation	
R9	Discussion should be held with the aim of creating an account code for late payment charges to ensure that they are identified and analysed to establish responsibility of payment. *(Priority: High)*

39. The Performance Indicator (IP1) "percentage of invoices paid within 30 days" is being utilised as a dual PI, in that it is also a PI target for the PP partner Arvato in addition to ensuring suppliers are paid within 30 days of receipt of invoice.

40. It should be noted that 30 days is the default period which applies in Late Payment Law.

41. A change to the Late Payment Law in March 2013 which in summary, is if a public authority does not pay an invoice within 30 days of receipt it is <u>obliged to automatically pay</u> the supplier the outstanding amount that includes, daily interest for every day payment is late based on 8% above the Bank of England Base Rate (giving a combined rate of 8.5% currently), plus a fixed amount for recovery costs. This potentially could result in significant costs to the Authority/Arvato.

42. The Arvato performance indicator (invoices paid within 30 days) in respect of December and January are detailed below. The variance between the Arvato and CBC figure is attributable to the removal of invoices paid outside the 30 day parameter which was as a result of 'a delay in department'.

Month	% Invoices on target - monthly (i.e. paid within 30 days)			
	Arvato		Authority: CBC	
	Month	YTD	Month	YTD
January 2017	93.42%	97.73%	90.88%	96.63%
December 2016	94.45%	98.18%	93.54%	97.22%

43. Analysis of the current year of CBC and Arvato's percentage of invoices over 30 days revealed that the percentage of invoice over 30 days has increased over the last 6 months:

Month	% Invoices over target - monthly (i.e. paid within 30 days)	
	Arvato	CBC
January 2017	6.58%	2.54%
July 2016	2.20%	1.14%
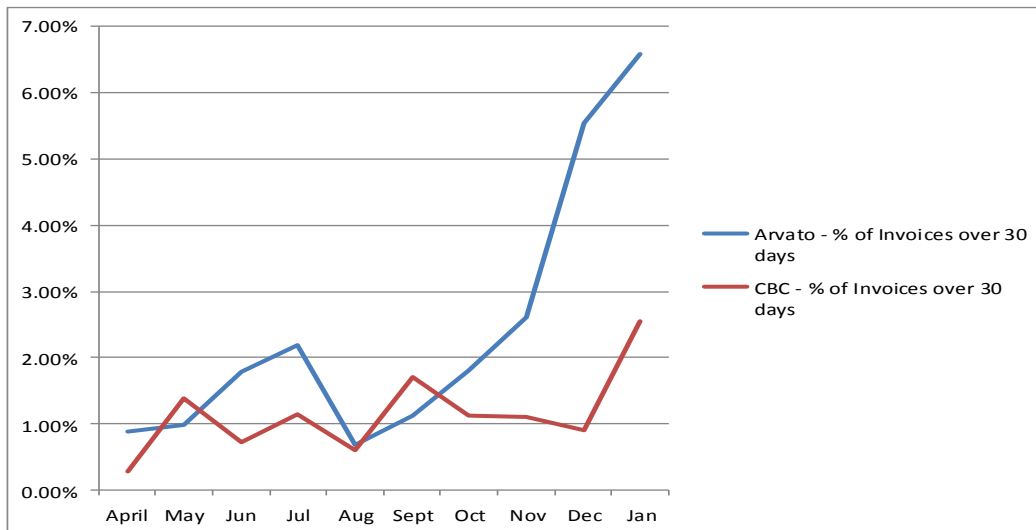
44. A sample of 17 invoices was examined to confirm validity of the current BVPI classification. This identified four invoices incorrectly classified (1 which was coded incorrectly and 3 which have no evidence to confirm the status).

- **20062507** – Invoice was labelled as BVPI1 however was registered on FMS as BVPI2.
- **10502510** – No details why it was delayed in department
- **20067053** – Invoice was received on 14/10/2016 however was not registered until 07/11/2016
- **20059977** – Invoice was deleted and reregistered, no reason or notes.

45. In respect of AP1 (Processing times for council tax, NNDR and Benefits cheque runs within 24 hours of payment file received), the KPI statistics for November 2016 were sampled as evidenced as correct (100% payments made on time against a target of 97%).

46. A review of AP2 (return of CIS to HMRC within timescale) and AP3 (Payment of CIS to HMRC within timescale) was completed and it was evidenced that in September an element of CIS was not paid over correctly to HMRC, a late payment penalty was received. After a conversation with the Payroll and Accounts Payable manager it was established that if a late payment penalty is issued neither of these KPIs are achieved. This should have resulted in the KPIs not being achieved however currently these are showing as achieved.

47. It was evidenced that the last time AP4 (payment to correct supplier) was monitored was in October 2016, since then the KPI recording spreadsheet has not been updated.

Recommendation	
R10	It should be ensured that the monitoring of AP4 (Payments to incorrect suppliers) is resumed. *(Priority: High)*

48. In respect of AP5 (Invoices received by 9.00 am on Thursday to be paid on following Monday payment run), it is noted that since April 2013 this is no longer reported, following a change request and approval by the Client Manager

System Security and Backups

49. All systems are adequately backed up on a daily basis, this was evidenced during the ICT Network security audit

50. It was identified that when remittance advice is sent to supplier it is sent using the Microfax system, this system is currently required to be on for around 20 hours per week for the system to complete the remittance faxing. This system currently runs on Windows XP

51. It was established within the ICT Network security audit that the council was granted PSN compliance in 2014/15 on the condition that all windows XP machine were removed.

52. A conversation with the systems accountant revealed that discussions have previously been held between CBC and Arvato with options provided for new systems however currently no further action has been taken.

Recommendation	
R11	It is essential that a new remittance system is introduced with the removal of the outdated system. *(Priority: High)*

Passwords

53. It was established that the password and access levels have been determined on an authorisation group system i.e. all individuals within a specific group have the same access levels.

54. It must be ensured that the varying access levels in respect of employees responsible for Accounts Payable functions and Invoice processing functions are retained to maintain an adequate segregation of duties.

55. User passwords expire after a specified length of time (60days), at which stage the system automatically instructs users to change their password.

56. Passwords are restricted to a minimum of eight characters with a maximum of sixteen characters.

57. It was confirmed that all user passwords are user specific.

58. It is noted that service type users have been created in respect of the purchase ordering module/sales orders, however these have no access rights what so ever. (Created as a result of Agresso version 5.5 utilising master user lists for tasks, hence to indicate service have to utilise drop down menu and select e.g. POM)

Acknowledgement

59. The assistance of Accounts Payable/Invoice Processing staff during the audit is gratefully acknowledged.

CHESTERFIELD BOROUGH COUNCIL

Accounts Payable Batch Header Form

Accounts Payable Use Only

Report Order No. | 37339 |

BATCH ID | HOU | 36878 |

(Dept Code & Sequential No.)

Vouchers Entered By | SUSAN WALL | SEU | (Print Name & User I.d.)

	Voucher Number	Gross Value £	p			Voucher Number	Gross Value £	p
01	1049 9004	450	00		16			
02	1049 9005	252	00		17			
03	1049 9006	327	52		18			
04	1049 9007	923	48	incorrect vpt	19			
05	1049 9008	*1250	00	*11,250	20			
06	1049 9009	500	00		21			
07	1049 9010	1250	00		22			
08	1049 9011	26	57		23			
09	1049 9012	91	20		24			
10					25			
11					26			
12					27			
13					28			
14					29			
15					30			

TOTAL £ 5,069.77

DEPARTMENTS USE ONLY

Date Batch Completed | 4/8/16 | Total Value of Vouchers | 5.069 | 77 |

Date Batch Submitted to AP | 4/8/16 | Total Value Posted | 5069 | 77 |

These Two Totals Must Agree

ACCOUNTS PAYABLE USE ONLY

Batch Received on | 4/8/16 | CIS Tax Checked By | B.Lloyd |

Batch Confirmed on | 5/8/16 | Batch Confirmed by | NA - 5/8/16 |

Report Title:	Accounts Payable/Invoice Processing Procedures	Report Date:	7th March 2017
		Response Due By Date:	28th March 2017

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R1	It is recommended that • **all** errors identified on checking that would have resulted in an incorrect payment will have details recorded including amount i.e. web, batch, COINS, 1st, Team Sigma, British Gas • **all** duplicate/incorrect payments to be recorded on incorrect payments log. The existence of these error logs / duplicate/incorrect payments records should be brought to the attention of all AP/IP staff.	H	Yes for incorrect payments to supplier	KG / LEH	Oct 17		For incorrect payment corrected prior to payment; further investigations required as to extent over next 3 months; then findings to be reviewed for best process going forward with reduced resources	For info – AP Team Ldr left abruptly early Dec16 with previous periods of absence; new AP Team Ldr in post 13.03.17. Incorrect payments to suppliers – differing logs previously completed but may have lapsed in last 6 mths; central log instigated 20.03.17 & controlled by new AP Team Ldr. Regarding recording errors corrected before payment, at present no log exists (although previously advised was in place). Further investigations required by AP Team Leader to confirm extent of this requirement as 3 stage robust checking process

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							in place within AP to correct any human error on routine input tasks and/or system errors.
R2 As recommended in the previous 2 audits it is essential that when an amendment to supplier bank details is completed that the supplier is contacted to confirm that correct details are being updated (this should be recorded), following this a letter should be sent out confirming the change in details. It was evidenced in the audit that this is not being completed.	H	Yes	KG / LEH	Jun 17		Slight modifications to Audit's suggested process ongoing, with response back to Audit from AP Team Ldr	Evidence supports this was in place up to 6 mths ago, & team have prioritised delivering payruns in absence of AP Team Ldr in last 3 mths. Going forward process to be clarified between AP Team Ldr & Audit; & new central log to be trialled for 6 mths controlled by AP Team Ldr.
R3 As recommended in the previous audit it must be ensured that the BVPI coding classification is accurate, specifically 'delayed in department' with adequate evidence to validate the classification	M	Yes (if possible to identify)	KG / LEH	Oct 17		Detail required by Audit may not always be known to AP; further investigation required within AP team	Comment "Delayed in dept" continues to be recorded on invoice with accompanying date; however due to a variety of reasons currently not always known to AP staff, level of further detail is difficult to add, in light of volumes processed & deadlines. Further investigations required within AP; in interim 2

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
								resources allocated to reviewing pending invoices on weekly basis & implemented w.c 20.03.17.
R4	Where invoices are not correctly posting, Invoice processing should investigate to understand why they are not posting and appropriate action taken with details being recorded, this should incorporate an annual housekeeping exercise to review any invoices which are outstanding in excess of a predetermined period. In addition to this an escalation policy should be devised with the client officer.	M	Yes as R3 (but annual task may not be required)	KG / LEH	Oct 17		CBC to draft their requirements for escalation policy for Arvato to approve	Response incorporates R3 responses, plus any annual housekeeping exercise may not be required if outstanding reviewed on weekly basis. Escalation policy – previously any considerable issues raised by supplier as a result of client have been raised via Arvato Site Director to CBC Client Manager.
R5	It should be ensured that the Excelerator report created for AP is utilised and reviewed, this should also be regularly sent to the client manager for review as previously agreed	M	Yes for running report	KG / LEH	Oct 17		Training required; then review reporting requirement	Report provided to previous Team Ldr but not identified to other team members. New Team Ldr now aware of report, training requested from Accounts in order to run & understand fully before any reporting

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
								requirements can be formalised. In interim period, new report set up for Team Ldr to identify "pending" invoices & in operation to resolve errors (human & system).
R6	Agresso web electronic invoices must be date stamped prior to them being scanned to ensure the correct received date is evidenced and the correct date as being received by the authority is recorded within the Agresso system	H	Yes	KG / LEH / ICT	Oct 17		KG raised call with ICT 22.03.17 regarding scanning risk	Incident identified Nov16 within this audit has highlighted risk of sole team member created for scanning process. Receipt stamping of invoices to be reviewed; initial investigations identify 2 stamps should be evident – 1st date from supplier (then sent to client) & 2nd date rec'd back in AP (from client) – review ongoing.
R7	Procedural Documentation should be formalised and reviewed annually. All staff should be aware of it location.	L	Yes	LEH	Apr 18			Evidence supports each team member has developed own process notes, with previous Team Ldr's in various hard copy versions, & numerous versions held within central AP folders

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							available to whole team. New Team Ldr to collate into 1 working manual for AP in central folder.
R8	Consideration should be given to an annual review of suppliers to ensure that any old and duplicate supplier accounts are closed if not needed	L	Yes – but should Arvato be responsible for this?				As Client is administrator of Agresso, should this be task performed by CBC Accounts?	Examples provided in audit for 2012/2013 had been escalated to Clients Agresso Administrator on various occasions by DDDC Team Ldr without response. Identified from weekly Unconfirmed Batch report which is reviewed by AP. Previous review of old/duplicate supplier accounts performed by Clients' Agresso Administrator 2 years ago & agree task is required again.
R9	Discussion should be held with the aim create an account code for late payment charges to ensure these are adequately recorded	H	Yes – agree account code required	KG / LEH	Jun 17		Client to create account code & advise Arvato / Client users	Allocating late payment charges on invoice either responsibility of Client's originator, or AP if identified on invoice. Account code to be requested from Accounts Administrator.
R10	It should be ensure that the	H	Yes	KG /	Mar			This lapse by previous

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
monitoring of AP4 (Payments to incorrect suppliers) is resumed			LEH	17			Team Ldr has now been corrected; going forward central record in place by new Team Ldr & announced to team all errors to be identified (see R1) which in turn will be reported monthly for KPI AP4.
R11 It is essential that a new remittance system is introduced with the removal of the outdated system	**H**	**Yes – agree required but funding discussion required at senior level**				Funding discussion submitted to previous Site Director; KG requested again verbally 28.02.17 – still outstanding – in order to submit to Snr Management.	System change required for Agresso. AP continue to identify missing emails & recording on original outstanding list supplied from Agresso Administrator. Updates of list supplied to client to load in last 2 years; but unsure if actioned. Therefore to reduce 100+ remittances issued by Arvato each week (including resource time & postage costs), AP Team Ldr to schedule team to input emails identified direct to Agresso with aim to reduce Arvato's growing

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Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							workload for this task whilst senior discussions continue.

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:	K Harley	Date:	24.3.1017

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