

Derby City Council

Audit and Accounts Committee

Annual Governance Statement 2015/16

Interim Report dated 26th September 2016

Executive Summary

Each year, the Council is required to produce an Annual Governance Statement (AGS) that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.

The Annual Governance Statement reports on:

1. how the Council complies with its own governance arrangements;
2. how the Council monitors the effectiveness of the governance arrangements;
3. what improvements or changes in governance arrangements are proposed during the forthcoming year.

The 2013/14 AGS and the 2014/15 AGS had both identified significant governance failings. In June 2016, Grant Thornton, the Council's External Auditors for those financial years, published a Report in the Public Interest detailing a number of governance failings at the Council, which centred on the management of a number of major projects and on some Member conduct during 2013/14 and 2014/15. The Council has embraced the recommendations in the Public Interest Report. Numerous changes have already been put in place, and a number are on-going in order to strengthen and enhance our governance framework. This framework is subject to a number of checks and balances to ensure continuous improvement.

Certification And Approval

We have recognised weaknesses in the previous governance framework highlighted in the 2013/14 AGS and 2014/15 AGS and have implemented corrective action. We have accepted all the recommendations made in the Report in the Public Interest and will strengthen our overall approach to Corporate Governance through the on-going actions.

Ranjit Banwait
Leader of the Council
Service

Paul Robinson
Chief Executive & Head of Paid

Paul Hezelgrave
Chair of Audit & Accounts Committee
Officer

Janie Berry
Director of Governance & Monitoring

2. Introduction and Background to the 2015/16 Annual Governance Statement

Regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 requires that a relevant authority must each financial year prepare an annual governance statement (AGS)

The 2013/14 AGS and 2014/15 AGS outlined a number of concerns with the effectiveness of the Council's governance framework. The Council has recognised these problems and put together improvement actions in a Governance Action Plan to strengthen and enhance the governance framework.

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led and held to account. The Council is committed to embedding and achieving a robust set of corporate governance arrangements. The Council is managed within arrangements set out in its Constitution. The Constitution outlines how the Council operates, how decisions are made and what procedures need to be followed to ensure it is efficient, transparent and accountable to its residents and stakeholders.

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.

3. The Council's Governance Framework

Derby City 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*. A copy of the code is on our website or can be obtained from the Council's Head of Governance and Assurance. This Annual Governance Statement demonstrates how the Council has complied with its Code.

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 designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate their likelihood and impact, and to manage them effectively.

The Council's assurance framework that was in place in 2014/15 is shown in the diagram on page 4.

Where do we need assurance?

Delivery of corporate priorities
Service performance and quality
Financial planning and performance
Partnership governance and effectiveness
Project management and delivery
Procurement processes
Management and engagement of our staff
Clarity of roles and responsibilities
Decision making protocols
Leadership effectiveness
Standards of conduct and ethics
Compliance with laws, regulations etc.
Effectiveness of the scrutiny function
Effectiveness of internal control
Effectiveness of safeguarding arrangements
Management of risks
Training and development of elected Members and staff
Staff engagement
Community engagement
Research
Openness and transparency

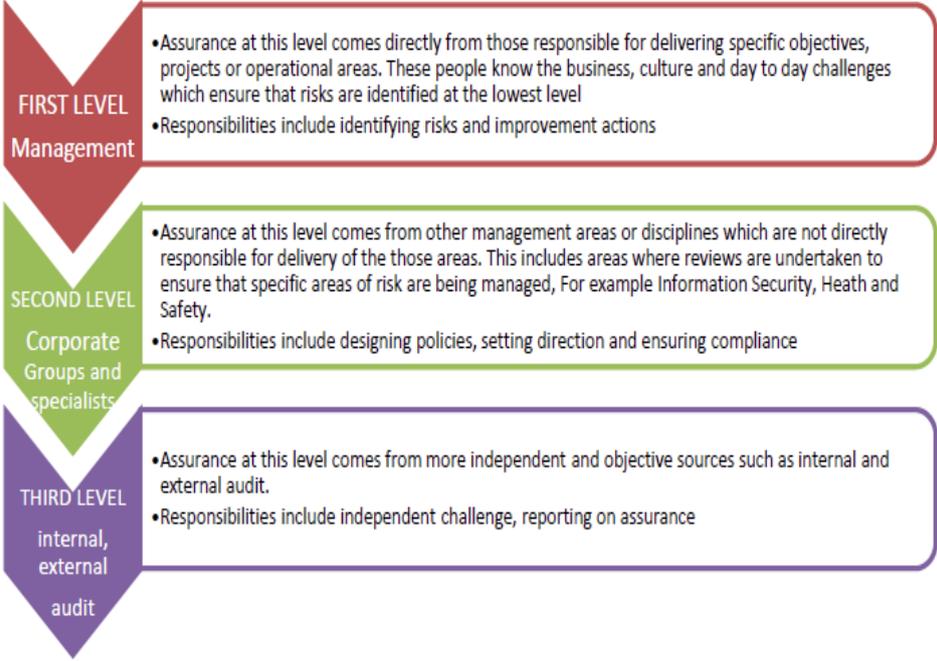
What do we have in place?

Derby Plan
Council Plan
Departmental Business Plans
Council Constitution, democratic arrangements, scheme of delegation for decision making
Audit & Accounts Committee and Standards Committee
Policy framework
Performance Frameworks (service and employee)
Effective financial management e.g. Annual Statement of Accounts, Medium-term Financial Plan, regular reporting of performance
Engagement mechanisms and Complaints processes
Partnership governance framework
Project management methodology
Corporate procurement strategy
Consultation Policy
OD Strategy, policies and procedures
Specific job roles for CEO, S151 Officer and Monitoring Officer
Member/officer protocols
Terms and conditions for remuneration
Pay and Reward Strategy
Officer and member Codes of Conduct
Registers of interest/hospitality
Anti-fraud and corruption policy and whistleblowing arrangements
Financial Procedure Rules & Contract procedure Rules
Staff and member training through a blended learning approach
Risk management framework
Corporate Safeguarding Board
Equalities framework
Core Values and behaviours
Effective systems, processes and controls
Electronic Policy management and E Learning system

What are our sources of assurance?

External auditor reviews and reports
Internal Audit reviews and reports
Internal audit planning linked to governance framework and risk
External reviews and inspectorate reports
Self-assessments
Peer reviews
Staff engagement
Benchmarking/VFM data
On-going review of governance
Partnership boards
Council's democratic arrangements e.g. scrutiny and 'audit' committees
Customer feedback
Community Engagement through:
 Reach-out Consultation Panel
 Statutory Surveys
 Service User Forums
 Diversity Forums
 Voices in Action Youth Council
 Neighbourhood Boards/Forums
 Streetpride Champions
 Your City, Your Say

Assurance can come from many sources within the Council. The Governance Working Group is responsible for mapping out where those assurances come from in order to identify any gaps. The Council uses the standard model of assurance within its governance framework, enabling it to understand how each contributes to the overall level of assurance and how best they can be integrated and mutually supportive. The key areas of assurance that underpin the governance framework are shown below:



4. Key Developments to the Governance Framework:

The 2014/15 Annual Governance Statement outlined the developments that were in progress or planned to enhance the Council's Governance framework. This development work has continued in 2015/16.

Governance Working Group

In March 2015 the Governance Working Group was re-launched to focus on organisational weaknesses in governance and statutory compliance. As part of the improvement plan, the Group has:

- developed nine building blocks which form the underlying principles of the Council's governance approach
- used these building blocks to create a Project Plan which maps progress of identified priorities and outcomes set within each building block theme
- allocated responsibilities for progressing work within each building block theme, to a relevant Service or Strategic Director
- reported issues and outcomes in relation to the Project Plan to the Corporate Governance Board on a monthly basis.

Significant progress has been made on the actions in the improvement plan. Completed actions include:

- Review and update of the Risk Strategy.
- Risk management now a standing item on DMT agendas.
- Review of the Overview and Scrutiny Boards.
- Constitution updated following Senior Management restructuring.
- Updated and revised Financial procedure rules
- Review of Boards / Working Groups and publication of new terms of reference template.
- Published guidance on secure storage of physical records both in transit and at home.

Sub Groups

In 2014/15, the Governance Group had a number of sub-groups reporting into it. These sub-groups were:

- Information Governance
- Risk Management
- Anti-Fraud
-

The Risk Management Group was set up to oversee the development of the Council's risk management framework. However, with the change of emphasis around corporate governance, and the inclusion of risk management as one of the "building blocks", it was decided that risk management should formally be integrated into the Governance Working Group.

The Anti-Fraud Working Group was established to bring together the various leads within the Council whose teams were involved in services/functions that carried a fraud risk and to coordinate the Council's responses to national fraud surveys. This Working Group is currently on hold following the transfer of Housing Benefit Fraud staff to the Single fraud Investigation Service with the DWP. However, the Council is currently establishing a Corporate Fraud Team, so there may be a need to reform the Group in due course.

The Information Governance group is chaired by the Council's Senior Information Risk Owner (SIRO) and was set up to provide an overview on the Council's information governance framework. Its initial task was to oversee the action plan that was formulated following a consensual audit of the Council by the Information Commissioner's Office in September 2012. Its key areas of responsibility are the continued development of information governance and information security within the Council, which it achieves through an Information Governance Action Plan.

Corporate Governance Board

In April 2015, the Council set up a Corporate Governance Board which is chaired by the Cabinet Member for Regulatory Services whose portfolio includes responsibility for Corporate Governance. The Board oversees the progress being made on improvements to the Council's Governance Framework.

New Management Structure

A new management structure took effect from 1 September 2015. The 2015/16 budget setting process included a requirement by the Council's Cabinet to reduce the management structure (Tiers 1-3) to deliver at least £600k of annual savings. The new structure is based around a two Directorate model – “People Services” and “Communities & Place” with a third Directorate – “Organisation and Governance” being led by the Chief Executive.

Council Plan

In March 2016 we launched a new Council Plan in support of our partnership vision of Derby 2030: safe, strong and ambitious.

Delivering Differently

Over the next three years the Council has to deliver £45m of savings. In addition to delivering the budget savings already agreed, the Delivering Differently programme is supporting services to develop and implement new and innovative service delivery models with the aim of creating a modern, flexible and resilient Council.

The Delivering Differently programme is a key element of the Council's Medium Term Financial Plan as well as the main mechanism for the delivery of the eight priority outcomes within the Council Plan.

The Council Plan sets out the Council's eight priority outcomes. These are:

- Protecting vulnerable children and adults.
- Enabling individuals and communities.
- Promoting health and wellbeing.
- Raising achievement and skills.
- Improving housing, supporting job creation and regeneration.
- Making the most of our assets.
- Being more commercial.
- Delivering services differently.

The Delivering Differently programme supports the delivery of all eight priority outcomes and is based around three themes. These are:

- **Our Communities** – local people doing more for themselves and each other.
- **Our People** – a modern, flexible and emotionally intelligent workforce.
- **Our Services** – services that allow people to be self-managing and being more commercial.

The programme consists of a portfolio of corporate projects designed to move the Council towards achieving its overall aim of becoming a modern, flexible and resilient Council by 2019. In addition there are a significant number of Directorate projects aimed at both delivering the savings already agreed by Full Council as well as making recommendations to position services to be delivered in different ways in the future.

A monthly Strategic Board chaired by the Leader of the Council is responsible for monitoring the overall progress of the programme as well as allocating resources from the Delivering Differently Reserve which was set up to support the programme.

Medium Term Financial Strategy and Plan – MTFS/MTFP

Council has agreed a Medium Term Financial Strategy (MTFS) - for the revenue and capital budget over the three year period 2016/17 to 2018/19. The MTFS sets out the Council's strategic approach to the management of its finances. It details the resource projections for the forthcoming three years, the financial challenges that the Council faces and the approach planned to meet the priorities set out in the Council Plan. It also comments on the significant risks facing the Council in the forthcoming years and explains what the Council is doing to reduce these risks. The purpose of the Medium Term Financial Strategy is to ensure that the overall vision, objectives and outcomes sought for the local community are affordable within the resources that are available or likely to be available in the medium term. The MTFS is also designed to ensure the Council continues to maintain a stable and sustainable budget capable of withstanding financial pressures. This position is becoming more difficult as funding continues to reduce at the same time as pressures are escalating.

The Medium Term Financial Plan (MTFP) set for the start of the 2015/16 financial year covered three years, however there were major gaps in balancing the budget for years two and three. This has also been highlighted in the external auditors VFM opinion. This approach had been led by the previous senior management team and was a style which had manifested for some years. Development of the 2016-19 MTFP continued throughout the year with the new senior management team and Cabinet setting a key principle to deliver a balanced position for all of the forthcoming three years. At our request, the Leadership and Senior Officers met with Government Ministers in September 2015 to discuss the financial position. An LGA Finance Review took place during the autumn of 2015, which confirmed the position and that extremely difficult decisions would be required. Further work was undertaken which led to a three year budget consultation process between November 2015 and January 2016 and Council set a balanced three year budget at its meeting in February 2016.

Internal Audit

Since January 2012, the Council's internal audit service has been provided by the Central Midlands Audit Partnership - CMAP. This is a shared services partnership between Derby City Council, South Derbyshire DC, Derby Homes, Ashfield DC, Amber Valley BC and Derbyshire Fire Authority.

The Council pays an annual contribution to CMAP to deliver the internal audit service. The level of the contribution determines the number of days of audit that the Council receives each year. Over a 2 year period the Council reduced its contribution to CMAP and consequently the number of audit days provided to the Council was reduced. As a result the Head of Governance and Assurance stated in his 2014/15 Annual Audit Opinion that "the level of coverage provided by Internal Audit was considered minimal". This was noted by the Council's previous External Auditor (Grant Thornton) who made a recommendation to the Council to ensure it has the appropriate level of internal audit coverage

Based on the audit coverage to date in 2015/16 and the projected planned audit coverage for 2016/17, the Head of Governance & Assurance remained concerned that this may not provide him with sufficient information to determine an overall audit opinion for the Council in future years.

The Chief Executive, the s151 Officer and the Monitoring Officer identified a need to increase internal audit coverage to one that is appropriate to meet the governance challenges being faced by the Council and to take into account the issues raised in the last two Annual Governance Statements. As a direct response to the need to enhance corporate governance, the Chief Executive also wanted to see a wider probity approach within the Council, driven by greater internal audit work in this area. This has resulted in the contribution to CMAP being increased from 2016/17 to enable an additional 400 extra internal audit days each financial year. The Council's Chief Executive, S151 Officer and Monitoring Officer have requested that Central Midlands Audit Partnership provides Derby City Council with additional Internal Audit coverage with immediate effect to bolster the Council's governance arrangements.

Improving resilience in the Governance Department:

In September 2015, the council brought together all its assurance functions (other than finance) into a single Department led by the Monitoring Officer. This has created a strong and cohesive Department, made up of professionals from various disciplines, to work together to improve and embed good governance. The teams within the departmental work together to identify areas of weakness and deliver improvements which benefit the council and its residents.

Risk Management and Insurance

It was recognised in 2014/15 that a proactive attitude towards risk management was required and that there were insufficient resources to deliver a best practice insurance and risk function. Therefore, the Council made additional resources available to increase the establishment of the Insurance & Risk Section from 1FTE to 4 FTE. The recruitment to the new structure was completed in October 2015.

A work plan was developed for the team from 1 January 2016. This was based on three key objectives

1. Establish a greater presence within the authority
2. Review all insurance and risk management processes and data within the section correcting and improving where needed.
3. Begin preparation for rolling out a continued system of continuing improvement.

The key developments in the year have been:

- The Risk Management handbook has been reviewed and revised and rolled out on iDerby (the Council's intranet)
- A new risk strategy has been written and will be issued in January 2017
- The Strategic Risk Register has been revised. Chief Officer Group has agreed the risks but requires further assurances around mitigating controls from the Departmental Management Teams and once received the Strategic Risk Register will be taken to Audit and Accounts Committee for approval.
- Links between Risk Management and the performance software DORIS are being implemented. The preliminary work for moving this forward has now been completed and is currently with the Insurance & Risk Team to liaise with the Performance team to fully implement.
- One of the objectives for the Governance Department is to roll out goodrisk management practices. To meet this, an alternate approach to risk management has been put forward by the Insurance and Risk Manager dealing with at an organisational wide level. This is currently being assessed for submission to the Governance Working Group and subsequently to Audit and Accounts Committee.

One piece of key work that has been carried out is around the valuations placed on council properties for insurance purposes. The issue has been the absence of a concise property list together with a lack of valid insurance valuations. The Insurance & Risk team has established an internal working group with Property Maintenance, Asset Management and Estates and Derby Homes to create an accurate list of residential and non-residential properties and to co-ordinate and arrange for the subsequent insurance valuations in time for the 2017/18 renewal. Although the project is still ongoing the data integrity exercise has already delivered efficiencies within the 2016/17 renewal, providing a reduction in premiums of £4,014.98 for residential properties and £24,991.84 for educational properties

As part of the overall review on valuations the team has worked closely with Estates to clarify the responsibilities between the Council, its tenants and landlords resulting in a number of properties being removed from the property list which we anticipate will lead to further savings in premiums for both 2016/17 and 2017/18. Specific cover for glass has also been removed, resulting in a saving of £468.11 in premiums for 2016/17 as the responsibility for insuring the specific glass at this particular property was confirmed as not being the Council's responsibility. The exercise has also uncovered assets that were not, but should be insured.

The key improvements/developments within the insurance function are:

- An online insurance claim form has been devised which is due to go live by August 2016. This will be accompanied by online guidance to aid the public with their right to make a claim
- A data integrity exercise has been undertaken across a number of areas of insurance

- A review of the All Risk schedule has seen the removal of insurance for obsolete assets resulting in a saving in premiums
- Museum assets and Civic Treasures have also undergone a review and it was found that there was a duplication of cover wording as our Fine Art policy could also cover our Civic Treasures but these were being insured separately under an All Risk policy
- A review of our Motor Vehicle inventory has also been undertaken in association with Fleet Management
- A further exercise has been undertaken to review the current list of safes within the Council including schools
- We have completed a review of the claims process both internally and externally. The additional staffing resources have allowed for a more robust and proactive stance. All omissions are challenged quickly which has improved our response times and by extension will contribute to improved claim costs by way of reduced legal costs.

Information Governance

The Council has lacked resilience in the provision of information governance support for a number of years. With an increased focus on the risks around information and the potential of enforcement action/financial penalties from the Information Commissioner's Office (hereafter referred to as ICO) for non-compliance with legislation, the Council took the decision in 2014/15 to invest more resources in to the Information Governance Team. The need to enhance the Information Governance framework within the Council was being highlighted through a struggle to maintain compliance with the requirements of both the Data Protection Act and the Freedom of Information Act. A new structure for an expanded Information Governance Team was in place in July 2015.

Freedom of Information

In February 2015, the Council received notification from the ICO that it wanted to ensure that the Council had adequate procedures in place for dealing with freedom of information requests. The ICO had produced an action plan which identified their concerns and set out a range of steps for the council to take. The purpose was not punitive but provided for the ICO to work with the Council to make sure that future freedom of information requests are handled properly.

The Council completed a six month monitoring period covering the freedom of information requests received and responded to for the period 1 March 2015 to 31 August 2015. The ICO stated that "*We are very pleased to see that the council has maintained a high rate of compliance with the statutory timescales for request responses. In view of this we are satisfied that the council's performance in this regard represents good practice and we will not be taking any further action in this regard.*"

Existing freedom of information processes have been mapped and, where possible, workflows have been optimised within the capability of the existing technology – the database can now automatically calculate the cost of processing FOIs, calculate additional 20 working day deadlines to consider Public Interest Tests, Environmental Information Regulation exceptions added and breach alert email process implemented (sent to Departments five working days before the response deadline).

This has resulted in improvements being made in both the time taken to log and process requests, as well as in the timeliness of responses received from business areas.

Under the Freedom of Information Act we are required to publish freedom of information responses in the disclosure log. This statutory function could not have been done with the current database. The Information Governance Team worked closely with the web team to develop/implement this functionality and now customers can search, view and download previously published freedom of information responses with supporting documentation. The published documents are available on Derby City Council's website.

Freedom of information templates have been reviewed/updated to ensure they meet ICO requirements. This has resulted in an improvement in the correspondence sent out to applicants.

Data Protection

The number of information governance incidents is far too high. This presents an increased risk to the Council. The two key concerns are:

- the repeat nature of many incidents that suggests we are not learning and improving; and
- the specific nature of some incidents with the data put at risk.

In October 2015, the Council received feedback from the ICO in relation to 2 disclosures of personal data which happened in October 2013 and June 2014. The ICO decided "*not to take any formal enforcement action on this occasion. This decision is due to the particular facts of this case and the remedial measures set out by the Council, which we expect will be implemented in order to prevent any recurrence.*"

There has been a substantial upward trend in the number of Subject Access requests (hereafter referred to as SARs) received over the last 3 years as data subjects have become more aware of their rights to request personal information held about them. In addition potential claimants (in, e.g.: claims for compensation arising from having been in local authority care), their lawyers and others who perceive that the council may hold evidence relevant to them are making more use of SARs. In 2015, the Council received 69 requests.

To enable a consistent approach to the provision of personal data, the process has been centralised and is now carried out by the Information Governance Team. A combination of the increasing number of requests, the size of the files concerned and the complexity of the information held has meant that the Council is not always able to meet its statutory obligations of providing the information within 40 calendar days.

Information Governance Policies

A comprehensive review and updating of all information governance policies commenced when the Information Governance Team became fully resourced. This is essential work as it is a key requirement for compliance with the NHS Information Governance Toolkit. Considerable progress has been made with consolidation and improvement of the policies. The following policies were reviewed and updated in 2105/16:

- DCC Incident Communication process v3.0
- Email and Internet Monitoring Policy v6.0
- FOI Policy
- Internet File Sharing and Collaboration Sites
- Laptop, Desktop and Tablet Device Security v2.0
- Remote or Mobile Computing Policy v2.0
- Network User Policy v1.0

Records Management

The majority of the Council's documentation on records management required reviewing and updating. In particular the Records Retention schedule was out of date and no longer matched the structure of the Council. A review of the schedule was the key task for the Information Governance Team in 2015. A comprehensive document retention schedule has been drafted.

Other notable progress on Information Governance Issues:

- NHS information Governance Toolkit – a review has been undertaken of what is needed. Information Asset Owners have been identified
- A review was undertaken around the council's secure email (Egress) to remove unused accounts and check costs
- Data Protection page on the Council's website was updated and re-formatted
- New Data protection incident e-form produced and included on iDerby (the Council's intranet) for employees to report 'data protection' breaches.

Legal Services

Since the last Annual Governance Statement in 2015, the Legal Service has grown to meet a number of corporate challenges the most significant of which was the need for added resilience. In areas such as child care and supporting the adult welfare and education service functions, significant sums were being paid out by way of external legal support because the service did not have sufficient internal resources to meet demand. The same concerns were apparent in supporting the Information Governance Team due to the significant increases in the numbers freedom of information, environmental information and subject access requests.

Within the last year, the service has benefited from investment that has seen a rise in the number of FTE equivalents from 22.3 to 29, and which has seen an additional solicitor post created to support the adult welfare and education function, two additional child care lawyers, the creation of a new Legal Officer post to support the information governance function as well as two additional members of staff to support the property, contracts and commercial work being generated by Derby Enterprise Growth Fund and other central funding streams within the city.

Local Code of Corporate governance

The Council approved the adoption of a local code on corporate governance, based on the original CIPFA / SOLACE corporate governance framework in July 2002. The current version was approved in November 2012 based on the CIPFA/SOLACE "Delivering Good Governance in Local Government" Framework. The April 2015 revision to the Local Code was put on hold until the publication of the 2016 Edition of the Framework. The Local Code is currently undergoing a complete re-write to reflect the changing environment in which local government now operates.

Effectiveness of Audit and Accounts Committee

In September 2014, the Audit and Accounts Committee established a sub group of 3 Elected Members to carry out a self-assessment of its effectiveness using the Chartered Institute of Public Finance and Accountancy (CIPFA) self-assessment checklist. The then Chair reported back to the Committee in December 2014 with a completed self-assessment and an action plan to address the areas for improvement. The Council recognises the need for Members of the Audit and Accounts Committee to have a stronger knowledge of the role and responsibilities of the Committee and the issues that are presented to them. However in 2015, as a result of a newly appointed Chair and the majority of Members being new to the Committee in 2015, it was not possible to complete the self-assessment within the meetings timeframe allowed during this year. However, Members were encouraged to prioritise attendance at the induction session. Members are also encouraged to take advantage of courses run by local Accountancy firms tailored for Audit Committee members. The next review of effectiveness is scheduled for December 2016.

Restructuring of the HR Function

The Council's HR function has, for some time, been subject to prolonged periods of instability and uncertainty. The Chief Executive has proactively supported the team initially through interim arrangements for management and leadership, but with the medium to long term aim of delivering a fit for purpose service which anticipates and meets the Council's rapidly changing needs. What had become apparent was that the structure of HR did not serve the Department or its customers well and consequently was not delivering value for money. As part of the new Governance Department a refreshed structure was implemented on 1st June 2016, which does facilitate and encourage forward thinking and offer resilience, whilst also being affordable, and able to support the Council to achieve its objectives and future business needs as it evolves.

Equal Pay for work of Equal Value

A major task for the HR function was to fulfil the requirements of the "Green Book" by moving to a legally defensible method of grading of roles and consistent terms and conditions of employment for 6300 Council and School employees. This was successfully introduced on 1 June 2016 and significantly reduces the risk of successful Equal Pay claims.

Information Governance training

It was reported in the 2014/15 AGS that the Council had received notification from the Information Commissioner's Office (ICO) that it wanted to ensure that the Council had adequate procedures in place for dealing with freedom of information requests. The ICO had produced an action plan which identified their concerns and set out a range of steps for the council to take. One of the steps was that the Council would "*ensure that all employees who deal with correspondence, or otherwise may be required to provide information, are familiar with the requirements of the FOIA, the EIR and associated Codes of Practice, and that appropriate training is provided*". The Council had mandatory training in place for employees around information governance, but no FOI/EIR specific training. The Council procured freedom of information specialist advice from Geldards LLP to produce and deliver the training. The training was delivered to employees in September 2015.

In December 2015, specialised training was procured on the roles of the Senior Information Risk Owner (hereafter referred to as the SIRO) and the Caldicott Guardian. The SIRO, the respective Caldicott leads for Adult and Children's services and all members of the Information Governance Team attended the training on the roles and responsibilities holding such positions entails. The Council may need to consider similar training for Information Asset Owners in 2016.

The mandatory e-learning courses for both staff and Elected Members on information governance and data protection continued to be a priority for 2015/16. This was to meet a requirement following the ICO's consensual audit of the Council in 2012.

Inspections and Assessments

Over the past 12 months, the Council has undergone the following inspections:

- Adult Learning Service (January 2016 – outcome good)
- Youth Offending Service (June 2015 – no overall judgement)
- Review of health services for children looked after and safeguarding (including some services commissioned by the Council) – (July 2015 – no overall judgement).

In 2016/17 we are expecting several unannounced inspections of Children's services, including the Single Assessment Framework covering services for children in need of help and protection, looked after children and care leavers. The Director of People Services led an internal "Mocksted" assessment in April 2016 to support inspection readiness and improvement planning in this area.

We continue to participate fully in the Sector Led Improvement programme and undertake self assessment, benchmarking and peer review activity on a regular basis. No peer challenges were held in 2015/16 but a number are planned in 2016:

- Adult social care (Preparing for Adulthood) – July 2016
- LGA Pilot of Child Sexual Exploitation – July 2016
- LGA Corporate Peer Challenge - September 2016
- Children's Services (Special Educational Needs & Disabilities) – September 2016.

Inspections across People Services

Derby City Council's services for both children and young people and adults, including commissioned services and providers, are subject to regular external scrutiny by various inspectorates including; Ofsted, CQC and HMI Probation. Preparing for an inspection is essential to achieving a successful outcome as it promotes internal self-awareness and allows corrective action to be taken as and when it is required to deliver improvements in both the quality of services and outcomes.

Services for children and young people is a highly regulated area comprising largely of statutory services all of which are subject to external inspections by Ofsted, CQC or HMI Probation, as follows:

- Services for children in need of help and protection, looked after children and care leavers (the SIF – Single Inspection Framework). The frequency is once every three/four years (commenced in 2013) unless judged as 'inadequate' when authorities will be re-inspected within 12 months following a period of intervention. Derby is anticipating an inspection to take place within the next three to six months (September 2016 – March 2017). In terms of current inspection judgements, the last inspection of child protection services carried out in 2012 judged services to be good; looked after children's services were judged adequate as part of the Safeguarding and Looked After Children inspection framework in 2011 (which the SIF replaced); and fostering and adoption services were both judged good respectively in 2011 and 2009 (both fostering and adoption are now included in the SIF).
- Services for children with special educational needs and disabilities - a new inspection framework introduced in May 2016 with local area inspected once within a three year cycle
- Youth Offending Service inspections can either be full inspections or short quality inspections focusing on certain aspects of the service. Derby received a Short Quality Screening questionnaire in 2014 and the outcome was positive (narrative judgement rather than a graded judgement). The last full inspection was carried out in 2012 where Derby was judged to be 'low risk'.
- School Improvement Service is a risk based inspection so not all authorities will receive an inspection – Derby hits a number of the triggers for an inspection (in terms of educational progress and outcomes) so there is a medium risk that the authority might receive an inspection.
- Children's Residential Homes are inspected twice yearly and all Derby run children's homes have been judged good by Ofsted.

In terms of Adult Services Inspections, compliance with essential standards of quality and care based on the Health and Social Care Act is an important requirement for all residential and nursing care homes in England and Wales. Individual locations and providers are registered under the Act and inspected according to CQC's inspection programme.

Care Homes

At the end of December 2015, 74% of care homes within the city were fully compliant on all required inspection standards, which is above the national CQC benchmark of 65%.

The full compliance measure is quite a high bar for performance because at any given time all care homes need to be compliant with all inspected standards. This penalises those homes that have CQC improvement actions identified on some inspected standards and are subsequently compliant in those standards at a later date. A home could be compliant in four out of five inspected standards but would not be considered fully compliant.

To overcome this, an alternative way of looking at compliance is to take into account all inspected standards that care homes are compliant with. The overall compliance picture is more positive with 92.5% compliance on all inspected standards in all homes on the old system of inspection

Home Care Agencies

Home care agencies have performed well on the old inspections regime with a rating at the end of December 2015 of 85.7% with 36 out of 42 agencies fully compliant with all standards.

In the Adult Learning Service inspections are completed on a three - five year cycle according to risk. The service was last inspected by Ofsted in 2015 and judged good.

Taxi Licensing

The Licensing Authority at Derby City Council considered in detail the Casey Report and assess whether or not the Rotherham issues existed in Derby, had existed or were likely to exist in Derby and to come up with proposals as to how to address any such identified issues.

Member Training 1 June 2015

At the yearly member training session which was delivered on 1st June 2015 officers highlighted to members of the taxi licensing committee the issues raised in the Casey Report and whether there were any parallel's to Derby and what we were doing/ proposed to do to rectify this.

Report to Licensing Committee 2 July 2015

Following on from the Member Training in June 2015 the Licensing Team then took a report to Licensing Committee on 2 July 2015 detailing the Review of Derby City Council's Licensing Administration System Following Casey's Rotherham Metropolitan Borough Council Report Outcomes. Within this report were a number of recommendations to address the identified issues, specifically –

1. Approve the information sharing protocol

Derby already had a comprehensive multi-agency strategy which sits under the children's safeguarding board and an operational working structure which works well to address risk for individuals. It was identified that more work is needed to ensure the licensing service is integrated into the joined-up, strategic approach to CSE. Inter-Departmental Licensing (Safeguarding) Information Sharing Protocol was therefore drafted to enable potential barriers to information to be broken down.

2. Approve the revised Taxi Licensing Sub Committee Guidelines

We took the opportunity to consider whether the policies in place were fit for purpose. It was determined that the Sub Committee Guidelines would benefit from a redraft to ensure that decisions were more consistent and that our approach to dealing with such matters were transparent to all parties in the process.

In addition to this Officer Recommendations were reinstated on subcommittee reports again with a view to consistency of decision making.

3. Recommend to Council an amendment to the Constitution to increase the number of Members who sit on Taxi Licensing Sub-Committee meetings from three to five.

The decision to increase the number of Members who sit on Sub Committee panels was considered an appropriate step to reduce the likelihood of panel nobbling by drivers prior to their appearance at subcommittee hearings.

4. Recommend to Council an amendment to the Constitution to delegate powers to officers to deal with applicants and existing licence holders who are subject to immigration controls.

This was to drive up efficiency so that panels would not need to be convened to deal with a matter which would always result in revocation.

5. Recommend to Council an amendment to the Constitution to restrict those Members that have previously held taxi licences from sitting on Licensing Committee.

This recommendation was to deal with the potential for bias on the part of previously licensed members now sitting on the committee.

6. *Recommend to the Monitoring Officer, amendments to the Member Code of Conduct to restrict:*
- *contact from Members the purpose of which is to influence the processing of individual applications*
 - *Members making representations on behalf of the trade or individual drivers at sub-committee hearings*
 - *diluting regulatory standards after representations from the trade*

It was felt appropriate to include within the Code of Conduct specific reference to member interventions on taxi licensing issues, so that if such incidents occurred there could be redress through the Standards Committee on the member concerned.

On 22 July 2015 a report was taken to and accepted by Full Council to formally approve the above. On 12 November 2015 a report was taken to Licensing Committee to provide FAQs on what was and was not appropriate in terms of member contact, following the amendments made to the code of conduct.

Assessment of success of the changes made following the Casey Report

- *The review of an information sharing protocol*
- *Revised Sub Committee Guidelines and the reintroduction of Officer Recommendations.*

The revised sub-committee guidelines in addition to the reinstatement of Officer Recommendations have led to more consistency of decisions. The introduction of the revised guidelines has led to more drivers and applicants being deemed not to be fit and proper to hold a licence which has led to more appeals to the Magistrate's court. Out of these appeals one has been successful, where a decision to revoke was replaced with a suspension by the court. Officer recommendations are not always followed, with the trend appearing to be that members imposed a harsher result than the recommendation.

- *Increase in the number of Members who sit on Taxi Licensing Sub-Committee meetings from three to five.*

This has been implemented and on the whole been successful; however it has been noted that Democratic Services have often faced difficulties in being able to get a panel of five convened and often it has been less than five sitting for taxi licensing sub-committee hearings.

- *Delegated powers to officers to deal with applicants and existing licence holders who are subject to immigration controls.*

Implemented and in force.

- *Restrict those Members that have previously held taxi licences from sitting on Licensing Committee.*

Following on from this recommendation external legal advice was sought from Counsel as to the legitimacy of imposing a restriction on previous taxi drivers sitting on taxi licensing committee as a result of which Derby City Council did not proceed with this recommendation.

➤ *Amendments to the Member Code of Conduct to restrict:*

- *contact from Members the purpose of which is to influence the processing of individual applications*
- *Members making representations on behalf of the trade or individual drivers at sub-committee hearings*
- *diluting regulatory standards after representations from the trade.*

The amendment to the Code of Conduct was implemented and in addition to this, a system is now in place for member contacts to licensing to be logged. Such contacts are then provided in quarterly reports to Democratic Services to be discussed with the Monitoring Officer on whether any contacts could be in contravention of the Code of Conduct. As a result of which there have been Members who have been reported to the Standards Committee.

Report to Full Council 18 May 2016

Officers were requested by the Cabinet Member for Regulatory Services to undertake a review of the Taxi Licensing Sub-Committee decision making processes and procedures. Specifically, officers were asked to consider and, if viable, propose an administrative scheme for licence applications, and for determining such applications, to include the renewal of hackney carriage and private hire licences.

The first proposal being that officers stand in the stead of the Members and sit as an officer panel to determine matters using current guidelines and policies.

The second proposal being that the administration of taxi licensing at Derby is re-evaluated with proposals being drawn up with the Cabinet Member for Regulatory Services that are consistent, fair and transparent, and which will then be consulted upon with the trade and the public as primary stakeholders of the Council's licensing function. Officers will review, develop and present more detailed best practice approaches to dealing with the administration of licensing.

Full Council approved a number of recommendations at this meeting, specifically –

- The Licensing Committee's taxi licensing policy-making powers, to determine the principles of an administrative licensing scheme were transferred to Council
- A consultation on the introduction of an administrative licensing system for the council in accordance with either the first proposal or the second proposal.

Report in the Public Interest – 16 June 2016

On 16 June 2016 Grant Thornton, the Council's External Auditors, published a Public Interest Report detailing a number of governance failings at the Council.

The Auditors have made the Report in the Public Interest after they identified failures of governance at the Council in the management of a number of major projects and in relation to Member conduct during 2013/14 and 2014/15.

Specifically within the report was a section on taxi licensing which highlighted areas of concern when decisions had been made which appear contrary to public safety.

Post Public Interest Report

Officers have undertaken the task of formulating a more detailed best practice approaches to dealing with the administration of licensing. In doing so we have considered the how other local authorities administer their taxi licensing function in addition to evaluating our current policies and procedures to see where improvements can be made, as a result of this exercise officers were able to formulate the consultation questions to be considered by the trade, stakeholders, and the wider public.

The consultation questions which were approved by the Cabinet member included a new penalty points system, the application of a minimum-requirement application threshold to include amongst other things safeguarding training, driver tests, group 2 medicals, good conduct certificates and basic skills tests, in addition to taking the opportunity to conduct housekeeping around the current imposition of age limits.

The 12 week consultation is currently live and due to end 24 October 2016. After this time officers will finalise changes following consultation and a final report will be published for Licensing Committee on 2 November 2016 in advance of their Taxi Licensing Committee on 10 November 2016. After this a final report will be published for Full Council on 15 November 2016 to be considered at the Full Council meeting on 23 November 2016, with an expected date of implementation of the agreed changes coming into force on 28 November 2016.

In addition to this in August 2016 the Communities and Local Government Committee published a report into the Government's interventions in Rotherham and Tower Hamlets. Within this they have called on the Government to address a "damaging and significant legal loophole" that allows taxis licensed by other local authorities to operate within Rotherham, even if the drivers have had their application for a Rotherham licence rejected.

The CLG committee said: *"In Rotherham, this [loophole] means drivers are operating in the borough without meeting the council's recently-imposed requirement for taxis to be fitted with CCTV, for example."*

The MPs urged the Department for Communities and Local Government, the Home Office and the Department for Transport to introduce statutory guidance "without delay" to ensure consistently high standards in taxi licensing across the country and enable local authorities to put in place and enforce specific measures which are appropriate for their circumstances.

"If guidance is not able to achieve this, the Government should consider legislation," the committee said.

This news is welcomed by Derby and no doubt countless other local authorities who experience the problems with drivers coming into their area having been licensed elsewhere usually with lower standards and having no enforcement powers against them.

5. Review of Effectiveness

Under normal circumstances the Governance Working Group would review the effectiveness of the Council's governance framework including the system of internal control on an on-going basis. Given the impact of the governance issues outlined in the 2013/14 AGS and the extensive overhaul of the governance framework, a full review of effectiveness is still impracticable. However, there are certain key elements of the governance framework that have been operating. These include:

- The responsibilities of the Head of the Paid Service for the Council rest with the Chief Executive. The Head of Paid Service is responsible for the overall corporate and operational management of the Council.
- Effective arrangements are in place for the discharge of the role of the Chief Finance Officer as defined under Section 151 of the Local Government Act 1972. This Officer has statutory responsibility for the proper planning, administration and monitoring of the Council's financial affairs. The Council's financial management arrangements also conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). This statement sets out 5 principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance requirements needed to support them. The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's constitution. The financial management system includes...

- A Medium Term Financial Strategy, which is reviewed and updated annually, to support the delivery of the council's Strategic Priorities
 - An annual budget cycle incorporating council approval for revenue and capital budgets, as well as treasury management strategies
 - Financial Procedure Rules that are reviewed at intervals of not more than three years, with the latest review having been carried out during 2015/16
 - Process and procedure guidance manuals
 - Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Code of Practice on Local Authority Accounting in the UK in line with International Financial Reporting Standards
 - Regular budget monitoring by budget holders including monthly financial forecasting
 - Reporting of the Council's financial position to COG and Members, stating financial and performance information
 - Management of risk in key financial areas.
- Effective arrangements are in place for the discharge of the Monitoring Officer function. The Constitution covers the key statutory role of the Monitoring Officer; it also includes the requirement for the Council to ensure that the Monitoring Officer has access to sufficient skills and resources to deliver the role. The Monitoring Officer has confirmed that she has the skills and resources needed and continues to monitor this. There is a specific job description and person specification for the Director of Governance and Monitoring Officer which reflects the Monitoring Officer duties.
 - The Council's internal audit coverage, which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Head of Governance and Assurance's Audit Opinion on the overall adequacy of the Council's internal control framework, which is reported in their annual report. The Head of Governance and Assurance complies with the CIPFA Statement on the Role of the Head of Internal audit in Public Service Organisations (2010). The above statement contains 5 principles split into:
 - - Governance requirements
 - Core Head of Internal Audit responsibilities
 - Personal skills and professional standards.

The Council has set out the terms of reference for internal audit; these were reviewed in March 2014, by the Audit and Accounts Committee, and approved by Council on 11 June 2014.

- The Council maintains and operates an Audit and Accounts Committee which is independent of the Executive (Cabinet). The work of the Audit and Accounts Committee includes reviewing the outcomes from the annual internal audit plan and the annual opinion report of the Head of Governance and Assurance. The Committee's terms of reference have been updated to take account of the new CIPFA guidance and the Committee operates to these.

- The Council has in place key internal management processes, such as performance monitoring and reporting; monitoring of policies, such as the customer feedback and health and safety policies; and the corporate budget challenge process.
- The Council has Scrutiny Commissions in place to provide “challenge” to the Cabinet.
- The Council’s Constitution is reviewed and updated annually. During 2015 / 2016 a comprehensive review of the Council's Constitution has been undertaken. The refreshed Constitution now fully reflects the senior management restructure launched in 2015, has an updated Scheme of Delegation and revised Financial and Contractual Procedure Rules.
- The Council has established systems in place for receiving whistle blowing complaints and general service based complaints.

External review

The Council’s External Auditor reports the findings of their interim audit work and the impact of their findings on the financial statements to Audit and Accounts Committee. They also review the work of the internal audit service and provide comment on corporate governance arrangement and performance management in their Annual Audit Letter and other reports.

6. Significant Governance Issues

Previous years

Progress continues to be made on significant governance issues raised in annual governance statements in previous years. Appendix 1 contains an update on progress made on those issues raised in the 2013/14 and 2014/15 statements.

2015/16

A number of the significant governance issues which occurred in 2015/16 were reflected in the 2014/15 AGS, as this was still a live document when these issues arose. They are not reported here. However, the following significant governance issues need reporting for 2015/16:

Grant Thornton – Report In The Public Interest

Grant Thornton issued a Report in the Public Interest under Section 8 of the Audit Commission Act 1998 (the 1998 Act) on 16th June 2016. This is a detailed report which addresses Grant Thornton’s identified failures of governance during the accounting periods 2013/2014 and 2014/2015 at Derby City Council in the management of major projects and in relation to Member conduct, specifically in relation to:

- the implementation of Job Evaluation
- the delivery of the Webhelp project
- the operation of the Taxi Licensing function
- the implementation of the HRIS payroll project; and
- overall governance: Member and officer arrangements

The Council formally accepted the Report in the Public Interest at a meeting of Full Council on 1st July 2016, whereupon the Administration shared its Action Plan to actively respond to the twelve recommendations. Whilst the Report specifically notes the issues as detailed above, the active decision has been taken to ensure the learning from this Report is shared as broadly as possible across all aspects of the Council's governance and assurance functions, processes and procedures.

Statement of Accounts 2015/16

Due to the need to address governance issues exposed as a result of a whistleblowing investigation in relation to asset valuations, the work to produce the draft statement of accounts was delayed. This led to late submission of the draft statement to our external auditors and the statutory deadlines of: 30 June submission and the first 10 days of July inspection timelines were not met. Following the release of the draft statement, the length of public inspection was adhered to.

Work has been progressed throughout the audit period and is still ongoing, therefore the Council will not meet the 30 September 2016 deadline for approving the final 2015/16 statement of accounts. We have yet to receive an audit opinion on the draft statement and therefore cannot submit a final set of accounts for approval by the Audit and Accounts Committee. Significant issues have arisen within the processes undertaken to prepare asset valuations, as recognised by the Council earlier this year and backed up by the testing the External Auditors have completed to date. We are in the process of finalising our validation work so that External Audit can continue their testing. Whilst this creates a governance issue, it reflects the position the Council is taking over strengthening our overall governance. External Audit have acknowledged the improvements made so far, but more work needs to be undertaken to ensure that our asset valuation processes are more robust. Actions to address this for the 2016/17 valuation process and being drawn up.

In addition, external audit have highlighted a number of control weaknesses as part of their audit work. In some areas of testing, it has proved difficult to provide evidence to support the balances within the statement of accounts. Other areas of weakness around reconciliations and systems have also been highlighted. We will develop a full action plan to improve on these issues when we have finalised the outstanding work, and in preparation for the 2016/17 audit.

As a result, external audit anticipate providing an adverse opinion on their VFM conclusion.

Asset Valuations

In September 2015 a whistleblowing allegation was made about the robustness of the methodology used for valuing assets within the Estates team as part of the annual accounts process. An internal review carried out found that the work completed on the Asset Valuation Programme to date was not fit for purpose and was not in a position to be validated and subsequently the entire 2015-16 programme had to be revisited.

The review identified issues around :

- Data Integrity
- Resourcing
- Asset Valuation Process

These areas of concern have been addressed and significant improvements have been made to increase the integrity/consistency of the valuations. Given the time pressure involved to complete the work, it was acknowledged that further improvements would be required in future years in order to ensure the accuracy of the Council's portfolio is reflected in the balance sheet.

As a result of these weaknesses, the external auditor has concluded that the Council has been unable to provide sufficient appropriate evidence to support the completeness, existence and valuation of the property, plant and equipment held in the balance sheet at 31 March 2016. This work is on-going.

Discussions have taken place between the Council's Asset officers and the Council's External Auditor, Ernst Young have reaffirmed the importance of ensuring the required improvements are incorporated into the 2016-2017 Asset Valuation Programme, particularly around the non-housing stock valuations.

Property Valuations for Insurance Purposes

There have been significant issues identified with the property list provided to the Insurance Team as part of the annual insurance renewal. In March 2014, it was found that some major properties were no longer included on the annual list, although they had been at the time of the insurance tender in March 2012. Other concerns with the property list were that the valuations were either

- out of date;
- missing completely; or
- had been taken from the fixed asset register and the methodology adopted is not adequate for insurance purposes.

Since the errors in the list were discovered, the Council has worked closely with the insurer, Zurich Municipal to find a solution to obtaining accurate insurance valuations in a timeframe

acceptable to the insurer. The Council is currently in the process of procuring temporary quantity surveyors to carry out a programme of insurance valuations on Council Properties.

SEND (Special Educational Needs)

The education reforms for children and young people with special educational needs and disabilities became law on 1 September 2014 via the Children and Families Act. This aimed to offer consistent and simpler help for children and young people with special educational needs and disabilities and their families / carers from birth through to the age of 25 years. There were a number of key features in the act which all local areas (not just the local authority) were required to respond, one of which was the introduction of EHC (Education Health Care) plans. This is a plan which captures the support from health, social care and education providers for children and young people with special educational needs and disabilities.

The EHC plans replaced the statement of special educational needs, and cover young people from birth to age 25. There are a number of individual duties within the act to direct how the plan should be developed and reviewed. Significantly, the act allows Local Authorities 20 weeks to compile an Education and Health Care Plan for a young person if they are eligible for a plan. This is a reduction in the time compared to 26 weeks which was allowed for a statement of special educational needs. In order to complete an EHC plan, the local authority needs to gather the support which health, social care and schools / colleges will provide for the child or young person.

The local authority has not fully met statutory timescales in producing statements of EHC plans. This has largely been due to a lack of capacity in assessment functions as a result of cuts the Council has made to the service over the past five years. However, over the past twelve months the Council has put additional capacity into the assessment service and performance is now beginning to slowly improve in terms of converting previous Special Educational Needs (SEN) Assessments to EHC Plans, and managing the demand for new EHC Plans. It should be noted that where previous SEN Statements have not been converted they are still valid and support continues to be provided to children and young people.

Over the past 12 months senior officers in the assessment service have strengthened communication with parents and carers through the SEND and Disabled Commissioning Group, Parent Liaison Group and Parent-Carer Forum; this has been positively received. In addition, there has been a strong emphasis from officers on individual and personal contact with parents about the status of their child's EHC Plan and in May 2016 all parents awaiting a conversion or new assessment were written to advising them of the challenges and timescales. There has also been two drop in sessions for parents with more planned in different localities throughout Derby.

Electoral Fraud

There has been one successful conviction for election fraud arising from the May 2016 Local

Elections. The successful candidate for Allestree Ward, Richard Smalley, resigned from his seat shortly after the election and was subsequently charged and convicted of an offence pursuant to s13D Representation of the People Act 1983. On 23 August 2016, Mr Smalley received a custodial sentence and one year probation upon release.

Two other allegations of election fraud are still being investigated, both of which have arisen from the May 2016 Local Elections.

Issues arising from Internal Audit reports:

The Head of Internal Audit (Head of Governance and Assurance) reports his Annual Audit Opinion to Audit and Accounts Committee based solely on 2015/16 internal audit work. He reached the overall opinion that “there is an acceptable level of internal control within the Council’s systems and procedures”. This opinion had regard to the following:

- The level of coverage provided by Internal Audit was considered minimal. Please note, the Council's Chief Executive has procured additional audit coverage from CMAP for 2016-17.
- No reports provided a ‘Limited’ control assurance rating, all areas examined were judged to be either ‘Comprehensive’ or ‘Reasonable’.
- There were no ‘critical risk’ recommendations made and only 3 recommendation attracted a ‘significant risk’ rating within any audit reports issued in 2015-16.
- There were no adverse implications for the Authority’s Annual Governance Statement arising from any of the planned work that Internal Audit has undertaken in 2015-16.
- We have commenced 3 investigations during 2015-16, but none have identified significant weaknesses in the Council’s governance and risk management arrangements.
- The Monitoring Officer continues to demonstrate an effective level of challenge to the Council’s decision making processes which has ensured the activities of the Council have been lawful.
- All of the issues raised within the internal audit reports have been accepted.
- During 2015-16, Internal Audit assisted Grant Thornton in its investigation of the significant governance weaknesses identified during 2014-15. It is perceived that these weaknesses have started to be addressed during 2015-16; with a greater focus being placed on the Council's Governance arrangements. As a result, significant resources have been input to the Council's Information Governance, Risk Management and Insurance services.

However it is noted that Ernst & Young have recorded the following opinion in their External Audit Progress Report dated 23rd September 2016:

*“Annually the Head of Internal Audit is required to form an opinion on the adequacy and effectiveness of the Council’s overall internal control environment. For the 2015/2016 financial year the Head of Internal Audit’s opinion is that “there is an acceptable level of internal control within the Council’s systems and procedures”. **We disagree with this view, primarily for the following reasons:***

- *The Council was unable to publish its draft statement of accounts for the year ended 31 March 2016, in line with the statutory deadline of 30 June 2016;*
- *The Council has been the subject of a report in the public interest in the period and several matters discussed in the report are on-going for the least part of 2015/16;*
- *Significant and widespread control failings with respect to the management of the Council's fixed asset register (and associated valuations) have been identified as a result of the work that the Council's Estates Team has been performing over the latter part of 2015/16 financial period (as set out in this progress report);*
- *The widespread instances of control weaknesses we have noted throughout our audit procedures, as documented, in this progress report; and*
- *The significant issues that have been identified with respect to the Council's arrangements for securing value for money (as set out in section 4 of this progress report) and which lead to an adverse conclusion being drawn."*

Appendix 1

Governance Issues – Update on outstanding issues from previous years:

Governance Issues	Progress made/Comments
Issues from 2013/14	
Governance	
To review the Council's Governance framework	The Governance Working Group continues to address actions within the Governance Improvement Plan. The Plan is reviewed at each meeting of the Group and new actions are added as appropriate. The areas highlighted in the 13/14 AGS have been confirmed in the Public Interest Report, which acknowledges the Council's transparent reporting regime.
Information Governance	
Review the evidence in support of the 40 requirements of the IG Toolkit	The Council needs to achieve Level 2 compliance across all 28 requirements of the NHS IG Toolkit to be given a satisfactory rating. 100% compliance relates to all the requirements being achieved at Level 3. In 2014/15, the Council achieved 39% compliance with the NHS IG Toolkit. It had reached Level 2 or more in 12 areas. An improvement plan was produced to monitor the actions required to attain Level 2 in all 28 areas. In 2015/16 a 55% compliance was achieved, with 20 of the 28 areas being at Level 2 or above. Work is on-going to achieve Level 2
Identify areas of non-compliance with Level 2 and produce improvement plan.	
Job Evaluation	
To complete the job evaluation process including the process for non-teaching staff at the Council's schools.	Implemented 1 June 2016.
Risk Management	
Re-constitute the Strategic Risk Group	The Strategic Risk Group was re-constituted. However, given that Risk Management was identified as one of the building blocks within the improvements to the Council's governance framework, the decision was taken to transfer the role of the SRG to the Governance Working Group.
To review the current risk management	The Council's Risk Management Handbook has been reviewed and revised.

Governance Issues	Progress made/Comments
framework	

Governance Issues	Progress made/Comments
Payroll	
Full implementation of the recommendations made in the Internal audit report.	All of the recommendations from the 2011/12, 2012/13 and 2013/14 audits have been implemented.
Report outlining the problems/issues arising from the internal audit work to be presented to Audit and Accounts committee for scrutiny.	Audit and Accounts Committee has been kept fully up to date on the issues and the improvements that were implemented to prevent a repeat of such problems.
Issues From 2014/15	
Freedom of Information - ICO monitoring	
To ensure all freedom of information requests are responded to in the statutory timeframe	The Council was monitored over a 6 month monitoring period by the Information Commissioner's Office. The Council was required to submit a monthly return to the ICO covering the Fols received and responded to for the period 1 March 2015 to 31 August 2015. In all the monthly returns, the statutory timeframe wasnot exceeded.
To provide training for staff on freedom of information legislation and processes.	The Council procured tailored training from freedom of information experts at GeldardsLLP Solicitors for key staff which was delivered in September 2015.
Audit Certificate	
To meet the requirements of External Audit	Grant Thornton released the audit certificates for 2013/14 and 2014/15 following publication of the public interest report.

Action Plan – Significant Governance Issues 2015/16

Action(s)	Responsible Officer	Timescale	Progress to date	Impact and measures
Grant Thornton				
To produce an improvement plan to cover the recommendations made in the Public Interest Report	Director of Governance and Monitoring Officer	July 2016 – Oct 16	Full council meeting to formally accept the Report took place on 1 st July 2016. Statutory review of The Action plan against the twelve recommendations will take place with Ernst & Young on 10 th October 2016	

Summary of the Code of Corporate Governance

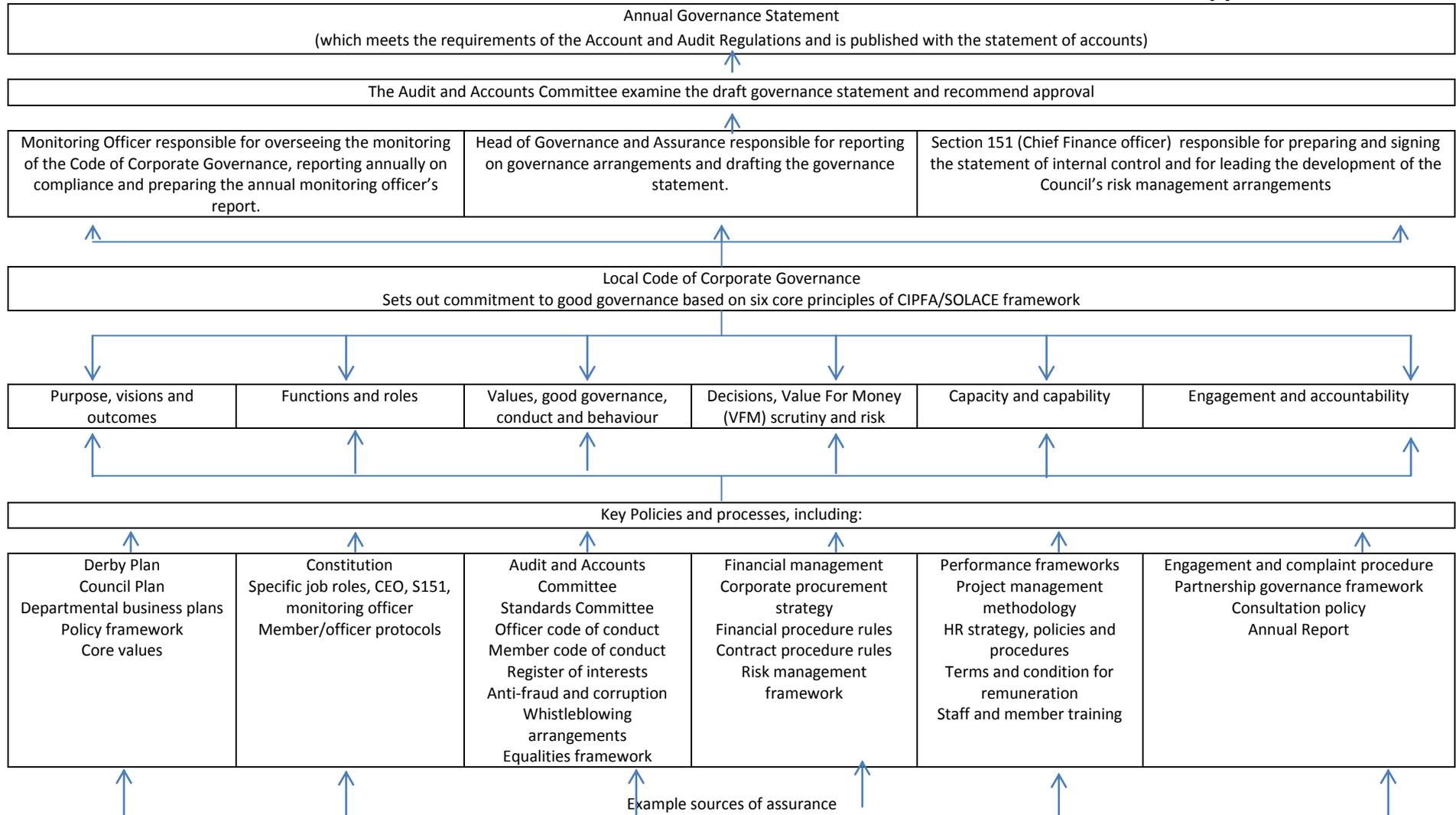
Appendix 3

1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	2 Members and officers working together to achieve a common purpose with clearly defined functions and roles	3 Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	5 Developing the capacity and capability of members and officers to be effective	6 Engaging with local people and other stakeholders to ensure robust public accountability
Exercising strategic leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and users	Ensuring effective leadership throughout the authority by being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	Ensuring council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance	Exercising leadership by being rigorous and transparent about how decision are taken and listening and acting upon the outcome of constructive scrutiny	Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountable relationships
Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning	Ensuring that a constructive working relationship exists between elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard	Ensuring that organisational values are put into practice and are effective	Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/ needs	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery
Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.	Ensuring relationships between the authority and the public are clear so that each know what to expect of each other		Making sure that an effective risk management system is in place	Encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal	Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

			Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.		
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Framework for the Annual Governance Statement

Appendix 4



<p>Your Derby Local Area Agreement Neighbourhood forums</p>	<p>Scheme of Delegations</p>	<p>Annual Internal Audit opinion External Audit reviews and reports Internal audit plan</p>	<p>Risk Register Risk Manual</p>	<p>Induction programme E-Learning packages Staff surveys</p>	<p>Annual scrutiny report Annual Report Community engagement</p>
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