

Public Document Pack



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PUBLIC

To: Members of Audit Committee

Monday, 12 September 2022

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 20 September 2022** in the Council Chamber, County Hall, Matlock,, the agenda for which is set out below.

Yours faithfully,

A handwritten signature in black ink that reads 'Helen E. Barrington'.

Helen Barrington

Director of Legal and Democratic Services

A G E N D A

1. Apologies for Absence
2. To receive declarations of interest (if any)
3. To confirm the minutes of the meeting held on 5 August 2022 (Pages 1 - 10)
4. Performance Monitoring and Revenue Outturn 2021-22
5. Financial Management Code
6. Audit Progress Report (Pages 11 - 48)

7. Audit Charter Update (Pages 49 - 62)
8. National Fraud Initiative (Pages 63 - 68)

To consider External Auditor reports (if any)

9. Exclusion of the 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 in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 & 7 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Part II - EXEMPT ITEMS

10. To receive declarations of interest (if any)
11. Overview of Adult Social Care & Health Risks (Pages 69 - 90)
12. CIPFA Audit Committee Update (Pages 91 - 108)
13. Counter Fraud Update (Pages 109 - 130)

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on Friday, 5 August 2022 in the Council Chamber, County Hall, Matlock, Derbyshire.

PRESENT

Councillor G Musson (in the Chair)

Councillors R Parkinson, N Atkin, N Gourlay, R Mihaly and J Nelson.

Officers present: Dianne Downs (Assistant Director of Finance (Audit)), Paul Stone (Assistant Director of Finance), Philip Spencer, Eleanor Scriven and Paul Peat.

26/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

27/22 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 22 MARCH 2022

The minutes of the meeting held on 22 March 2022 were confirmed as a correct record.

28/22 PRE-AUDIT STATEMENT OF ACCOUNTS 2021-22

The Committee were presented with the pre-audit Statement of Accounts 2021-22. The Council had published the certified pre-audit accounts on 17 June 2022, before the statutory deadline and had submitted them to the Council's external auditor, Mazars, on the same day. A copy of the pre-audit Statement of Accounts was appended to the report at Appendix Two.

The public inspection period had commenced on 20 June 2022 and concluded on 29 July 2022. No queries had been received.

Eleanor Scriven, Finance Manager, went through the detail of the pre-audited accounts with the Members and responded to their questions and points requiring clarification. Members were recommended to refer to the narrative report contained in the Accounts as this provided an ideal summary and overview.

The final audited Statement of Accounts 2021-22 would be published as soon as the audit had been formally concluded and the external opinions

issued. The approved Statement of Accounts would be reported to full Council in February 2023.

RESOLVED:

That the Audit Committee notes the content of the pre-audit Statement of Accounts 2021-22 prior to the approval of the post-audit accounts at an Audit Committee meeting later in the year (yet to be scheduled).

29/22 STRATEGIC RISK REGISTER (2022-23 QUARTER 1)

The Strategic Risk Register was presented along with an update on the corporate risk management strategy for 2021-2024. The report covered updates to the Council's Strategic Risk Register up to the end of Quarter 1 (30 June 2022).

Since the register was updated, the Council had been subject to a significant cyber-attack. The attack was quickly identified, and steps were taken to contain any potential damage. Forensic analysis had been conducted, supported by Microsoft's Detection and Response Team (DART). The Information Commissioner was informed immediately about the attack in view of the potential loss of data. However, at this time there was no evidence that any data had been compromised.

Work continued to improve the cyber-resilience of the Council's systems to meet the standards and recommendations of the National Cyber Security Council (NCSC). At this time the Council was self-insuring against cyber-risk as insurance market requirements were now far more stringent. Discussions were ongoing with the Council's insurance brokers to ensure that commercial insurance cover was resumed at the earliest opportunity once new requirements had been met.

A summary of risks currently on the strategic risks register was shown in Table 1 of the report. The full register was shown at Appendix 2 to the report, with updates since 2021-22 Q4 highlighted in purple text.

In general, good progress had been made in implementing the new corporate risk management strategy. An outline implementation plan for the strategy had been included with the paper presented to the committee at its meeting on 20 July 2021. A copy of this, together with notes on progress, was attached at Appendix 3.

Risk management training and awareness sessions had been held for all departmental management teams, and a few directorate and divisional teams. More structured discussions about risk were now taking place in management and operational teams. Work on producing online training

and guidance material, including APEX, had been delayed but had now commenced. Other work would take place during 2022-23 to strengthen risk assessment as part of corporate planning, led by the strategy and policy team.

It was also proposed to introduce a few interim changes to the corporate risk management strategy, pending a fuller review in the autumn. This reflected feedback received as work had progressed on APEX. The proposed changes were detailed in Appendix 4 to the report.

RESOLVED:

That the Audit Committee:

- a) Notes the work in hand to improve cyber-resilience and to secure commercial cyber insurance;
- b) Reviews the Strategic Risk Register, noting the most severe risks to the Council and changes in scores since the last report;
- c) Notes the progress with implementing the corporate risk management strategy; and
- d) Agrees the proposed interim updates to the corporate risk management strategy for recommendation and approval by Cabinet.

30/22 ADDITIONAL EXTERNAL AUDIT FEES 2020-21

The Council's external auditor had written to the Council setting out, and requesting agreement of, additional fees in respect of its audit work on the Council's 2020-21 Statement of Accounts, following completion of the audit.

Additional fees for the 2020-21 audit of the Council's Statement of Accounts were £0.032m for the Council. This had comprised additional work in the following areas:

- Value for money commentary- £0.014m
- Property, plant and equipment valuation - £0.005m
- Accounting estimates - £0.005m
- Increased regulatory challenge - £0.004m
- Pension valuation - £0.003m
- Covid-19 additional work – £0.001m

In calculating the additional fees, the external auditor had considered the impact of the good work by the Council's team in working closely

with them to complete the audit and the good standard of working papers provided.

Additional fees in respect of the external auditor's work on its audit of the 2020-21 Pension Fund Statement of Accounts had been reported to Audit Committee at its meeting on 22 June 2021. These additional fees of £0.006m related to enhanced procedures on unquoted investments in response to increased regulatory expectations.

RESOLVED:

That the Audit Committee notes:

- a) The details of a letter from the Council's external auditor setting out and requesting agreement of additional fees in respect of its audit work on the Council's 2020-21 Statement of Accounts; and
- b) The agreement of the Council's Interim Executive Director of Corporate Services & Transformation, as Section 151 Officer, to the request for additional fees in respect of the external auditor's work on the Council's and Pension Fund's 2020-21 Statement of Accounts.

31/22 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

In order to provide members with the necessary assurances around the effectiveness of the system of internal control it was appropriate to consider and reflect on the work of the Audit Committee, the assurances received from internal and external audit and evidence from the statement of accounts. It was appropriate to refer members to the following:

- Maintenance and review of the Council's Constitution.
- The Annual Governance Statement which would be considered at this meeting.
- The work of internal auditors culminating in the Annual Audit Report from the Assistant Director of Finance (Audit) presented to this meeting.
- The evidence of compliance with International Auditing Standards attached to the report as an appendix.

- The detail contained within the Strategic Risk Register which had been regularly presented to members.
- The standard and quality of the certified pre-audit Statement of Accounts 2021-22 and the transparency illustrated by the disclosures made and the opportunity given to the Committee to discuss its contents.
- The development and implementation of the annual revenue and capital budgets.
- The Anti-Fraud and Corruption Strategy, Whistleblowing Confidential Reporting Code and Anti-Money Laundering Policy.
- The Council's spending against budget, reserves and achievement of budget reductions were monitored on a regular basis and reported to both management, portfolio holders, Cabinet, Audit Committee and Council.
- Reviews of service delivery had been planned and were underway across the Council.
- The Council's compliance with the principles of the Financial Management Code which had been reported to members.
- Effective employment policies and procedures supported by an effective Human Resources function.
- ICT policies and procedures for email, internet, social media and other computer use.
- Supporting financial policies including Treasury Management Strategy, Capital Strategy, Reserves Policy and Corporate Charging Policy.

As members would be aware, a review of the Audit Services Unit had been undertaken by C.Co, part of the Chartered Institute of Public Finance & Accountancy (reported to Committee on 10 December 2019). The Public Sector Internal Audit Standards required an external review to be conducted at least once every five years. C.Co had provided a positive view of the Unit's effectiveness and compliance with the PSIAS. Additionally, the External Auditor had continued to use the work of Internal Audit to inform their assessment of the Council's significant

risks.

RESOLVED:

That the Audit Committee considered the information provided in the report as evidence of the effective operation of the internal control system.

32/22 AUDIT SERVICES ANNUAL REPORT 2021-22

Members were informed of the Annual Report for 2021-22 and the Head of Internal Audit opinion on the adequacy of the County Council's arrangements for governance, risk management and control.

The Annual Report covered the year to 31 March 2022 and highlighted achievement against the 2021-22 Audit Plan, which had been approved by the Audit Committee on 23 March 2021.

The Report was designed to offer the Audit Committee a timely, independent and objective assessment of the Council's arrangements. It provided outcomes of Audit activity relating to the County Council's operations during the year and recorded key issues that had been identified within the year and actions arising from their work.

Staffing resource issues and the response to, and recovery from, the pandemic had continued to impact on the work of Audit Services during 2021-22. National restrictions had remained in place for part of the year, and the ongoing pressure on the Council's staff had reduced opportunities to undertake some Audit activities agreed within the 2021-22 Audit Plan. Audit Services had focused on areas of greatest priority and reviews that could be delivered without impacting significantly on departmental staff resources. Audit Services had achieved 89% delivery of planned audit days.

The overall opinion of the Head of Audit and the Audit Services assessment of adequacy and effectiveness of the Council's arrangements during 2021-22 was of a "Qualified Assurance" level. This opinion reflected on the adequacy and effectiveness of the internal control framework, risk management and governance procedures within the County Council. Whilst the arrangements had generally found to be satisfactory, some enhancements had been recommended for senior management to action and improve the control framework. The opinion for 2021-22 was however, delivered with some caveats. This reflected:

- The appointment of the Head of Audit mid-way through the

- financial year covered by the report.
- On-going impacts of the pandemic across the organisation and audit staffing resource pressures; resulting in delays to some planned audit work
- An absence of assurance mapping and fraud risk assessments prior to the appointment of the Head of Audit.
- The Head of Audit's annual self-assessment of conformance with PSIAS had identified that whilst there was significant conformity with PSIAS, there were a small number of areas that required attention.

The Head of Audit was satisfied that there were no matters identified in the work by Audit Services which would cause the External Auditor to consider any qualification of the Council's Statement of Accounts.

RESOLVED:

That the Audit Committee notes:

- a) The detailed Annual Audit Report for 2021-22 and overall assurance opinion;
- b) The outcomes of the Audit work completed; and
- c) The performance of the Audit Services Unit during this period.

33/22 REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

Members were provided with an update on the use of Council's statutory powers provided for under the Regulation of Investigatory Powers Act (RIPA) 2000 as amended by the Investigatory Powers Act (IPA) 2016.

The Council's Audit Committee had last received a RIPA update report in February 2022. This latest report covered the period from 1 January 2022 to 30 June 2022 and set out details of the applications that had been made. No applications had been received in this period in relation to directed surveillance and there had been no non-RIPA applications received either, during this period.

In February 2022 the Committee had noted that the Council's RIPA policy was over-due for refresh and that work on this was scheduled later this year. This would follow the release of updated Codes of Practice by the UK Government Home Office, due early 2022, about use of overt investigatory powers and application of RIPA legislation. By 29 June 2022, the updated Code of Practice still had not been

released by the Home Office, and there was no information on the Home Office website to confirm the revised publication date.

One application had been made in this period in respect of access to communications data. This request had been submitted by Trading Standards to assist with a live investigation that they were leading.

It was still intended that a review of the Council's RIPA Policy would be undertaken when updated information about publication of the revised Home Office guidance had been received. This would be followed by training for appropriate officers, and further awareness work to remind officers about RIPA.

RESOLVED:

That the Audit Committee noted that:

- a) in the period 1 January 2022 to 30 June 2022 one application relating to Communications data had been made under the Council's powers relating to RIPA;
- b) it was intended to review the Council's RIPA Policy following publication of revised Home Office guidance; and
- c) training and awareness activity would be programmed following the RIPA Policy refresh.

34/22 EXCLUSION OF THE 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 in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

35/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

36/22 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 22 MARCH 2022

The exempt minutes of the meeting held on 22 March 2022 were confirmed as a correct record.

The meeting finished at 3.55 pm

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 September 2022

Report of the Assistant Director of Finance (Audit)

Audit Services Unit – Progress Against Audit Plan 2022-23

1. Purpose

- 1.1 To inform Members of the progress against the approved Audit Services Plan for 2022-23 as at 31 July 2022.

2. Information and Analysis

- 2.1 At the meeting of this Committee held on 22 March 2022, Members approved the Audit Services Plan for 2022-23. The Plan was formulated from a risk assessment drawn from a wide range of sources including the Council Plan, the Council's strategic risk register, Departmental risk registers, service plans and meetings with Executive Directors and Directors.
- 2.2 In accordance with the Audit Committee's Terms of Reference this report updates Members on progress against the Plan for the four months to 31 July 2022 and represents work undertaken during that period, which is detailed in the progress report. An analysis of the progress with the Unit's Key Performance Indicators (KPIs) are also included in the progress report.
- 2.3 In common with previous years, some work forming part of last year's approved Audit Services Plan (2021-22) was completed and reported in the current year. Audit staff routinely follow up progress against agreed recommendations as part of subsequent work, in the area under review.

Operational Matters

- 2.4 It is positive to be able to report that whilst the impact of the Covid-19 pandemic has affected working arrangements across the Council, the start of 2022-23 has seen an increase in the number of staff returning to offices with more face-to-face and hybrid meetings taking place. Audit Services has been able to undertake more aspects of reviews in-person with site visits and school audits able to resume. This, together with the more stable Audit staffing structure has enabled an improvement in the shortfall in productive days delivered when compared to September 2021 Progress Report (2021-22 – 86.6% and 2022-23 - 95.4%).
- 2.5 As in previous years, Audit staff have been working with Departments and senior management to agree the scheduling of audit assignments to minimise the impact as much as possible, whilst enabling the approved Plan to be delivered. Operational and staffing challenges within the Council's ICT Service have meant that a number of the reviews identified within the corporate function (Network and Database reviews etc.) will need to be scheduled within the second half of the year. As a number of these audits were not delivered within the 2021-22 Plan, it is essential that these key reviews are delivered, especially given the reliance placed on the ICT network to deliver key services. A meeting has been arranged with the interim Assistant Director of ICT to discuss this further and take steps so that necessary assurance work can be completed.

Audit Resources

- 2.7 Overall, the Unit's staff structure remains in a positive position that will be invaluable as we look forward to delivering the 2022-23 Plan, further embed risk-based auditing across the Unit and contribute to the wider governance framework. With the exception of maternity leave, the unit was scheduled to be fully staffed with a new Principal Auditor starting on 25 April 2022, although the following staffing changes have occurred since this point:
- At the risk of losing an experienced Principal Auditor from the Council, a formal request for the officer to reduce their working week from five days to three days was agreed.
 - At the point of drafting this Report, a Senior Auditor intends to leave and take up a new position with another local authority.
 - The Audit apprentice has successfully completed their Internal Audit Practitioner apprenticeship and will take up their new role as an Auditor at the beginning of September.

Audit Days

- 2.8 At 31 July 2022, a total of 882 productive days have been delivered against the pro-rata target of 924 days (total planned days for 2022-23 is 2,772).

3. Consultation

- 3.1 No consultation is required.

4. Alternative Options Considered

- 4.1 N/A. Article 11 of the Council's Constitution requires the Audit Committee to monitor progress against the Annual Audit Plan.

5. Implications

- 5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

- 6.1 Electronic files and Audit working papers held by Audit Services, Finance & ICT Services, County Hall Complex.

7. Appendices

- 7.1 Appendix 1 – Implications.
- 7.2 Appendix 2 – Audit Services Progress Report up to 31 July 2022.

8. Recommendation

- 8.1 That Audit Committee are asked to note the performance of the Audit Services Unit during this period.

9. Reasons for Recommendation(s)

- 9.1 To note that the Council is complying with the requirements of the Council's Constitution.

Report Author:

Dianne Downs

Contact details:

dianne.downs@derbyshire.gov.uk

Implications

Financial

1.1 None.

Legal

2.1 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control.

2.2 Audit Services discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and fulfils significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The work of Audit staff supports the 2021-25 Council Plan key actions for high performing, value for money and resident focused services, by independently assessing Council services and activities.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

Audit Services Unit Progress Against Audit Plan 2022-23 31 July 2022

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Dianne Downs FCMI, CMIIA
Assistant Director of Finance (Audit)

Background to the Progress Report

At the meeting of this Committee held on 22 March 2022, Members approved the Audit Services Plan for 2022-23, which had been formulated from our risk assessment drawn from a wide range of sources including:

- the Council Plan;
- the Council's Strategic Risk Register;
- Departmental Risk Registers;
- Service Plans; and
- meetings with Executive Directors and Directors.
(including Managing Director (Head of Paid Service), Director of Finance & ICT (Section 151 Officer) and Director of Legal and Democratic Services (Monitoring Officer).

In accordance with the Audit Committee's Terms of Reference this report updates Members on progress against the Plan for the four months to 31 July 2022 and represents work undertaken during this period which is detailed in **Appendix 1**. An analysis of the priority criteria for Audit recommendations and assurance levels is also included in **Appendix 1**.

In common with previous years, elements of work forming part of last year's approved Audit Services Plan were completed and reported in the current year. Where appropriate, Audit staff routinely follow up progress against agreed recommendations as part of subsequent work, in the area under review.

All work undertaken by Audit Services is conducted in accordance with the standards required by the Public Sector Internal Audit Standards (PSIAS). and in conformance with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council's Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

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Current Progress

It is positive to be able to report that whilst the impact of the Covid-19 pandemic has affected working arrangements across the Council, the start of 2022-23 has seen an increase in the number of staff returning to offices with more face-to-face and hybrid meetings taking place. Audit Services has been able to undertake more aspects of reviews in-person with site visits and school audits able to resume. This, together with the more stable Audit staffing structure has enabled an improvement in the shortfall in productive days delivered when compared to September 2021 Progress Report (2021-22 – 86.6% and 2022-23 - 95.4%).

As in previous years, Audit staff have been working with Departments and senior management to agree the scheduling of audit assignments to minimise the impact as much as possible, whilst enabling the approved Plan to be delivered. Operational and staffing challenges within the Council's ICT Service have meant that a number of the reviews identified within the corporate function (Network and Database reviews etc.) will need to be scheduled within the second half of the year. As a number of these audits were not delivered within the 2021-22 Plan, it is essential that these key reviews are delivered, especially given the reliance placed on the ICT network to deliver key services. A meeting has been arranged with the interim Assistant Director of ICT to discuss this further and take steps so that necessary assurance work can be completed.

Areas where the Audit team have either reported upon, or are a good way through the fieldwork for the 2022-23 reviews including:

- Key financial systems including Treasury Management, and Accounts Receivable;
- Public Health;
- Work on the Deputyship administration service (including the new IT application control framework);
- Ongoing work on a number of special investigations; and
- Completion of time critical grant certifications.



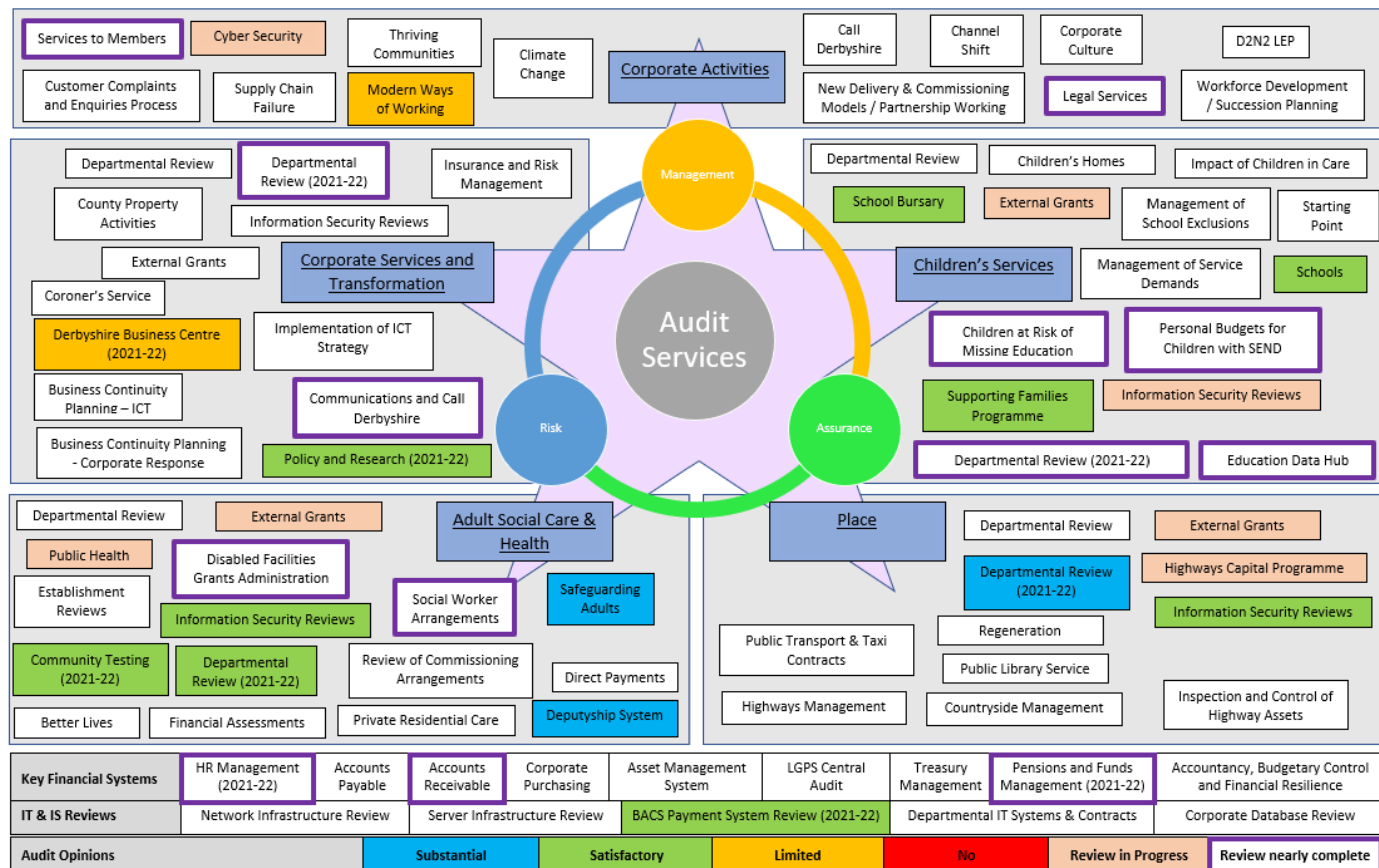
The current Audit performance against the 2022-23 approved Plan is shown below:

2022-23 Progress	As at 31 July 2022
Approved Audit Plan (2,772)	924
Actual Productive Days	882
Shortfall in Productive Days Delivered	42

Reasons for the shortfall in productive days within this period include staff annual leave that has been taken, maternity leave and additional time spent with Audit staff completing their apprenticeship training.

Analysis of Audit work including a summary of Reports and Memoranda issued up to 31 July 2022, is provided at **Appendix 1**, with more detailed comments on individual reviews within the main body of this Report.

Summary of Audit Opinions (Reports Issued up to 31 July 2022)



Audit Resources and Activities

Staffing

Overall, I am able to report to Members that the Unit's staff structure remains in a positive position that will be invaluable as we look forward to delivering the 2022-23 Plan, further embed risk-based auditing across the Unit and contribute to the wider governance framework. With the exception of maternity leave, the unit was scheduled to be fully staffed with a new Principal Auditor starting on 25 April 2022, although the following staffing changes have occurred since this point:

- At the risk of losing an experienced Principal Auditor from the Council, I agreed to a formal request for the officer to reduce their working week from five days to three days.
- At the point of drafting this Report, I was notified that a Senior Auditor intends to leave and take up a new position with another local authority.
- The Audit apprentice has successfully completed their Internal Audit Practitioner apprenticeship and will take up their new role as an Auditor at the beginning of September.

Over the next few months, I will be discussing the Audit Services structure (Appendix 2) with the Director of Finance & ICT to agree a strategy moving forward.

Although a number of the audits within the approved plan may be adjusted to accommodate for the loss of productive days, I do not anticipate significant problems at this point, in being able to undertake sufficient work to allow me to prepare my annual opinion on the Council's framework of governance, risk management and control in accordance with the PSIAS.



Assurance Mapping

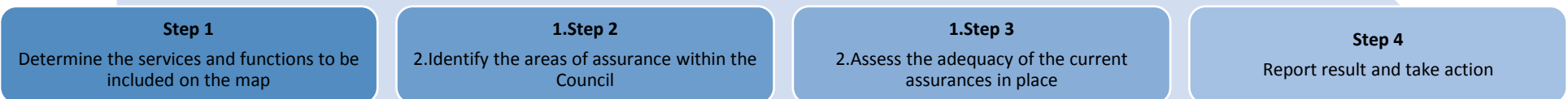
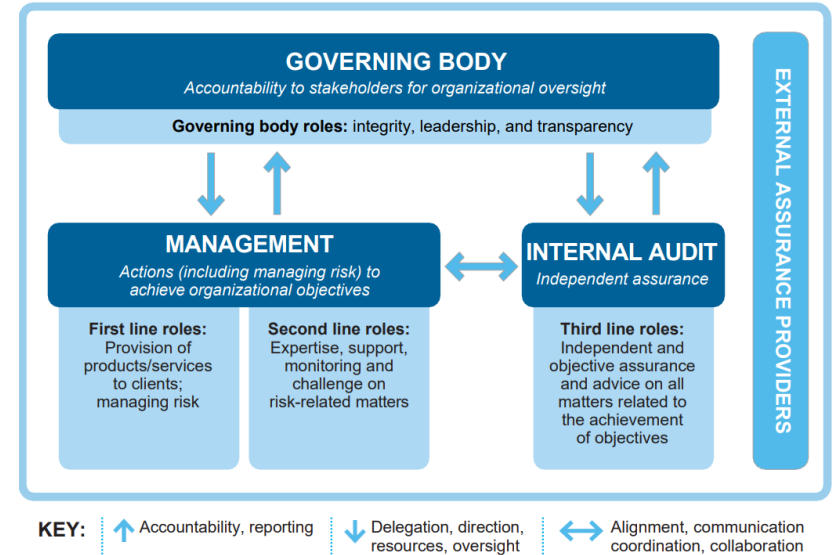
As I reported to the Audit Committee on 22 March 2022, the Unit has made significant progress in developing an interactive and 'living' assurance map, which will provide important insight for future planning, support for Audit Committee, and senior management, on the Council's assurances in place across all key service and function areas.

The finalised mapping activity will be regularly reported to Audit Committee and include the evidence to support the targeting of Audit and other resources into areas where gaps in assurance have been identified or areas that remain a concern. The mapping activity will also help reduce overlaps or duplication of audits, thereby improving client engagement and mutual trust within the Council.

I anticipate that the majority of the initial creation and development of the Assurance Mapping will be completed in the next few months, with an intention to provide a more detailed report at the next Audit Committee meeting. The Map will require ongoing maintenance and support by the Unit, to ensure it remains up to date and able to support the development of future annual audit plans. The 2023-24 Audit Plan will place significant reliance on the Assurance Map and will likely involve a further change in the direction of the Audit Service as the tool becomes embedded within Audit Services operational procedures.

I would like to place on record my appreciation for the senior managers and other officers across all Departments, who have made time available to support the development of the Assurance Map, without which, the Unit would not be able to create such an inclusive and comprehensive tool.

The IIA's Three Lines Model



Quality Assurance Improvement Programme (QAIP)

As part of the Quality Assurance Improvement Programme (QAIP), I completed a self-assessment exercise of the Unit's performance against the PSIAS, which was reported to Audit Committee as part my Annual Report on 5 July 2022. Whilst I considered that the Unit was fundamentally compliant with the PSIAS, the exercise identified a small number of service improvement opportunities to embed best practice at all levels.

Whilst, activities are in progress to action improvements identified as part of the assessment, these remain ongoing and will continue throughout 2022, and some cases early into 2023. A summary of the actions taken to date include:

- Assurance mapping is well under way, with the first draft due shortly.
- The Audit Charter has been reviewed and is part of the agenda for the September meeting of the Audit Committee for review and approval.
- A revised set of Key Performance Indicators (KPIs) is being worked on and will be discussed with the Chair of the Audit Committee prior to being reported to the next Audit Committee meeting.

Key Performance Indicators (KPIs)

Whilst the range and focus of the Unit's KPIs is currently subject of review, details of the current outcomes for 2022-23 up to the end of July 2022, are summarised at **Appendix 3** together with details of the previous years' activities to enable a comparison.



Better Governance Forum

Audit Services have re-instated a lapsed subscription to the CIPFA Better Governance Forum (BGF). This gives the Council access to support, advice and resources for auditors and those charged with governance, and is intended to help subscribers improve leadership, stewardship and control in their organisation. Subscriber only content includes briefings designed for audit committee members to provide topical updates on key developments of interest to audit committees in public services. The latest edition was published in August 2022, and will be attached for members separately as an exempt committee paper; this is due to copyright restrictions which prevents publication in public packs.

Detailed Analysis - Corporate Activities

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	980	1,038	Substantial	1	-
Actual days delivered	660	395	Satisfactory	3	-
Percentage of Audit Days Delivered	67.3%	38%	Limited	1	1
Number of Reports Issued	8	6	No	-	-
			Other (including letters)	4	5

Cyber Security Incident

Following the cyber incident audit staff have been working with ICT colleagues regarding the enhanced control framework being implemented to reduce the opportunity for future system compromise, a retrospective review of lessons learnt is due to be completed. However, there remains significant work to be undertaken to ensure that the Council has a clear strategy to deal with future incidents of this nature and a corporate lessons learnt project to be completed. A cyber security working group has yet to be formed, despite being agreed within the Annual Governance Statement (AGS). This has recently been escalated with the Director of Finance & ICT to ensure action is taken.

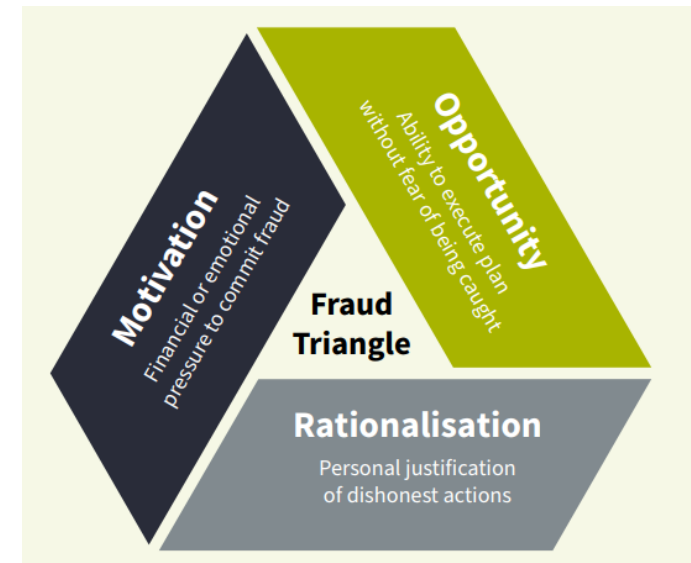
Modern Ways of Working (MWoW)

Audit Services continue to provide governance and advice to project leads as part of phase two of the project. This will continue throughout 2022-23 and will involve discrete audit work to support the control and governance arrangements as the project moves into the wider property estate. During this period, Audit reported to individual Executive Directors on the number of staff that were recorded as not completing the mandatory fire safety e-learning module, prior to returning to their offices at County Hall. Audit staff also supported property and legal services colleagues, to investigate and undertake a site visit to the Council's confidential waste disposal facilities following the notification of a potential data breach. As a result, Corporate Property are reviewing the Council's secure shredding facilities.

Special Investigations

The Unit has been working on eight active investigations. Since the end of the pandemic and the implementation of the revised Whistleblowing Policy, a number of referrals have been made to Audit Services which have resulted in investigations being undertaken. The Chartered Institute of Internal Auditors have recently published the report '*Fraud is on the rise: Step up to the challenge*' which identifies four key messages for internal audit teams.

- Internal audit functions should take a much more proactive role in the fight against fraud. In periods of heightened volatility, they should constantly revisit the elements of the fraud triangle (motivation, opportunity, rationalisation) to try and anticipate fraud. They will then be able to really challenge the board and senior management on where the risks may occur.
- Organisations should conduct regular fraud risk assessments that consider the internal and external factors impacting the business. This is a fundamental step that should not be forgotten.
- Boards and senior management have an important role to play in developing a positive fraud culture within the organisation, underpinned by the right tone from the top. Internal audit can support this effort by helping raise awareness around fraud and acting as a trusted advisor to the board and senior management on areas that need improvement.
- Organisations and internal audit functions should be better prepared for the increased scrutiny and accountability on fraud from government, regulators, and the public. They should proactively look out for new rules and regulations on fraud that are coming down the track, and assess how they might impact their business.



It is also anticipated that the cost of living crisis may increase the financial pressure on people and therefore increase the likelihood of fraud.

Audit Committee were presented with a report in March 2022, which provided information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption. A further update on progress together with an action plan has been brought to this meeting for information.

Detailed Analysis - Corporate Services and Transformation

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	785	660	Substantial	6	-
Actual days delivered	931	145	Satisfactory	13	2
Percentage of Audit Days Delivered	118.6%	21.9%	Limited	4	1
Number of Reports Issued	26	4	No	0	-
			Other (including letters)	3	1

BACS Payment System (2021-22) Review issued in 2022-23

The BACS system is critical to the Council, facilitating the payment of invoices, pensions, provider payments and salaries. Due to the volume and value of the BACS transactions, the failure of the system or control framework could result in significant reputational damage and financial cost to the Authority. The review considered the operational procedures and disaster recovery arrangements, which overall, confirmed that the BACS process is well established with only a small number of areas highlighted for improvement. No high priority recommendations were raised as part of this review.

Derbyshire Business Centre (2021-22) Review issued in 2022-23

It was recognised that the role of the Derbyshire Business Centre has changed over the years and that the commitment and dedication of the team enabled it to cope with the extra demands throughout the pandemic. However, fundamental issues were identified in respect of the ongoing service continuity that required urgent management attention. These included undertaking an updated disaster recovery assessment and improvements within certain physical security controls and staff training arrangements.

Policy and Research (2021-22) Review issued in 2022-23

Policy and Research plays an essential role in supporting the Council, Members and Senior Officers to deliver on policy objectives and external projects. The Audit examined the controls surrounding governance arrangements, performance management, equality impact assessments (EIAs), provision of grants and staff awareness of information security.

Overall, the areas subject to review were found to be operating effectively with procedures in place to monitor assigned activities. Although the Service is encountering significant problems in supporting the delivery of key Council objectives and projects, due to the availability of staff resources and pandemic related issues. Whilst steps have been taken to alleviate the resourcing issues including a recruitment process for new staff to support project delivery, this still is a challenge for the Service.

Corporate Services and Transformation Department Support and Consultancy Work

Meetings and Support

In addition to our programme of Audits, the Unit assists Management with the provision of ongoing support, advice, attendance at various meetings including those with Departmental staff and project boards. Audit staff promote the principles of good governance and control frameworks. Key groups attended in this period included:

- Finance Officers'
- SAP Implementation Project Board
- Data Protection Working
- Information Governance
- Corporate Governance
- Risk Management
- Asset Optimization Project

Detailed Analysis – Children’s Services

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	475	449	Substantial	1	1
Actual days delivered	238	190	Satisfactory	3	1
Percentage of Audit Days Delivered	50.1%	42.3%	Limited	-	-
Number of Reports Issued	4	8	No	-	-
			Other (including letters)	-	6

Schools

Audit Services were able to resume on-site school audits for the first time following the Covid-19 pandemic. To date three primary schools have been visited in 2022-23 with more planned in the Autumn. Currently schools that were previously assigned an assurance level of ‘limited’ or ‘no’ are being prioritised in the initial visits. The school audits assess compliance against statutory requirements and best practice in key operational areas including governance, risk management, financial management, information security and human resources management. At the point of writing, two of the school reports had been issued, which were assessed as ‘Satisfactory’ and ‘Substantial’

Bursary Fund Reviews

Four secondary schools were visited which operate a Bursary Fund for pupils aged between 16-19 that provides financial support to help students overcome the specific financial barriers in remaining in education. The Audit, undertaken in line with the Education and Skills Funding Agency (ESFA) best practice identified that schools were managing their bursary funds in line with government guidance. Adequate procedures were in place in relation to checking on student household income, publishing and promoting details of their schemes, appropriate student/school agreements and retention of supporting documents. At one school, it was identified that payments of two vulnerable bursaries could be claimed back from the Student Bursary Support Service (SBSS), recouping £2,400 for the school concerned.

Children's Services Support and Consultancy Work

Holiday Activities and Food Programme

The Council received a grant in excess of £2m as part of the Holiday Activities and Food Programme. Audit Services provided assurance work to validate the Certificate of Grant Usage and Statement of Expenditure for the 2021 programme so that it could be certified by the Director of Finance and ICT. After reviewing the Grant submission for the 2021/22 year, weaknesses were identified within elements of the governance arrangements and with maintenance of supporting information that enabled the grant certification. These have been reported to senior management.

Grants – Supporting Families and Youth Justice Board Grant

Audit staff continue to undertake assurance work in order to sign off grants and review claims as part of the Supporting Families Programme as and when sufficient claims require review.

Detailed Analysis – Adult Social Care and Health

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	303	395	Substantial	-	2
Actual days delivered	302	123	Satisfactory	6	3
Percentage of Audit Days Delivered	99.7%	31.1%	Limited	-	-
Number of Reports Issued	6	6	No	-	-
			Other (including letters)	-	1

Departmental Review (2021-22) Review issued in 2022-23

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and the information security standard ISO27001.

The Audit concluded that throughout the pandemic, the Department has adapted its service provision, working practices and governance arrangements to respond to national and local guidance and to safeguard the wellbeing of both service users and Departmental staff. This Audit concluded that the Department continued to effectively discharge its statutory and legislative responsibilities as conferred by the Care Act 2014 and supplementary guidance in those areas that were examined during the review.

Community Testing

The Community Testing programme was introduced at pace following a successful submission of a plan to the Department of Health and Social Care to identify asymptomatic individuals with Covid-19. Initially staffing was provided through military support as systems and processes were put in place for a phased transition to civilian support. Significant use was made of agency staff in the initial weeks of the programme before use was made of redeployed public sector workers from across the council and other partner agencies. Therefore, systems and processes were evolving and developing under significant time constraints in order to deliver the plan that had received Government

approval. The speed of evolution and development of systems and processes placed considerable pressure to ensure sound systems of internal control and checks were in place.

The review identified some weaknesses in governance arrangements for ensuring conflicts of interest were promptly identified, recorded and reviewed and action taken to reduce the associated risks. There are other lessons to be learnt from the implementation of this programme that may be applied to any future activity involving the significant use of agency staff including the procurement of specialist systems to support the scheduling of staffing of the activity itself.

Outbreak Management Solution

Public Health procured a Microsoft Dynamics solution, to support Test & Trace activities in response to Covid-19 and engaged consultants to support the implementation process. Overall, the Audit testing confirmed a satisfactory information security framework was in place. Where potential control weaknesses were identified within the IT system provided for review, these were referred to the Supplier with an appropriate response being received. During the review a potential data breach was raised by Audit Services in relation to the use of 'live' rather than anonymised data. The matter was reviewed by the Council's Legal Services Section and deemed not to be a reportable matter to the Information Commissioner's Office in this instance.

Deputyship Service

The Council acts as court appointed 'deputy' for individuals who are deemed incapable (under the Mental Capacity Act 2005) of making decisions relating to finance or property and do not have an appropriate close family member or friend who can make these decisions on their behalf.

The Audit concluded that the Deputyship staff were knowledgeable, experienced and supported by policies and procedures which provide clear guidance to officers and stakeholders. Although the service has experienced resource shortages in recent years, these have now been addressed following the completion of a recruitment exercise. In the period since the last review, the Service has adapted systems and processes in the light of Covid-19 restrictions and where more efficient ways of working have been identified, these have been continued as the service returns to 'business as usual' working arrangements.

Review of Quality Assurance Framework

As part of the Council's response to the findings and recommendations of the Local Government and Social Care Ombudsman (LGSCO) in November 2019 following an incident at The Grange (2016), the Council established a Quality Assurance Strategy. The three underpinning principles of the strategy are:

- Competent and confident workforce;
- Quality delivery of services; and
- Stakeholder voice.

Although significant progress has been made in terms of implementing Quality Assurance into normal working practices, governance arrangements have evolved since key documents were first introduced and these now require review and update to reflect current arrangements.

Safeguarding Adults

The Council has a statutory responsibility to safeguard adults as determined by the Care Act 2014. The Care Act also places a requirement on local authorities to establish Safeguarding Adults Boards to help and protect adults within its area and bring together partner agencies such as NHS bodies and the Police to coordinate safeguarding activities.

A number of areas of good practice were identified which included the procedural guidance produced by the Derbyshire Safeguarding Adults Board (DSAB), which was found to be regularly updated and publicly available via their dedicated website. The safeguarding responsibility also forms a significant part of the Department's Quality Assurance Framework.

Adult Social Care & Health Support and Consultancy Work

Adult Weight Management Services Grant

During the period June 2021 to March 2022, the Council received grant funding of £442,428 to support the targeting of weight management services to specific population groups. Audit provided assurance work to support the return made to the Department of Health and Social Care (DHSC).

Universal Drug Treatment

The Council received £526,000 funding from Public Health England (PHE) drug treatment crime and harm reduction activity. Audit Services provided assurance work to support the completion of the Final Statement of Grant Usage.

Contain Outbreak Management Fund

Derbyshire County Council received almost £4m from the Contain Outbreak Management Fund (COMF) which was provided to local authorities in England to help reduce the spread of coronavirus and support local public health. Audit Services confirmed that the conditions attached to the funding had been complied with.

Detailed Analysis – Place

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	180	230	Substantial	2	1
Actual days delivered	291	29	Satisfactory	6	2
Percentage of Audit Days Delivered	161.7%	12.6%	Limited	-	-
Number of Reports Issued	9	3	No	1	-
			Other (including letters)	-	-

Departmental Review (2021-22) issued in 2022-23

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and the information security standard ISO27001.

It was considered that despite the complex challenges brought about by the Covid-19 response, subsequent home working directive and numerous adverse weather events, the Department has effectively adapted its procedures to ensure continuity of service provision wherever possible, whilst maintaining the effective discharge its statutory and legislative responsibilities

Confirm Single Asset Management System

The Confirm Single Asset Management System (SAMS) is used by the Department as their primary asset management system and is essential in supporting the maintenance of the Council's highways network. The review recognised that the system is due to be replaced and a number of recommendations were identified which should be applied to the configuration and implementation of the new solution.

Fleet Services

Fleet Services are responsible for the maintenance and associated administration of over 750 Council vehicles. These are essential assets used for highway maintenance and repairs, waste management, winter maintenance, property maintenance, countryside and library services.

The Audit confirmed that systems and controls surrounding management of the Council's vehicle fleet are generally adequate and operating successfully. The Service has continued to work effectively during the pandemic despite the challenges of increased workload and restrictive practices introduced as part of Council-wide, localized and national Covid-19 response procedures. However, it was considered imperative that the Transport Code of Practice and Management of Operational Road Risk Policy, which are the central means of communicating and administering the Council's approved fleet procedures, is updated.

Place Support and Consultancy Work

Community Renewal Fund

Audit Services provided support to ensure that the Council has robust governance and monitoring arrangements in place to manage and distribute income received under the Community Renewal Fund.

Appendix 1 - Progress Against the 2022-23 Audit Plan

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Corporate Activities – The 2022-23 Audit Plan included an allocation of 1,038 days over the following areas												
Corporate Projects												
VP018 East Midlands Broadband (emPSN)	-	-										
VP037 Workforce Development/ Succession Planning	-	-										
VP044 D2N2 LEP	5	10										
VP047 Supply Chain Failure	-	-										
VP055 Corporate Culture	-	-										
VP064 New Delivery & Commissioning Models/Partnership Working	-	-										
VP067 Climate Change	-	5										
VP070 Modern Ways of Working	-	18	-	4 x Letters 1 x Limited	↔	-	1	2	-			
VP071 Asset Optimisation	-	1										
VP072 East Midlands Freeport	-	-										
VP073 County Deals	-	-										
VP073 Customer Complaints & Enquiries Process	-	1										
VP074 Thriving Communities	-	-										
➤ VP075 Ukraine Family Scheme	-	6										
Total	5	41		4 x Letters 1 x Limited		-	1	2	-			
Corporate Governance												
CR001 Embedding Corporate Governance	-	28										
CR005 Services to Members	-	26										
CR007 Information Governance Group & Support	-	6										
CR008 Cyber Security Group & Support	-	25		Letter								
CR009 Data Protection Group & Support	-	-										

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Total	-	85		Letter								
Corporate Fraud Prevention												
CZ100 External Audit Liaison	-	-										
CZ200 National Fraud Initiative	-	5										
CZ300 National Anti-Fraud Network	-	3										
CZ400 RIPA Management & Admin	-	1										
ZZ000 Internal Audit-Special Investigations General*	86	64										
Total	86	73										
Strategic Management												
VW001 Strategic Management	-	24										
VW002 Strategic Management (Risk)	-	22										
VW003 Assurance Mapping	-	59										
Total	-	105										
Audit Planning Contingency												
XX000 Audit Planning Contingency	-	-										
Total												
Corporate Activities Total	91	304		5 x Letters 1 x Limited		-	1	2	-			

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Corporate Services and Transformation Department - The 2022-23 Audit Plan included an allocation of 785 days over the following areas												
Departmental Review - Management & Administration (CCP)												
CA100 Commissioning, Corporate Services and Transformation Review	6	-										
CA102 External Grants and Certifications	-	3										
Total	6	3										
CCP Operational Reviews												
CO002 Business Continuity Planning - Corporate Response	-	-										
CO003 Derbyshire Business Centre	-	-	Limited	Limited	↔	1	5	9	5	(2H)		
CO008 Communications and Customers	-	19										
CO009 Implementation of ICT Strategy	-	-										
➤ CO010 Policy and Research	1	-	N/A	Satisfactory	↔	0	0	3	1	(3M)		
➤ CO011 Legal Services	14	-										
CO015 Business Continuity Planning - ICT	-	-										
Total	15	19	1 x Limited	1 x Limited 1 x Satisfactory		1	5	12	6	(2H, 3M)		
Divisional Activity – Major Systems												
MA100 Core Financial Systems – General Queries	-	2										
MB100 Human Resources Management	10	-										
MC100 Accounts Payable	-	-										
MD100 Corporate Purchasing	-	-										
ME100 Accounts Receivable	-	16										
MG100 Accountancy, Budgetary Control and Financial Resilience	-	1										
➤ ML100 Pensions & Funds Administration	10	-										
ML101 LGPS Central Audit	-	-										
MM100 Treasury Management	-	10										
Total	20	29										

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Divisional Activity – Probity and Compliance												
DC400 Financial Regulations & Standing Orders	-	-										
DE101 Cash Audit & ISO 27001 Visits	-	4	N/A	Letter		0	2	2	2			
DE500 Insurance & Risk Management	-	-										
Total	-	4		1 x Letter		0	2	2	2			
Divisional Activity – Corporate/ Departmental IT Systems												
CK002 Corporate Database Review												
CK003 Network Infrastructure Review												
CK004 Server Infrastructure Review												
CK006 Bacs Payment System Review	1	-	Limited	Satisfactory	↑	0	0	9	1	(3H, 1M)		
Departmental IT Systems & Contracts	-	25										
Total	1	25	1 x Limited	1 x Satisfactory		0	0	9	1	(3H, 1M)		
Divisional Activity – County Property Division												
DV100 Property Services Review	-	21										
Total	-	21										
Regulatory												
QG100 Coroner's Service Review	-	2										
Total	-	2										
Departmental Total	42	103		1 x Limited 2 x Satisfactory 1 x Letter		1	7	23	9	(5h, 4M)		

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Children’s Services Department – The 2022-23 Audit Plan included an allocation of 475 days over the following areas												
Departmental Review – Management & Administration (CS)												
AA001 Children’s Services – Departmental Review	1	-										
AA002 Children's Services Department - General Support	-	-										
AA004 Information Security and Follow Up Reviews	-	1										
External Grants and Certifications	-	18	N/A	Letter	-	-	-	-	-		Holiday Activities and Food Programme	
Total	1	19		1 x Letter								
Primary, Nursery & Special Schools												
Primary, Nursery & Special Budget	-	31	-	1 x Substantial 1 x Satisfactory		-	3	18	8	(5H, 6M, 3L)		
Total	-	31		1 x Substantial 1 x Satisfactory			3	18	8	(5H, 6M, 3L)		
Secondary Schools												
Secondary Schools	-	14	N/A	5 x Letters	-	-	-	-	-	-	Letters issued to four Secondary Schools and Director of Finance & ICT regarding School Bursary arrangements.	
Total	-	14		5 x Letters								
Schools General Support												
Schools General Support	-	38										
Total	-	38										
School - Information Security Reviews												
Information Security Reviews	-	-										
Total	-	-										
Children's Homes												
Children's Homes	-	-										
Total	-	-										
Themed and Operational												

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
AO005 Fostering and Adoption Services	-	-										
AO013 Supporting Families Programme	-	12									2 Grant Submissions signed-off	
AO016 Starting Point	-	-										
AO019 Children at Risk of Missing Education	-	28										
AO022 Impact of Children in Care	-	-										
AO026 Use of Personal Budgets for Children with SEND	-	29										
➤ AO030 Education Data Hub	-	18										
AO031 Management of Service Demands	-	-										
AO032 Management of School Exclusions	-	-										
Total	-	87										
Departmental Total	1	189		1 x Substantial 1 x Satisfactory 6 x Letters			3	18	8	(5H, 6M, 3L)		

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Adult Social Care and Health Department – The 2022-23 Audit Plan included an allocation of 303 days over the following areas												
Departmental Management and Administration Review												
BA001 Departmental Review Management and Administration	-	-	Qualified	Satisfactory	↔	0	1	10	4	(1H, 7M, 5L)	Report relates to 2021/22 Audit	
BA002 Adult Social Care and Health Department - General Support	-	5										
Total	-	5		1 x Satisfactory		0	1	10	4	(1H, 7M, 5L)		
Public Health												
BD001 Public Health	-	28										
➤ BD001 Community Testing	-	-	N/A	Satisfactory	↔	0	1	3	0	-		
Total	-	28		1 x Satisfactory		0	1	3	0			
Information Security and Follow Up Reviews												
Information Security and Follow Up Reviews	-	11		Letter							Outbreak Management Solution	
Total	-	11		1 x Letter								
External Grants and Certifications												
External Grants and Certifications	-	14										
Total	-	14										
Social Care – Elderly Residential												
Elderly Residential	-	-										
Total	-	-										
Social Care - Day Care - Physical/Mental Disability												
Day Care - Physical/Mental Disability	-	-										
Total	-	-										
Social Care - Day Care & Hostels												
Day Care & Hostels	-	-										
Total	-	-										
Social Care - Community Care Centres												
Community Care Centres	-	-										

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Total	-	-										
Themed and Operational												
BO008 Private Residential Care	-	-										
BO010 Review of Commissioning Arrangements	-	-										
BO012 Deputyship System	-	21	Satisfactory	Substantial	↑	0	1	3	1	(2H, 2M)		
BO017 Disabled Facilities Grants Administration	-	28										
BO022 Direct Payments	-	-										
➤ BO026 Review of Quality Assurance Framework	-	-	N/A	Satisfactory	↔	0	0	9	2	N/A		
BO028 Safeguarding of Adults	10	-	N/A	Substantial	↔	0	0	3	1	N/A		
BO030 Social Worker Arrangements	6	-										
BO031 Financial Assessments	-	-										
BO032 Better Lives	-	-										
Total	16	49		2 x Substantial 1 x Satisfactory		0	1	15	4	(2H, 2M)		
Departmental Total	16	107		2 x Substantial 3 x Satisfactory 1 x Letter		0	3	28	8	(3H, 9M, 5L)		

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments	
	21-22	22-23				Critical	High	Medium	Low			
Place Department – The 2022-23 Audit Plan included an allocation of 180 days over the following areas												
Departmental Management & Administration Review												
HA100 Place – Departmental Review	2	-	Satisfactory	Substantial	↑	0	0	5	1	(1M)	Report relates to 2021/22 Audit	
HA101 Place – General Support Review	-	4										
Total	2	4		1 x Substantial		0	0	5	1	(1M)		
Information Security and Follow Up Reviews												
HA103 Information Security and Follow Up Reviews	-	2	N/A	Satisfactory	↔	0	1	5	1	N/A	Confirm Single Asset Management IT System	
Total	-	2		1 x Satisfactory		0	1	5	1	N/A		
External Grants and Certifications												
External Grants and Certifications	2	1										
Total	2	1										
Themed and Operational												
HO004 Highways Management	-	-										
HO016 Countryside Management	-	-										
HO021 Public Transport & Taxi Contracts	-	-										
HO024 Regeneration	-	-										
➤ HO025 Fleet Services	1	-	N/A	Satisfactory	↔	0	2	4	2	N/A		
HO030 Inspection and Control of Highway Assets	-	-										
HO035 Public Library Service	-	-										
HO036 Capital Programme (Highways)	-	17										
Total	1	17		1 x Satisfactory		0	2	4	2	N/A		
Departmental Total	5	24		1 x Substantial 2 x Satisfactory		0	3	14	4	(1M)		

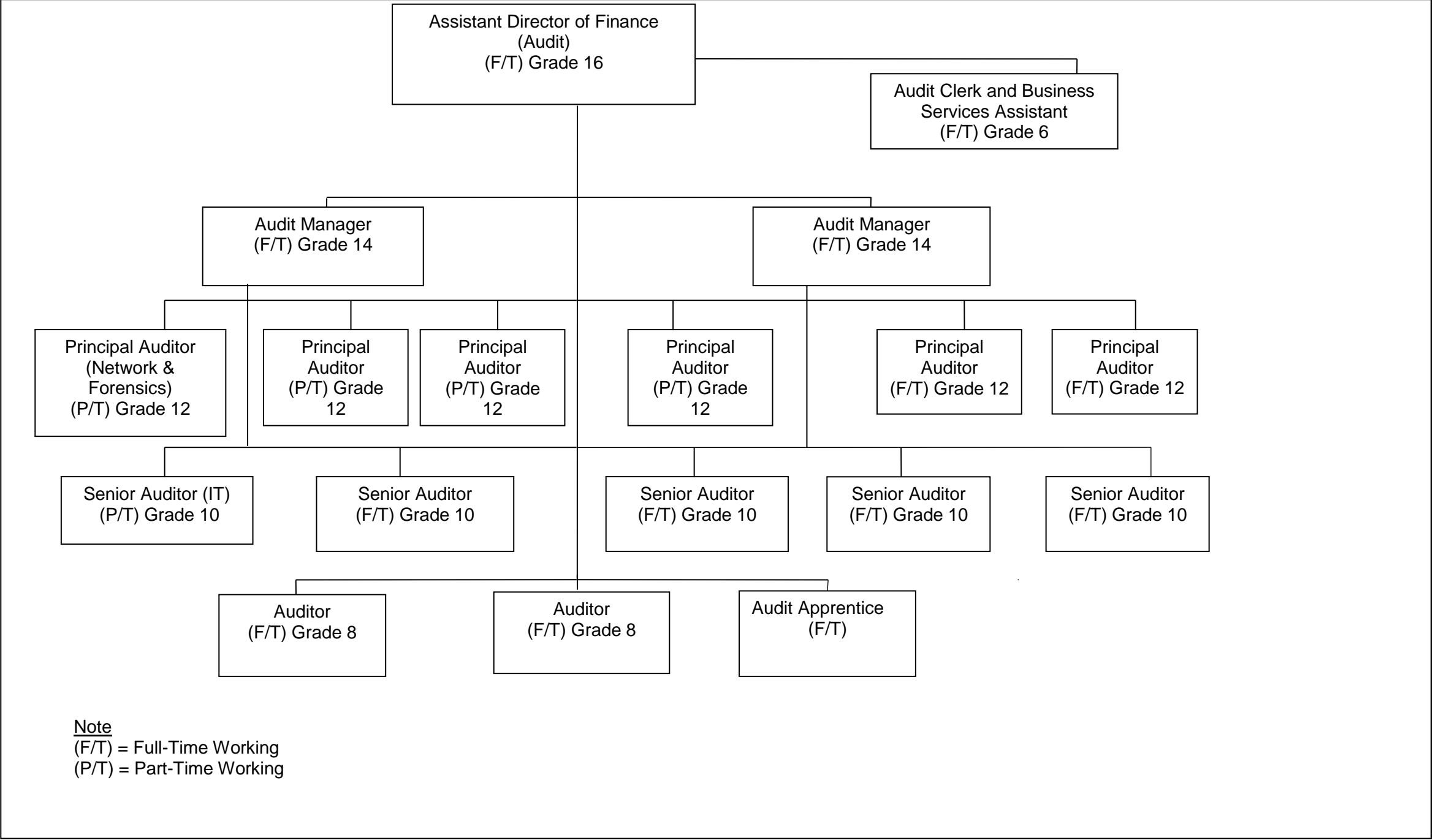
Audit Opinions are categorized based upon the assurance that Management may draw on the adequacy and effectiveness of the overall control framework in operation as follows:

Level of Assurance	Explanation and significance
Substantial Assurance	Whilst there is a sound system of governance, risk management and control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected.
Qualified Assurance	Whilst there is basically a sound system of governance, risk management and control some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance	Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement.
No Assurance	Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, misappropriation or abuse. Immediate remedial action is required.

Audit Recommendations are prioritized depending upon the level of associated risk and impact upon the management control framework as follows:

Level	Category	Explanation and significance
1	Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	High	The absence of, significant weakness in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation.
3	Medium	Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk.
4	Low	General housekeeping issues which require consideration and a planned implementation date within the medium term.

Appendix 2 – Audit Services Structure



Appendix 3 - Key Performance Indicators 2022-23

Indicator	Target	2020-21	2021-22	2022-23	Comments
Audit Plan – Achievement of planned Audit days	95%	87%	89%	95%	
Staff Productivity – Achievement of target Audit days	95%	104%	-	-	Target no longer recorded.
Completion of Audit staff MyPlan reviews and training identified	100%	100%	100%	95%	
Undertake a risk based Annual Audit Plan formulation exercise	N/A	✓	✓	✓	
Undertake quality assurance reviews of Audits (1 for each Principal Auditor per year)	100%	100%	0%	-	To be completed by 31 March 2023
Limited Audit Opinions reviewed by Assistant Director of Finance (Audit) within 10 days of completion of Draft Memorandum	100%	57%	100%	50%	
Percentage of Draft Audit Memoranda issued within 15 working days of fieldwork completion	95%	49%	25%	27%	
Percentage of Final Audit Memoranda issued within 28 working days of issue of Draft Audit Memorandum	95%	47%	67%	73%	
Percentage of Recommendations made which are implemented at the time of follow up Audit	90%	71%	66%	73%	
Audit Assurance – To provide an assurance to the Authority on the adequacy and effectiveness of risk management, control and governance processes	N/A	✓	✓	✓	
Client Satisfaction – Percentage of questionnaire responses rating the Audit Product as good or very good	90%	87.50%	10%	100%	6 Questionnaires Returned
Annual Survey of Key Stakeholders	N/A	✓	✓	N/A	Completed as part of the Annual Report for 2022-23 (July 2023)
Delivery of Audit Opinion to Management and Audit Committee in time to inform AGS	N/A	✓	✓	N/A	Completed as part of the Annual Report for 2022-23 (July 2023)

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 September 2022

Report of the Assistant Director of Finance (Audit)

Audit Services Unit – Progress Against Audit Plan 2022-23

1. Purpose

- 1.1 To inform Members of the review and update of the Audit Charter which is a specific requirement of the Public Sector Internal Audit Standards (PSIAS).

2. Information and Analysis

- 2.1 Since the implementation of the PSIAS, the Council is required to formally approve an Audit Charter. The existing Audit Charter was considered at a meeting of this Committee held on 24 September 2019 before being presented to Cabinet in January 2020 for approval.
- 2.2 The Audit Charter draws together existing practice and formalizes procedures which are already embedded in the Council's governance framework (e.g. the provisions of Financial Regulations and Standing Orders relating to Contracts, the Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan, the requirements of the Whistleblowing Policy etc.) into a single reference document which embodies those requirements specified in the PSIAS.
- 2.3 The Charter is reviewed by the Assistant Director of Finance (Audit) in consultation with other appropriate officers and the Audit Committee to ensure it continues to reflect the requirements of the regulatory framework and key legislation on which it is based. The revised Charter is attached at Appendix 2.

2.4 The PSIAS requires that the Audit Charter is approved by Cabinet and the purpose of this Report is to allow the Audit Committee, acting in its role as “those charged with governance”, to review and endorse the revised Charter prior to its formal recommendation for approval as Council policy.

- 2.5 The following minor amendments have been made to the Audit Charter :
- Changed cover to reflect appointment of myself, as the Assistant Director of Finance (Audit).
 - Updated the dates of the latest Local Government Application Note (LGAN).
 - Reference is now made to the Managing Director as well as Executive Directors.
 - Updated title for Whistleblowing Policy.

3. Consultation

3.1 The Audit Charter is produced in consultation with the Head of Paid Service, other appropriate officers and Audit Committee.

4. Alternative Options Considered

4.1 As the Audit Charter is a specific requirement of the Public Sector Internal Audit Standards (PSIAS), there are no alternative options.

5. Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

6.1 Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Audit Services Charter.

8. Recommendation

8.1 That the Committee consider the content of the revised Audit Charter and recommend to Cabinet its approval as Council policy.

9. Reasons for Recommendation(s)

9.1 To comply with the requirements of the PSIAS.

Report Author:

Dianne Downs

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Implications

Financial

1.1 None.

Legal

- 2.1 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control.
- 2.2 Audit Services discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and fulfils significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

- 6.1 The work of Audit staff supports the 2021-25 Council Plan key actions for high performing, value for money and resident focused services, by independently assessing Council services and activities.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

DERBYSHIRE COUNTY COUNCIL

AUDIT SERVICES

AUDIT CHARTER



Dianne Downs
Assistant Director of Finance (Audit)

Introduction

The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government across the United Kingdom, adopted a common set of Public Sector Internal Audit Standards (PSIAS) supplemented by a Local Government Application Note (LGAN) with effect from the 1st April 2013; the PSIAS were subsequently updated in March 2017 and LGAN in February 2019. The PSIAS requires the Council to adopt an Internal Audit Charter as part of the requirements of the Standards, this is fundamental to the effective delivery of internal audit within the Council.

Definitions

For the purposes of this Charter the following definitions of PSIAS terms apply at the Council:-

‘Board’	The Council’s Audit Committee
‘Senior Management’	Managing Director, Executive Directors and Directors
‘Chief Audit Executive’	Assistant Director of Finance (Audit)

Legislative/Regulatory Basis of Operation

The Council’s statutory responsibilities under Regulation 5 of the Accounts and Audit Regulations 2015, as amplified by the PSIAS, are discharged by the Audit Services Unit. It also discharges significant aspects of the Director of Finance & ICT’s statutory duties under Section 151 of the Local Government Act 1972 on his behalf. The Unit works closely with the Director of Legal and Democratic Services particularly in relation to promoting and maintaining good governance arrangements.

The Unit works in partnership with the Council’s appointed auditors, Mazars, in accordance with the agreed External and Internal Audit Protocol which clarifies the working relationship between Mazars and Audit Services and seeks to formalize areas of co-operation and assistance. The role and responsibilities under the PSIAS of the Unit are further clarified and reinforced in the Council’s Constitution, Financial Regulations and Standing Orders relating to Contracts, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan, the requirements of the Whistleblowing Policy and the Unit’s Audit Manual.

Mission of Internal Audit

The Council recognises the mission of Audit Services as set out in the PSIAS:-

To aspire to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Audit

The Council recognises the definition of internal audit formally set out in the PSIAS:-

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Position of Audit Services within the County Council

The Council has a responsibility for ensuring that an effective system of internal control is maintained and operated in respect of the resources under its control.

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or should be detected within a timely period.

The system of internal control is based upon a framework which embraces regular management information, Financial Regulations and Standing Orders relating to Contracts, administrative procedures (including segregation of duties), Management supervision and a structure of delegation and accountability. Managers within the Council undertake development and maintenance of the system. In particular, the system includes:

- comprehensive budgeting systems;
- the preparation and regular review of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital expenditure guidelines;
- as appropriate, formal project management disciplines;
- clearly defined and adequately documented, approved procedural and operational guidance.

The internal control framework of the Council is subject to regular review by both Management and the Council's Audit Services Unit.

The Council's Audit Services is an assurance function which provides an independent and objective opinion to the Council on its framework of governance, risk management and control. This framework is subject to regular review by the Unit who, through a structured plan of operational and financial reviews, provide Management with assistance, advice and insight on systems, processes and risks and through this work form a view on the strength of individual aspects of control and the overall control framework.

Audit Services operates in compliance with the requirements of the Accounts and Audit Regulations and the PSIAS. This requires that the Council ‘must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.’ These Regulations also require full assistance from officers and Members in the provision of access to documents and records and the supply of information and explanations to enable the proper fulfilment of those Audit responsibilities. The Unit’s work conforms with the requirements of the PSIAS, professional best practice and locally by the policies, procedures, rules and regulations established by the Council.

Audit Services’ Methodology

In assisting the Council to maintain and develop its control environment Audit Services’ staff appraise and review the:

- completeness, reliability and integrity of information, both financial and operational;
- effectiveness of systems established to ensure compliance with policies, plans, procedures, laws and regulations, e.g. control/regulatory frameworks specified by the Members and Management of the Council, and externally by statute or regulatory bodies;
- means employed by the Council to safeguard its assets and recognize risks;
- effectiveness, efficiency and economy with which resources are employed;
- management and security of the Council’s information assets including contractual arrangements with third parties;
- operations being carried out to determine whether planned objectives and goals are achieved.

The Audit Services’ Manual contains procedures and Professional Standards, the requirements of Professional Best Practice, the Quality Assurance and Improvement Programme and guidance relevant to the work of the Unit. The Manual is held electronically and is available to all members of the Unit’s staff.

Scope of Audit Services

Audit Services’ remit covers all functions and services for which the Council is responsible. It has unrestricted access to all records, personnel (both Members and officers) and physical properties necessary for the purposes of its work, however and wherever these are held, in accordance with the requirements of the PSIAS. This includes Council information which is held or managed by third parties on the Authority’s behalf.

Due to its detailed knowledge of the Council’s systems and processes, Audit Services may undertake consultancy work in addition to its primary assurance role. Examples of this may include advice, facilitation and training. The scope of any consultancy work will be agreed with Management and will only be undertaken

where resources permit without impacting on the annual assurance process. In accordance with the PSIAS, approval will be sought from the Audit Committee before any significant, unplanned consultancy work is accepted.

The Director of Finance & ICT is the designated Section 151 Officer and also has line management responsibility for the Assistant Director of Finance (Audit). The Assistant Director of Finance (Audit) has direct access, as appropriate, to:

- all levels of management, including the Head of Paid Service, Director of Finance & ICT (Section 151 Officer), Director of Legal and Democratic Services (Monitoring Officer), Executive Directors/Directors;
- the Audit Committee, all Elected Members, including the Leader and the Chair of the Council;
- all employees of the Council;
- all agents, partners, suppliers and contractors of the Council and their staff.

The Assistant Director of Finance (Audit) reports directly to the Head of Paid Service and the Audit Committee.

Planning and Performing Audit Work

The Audit Services Unit has an Internal Audit Strategy supported by an annual plan of areas to be examined. This is based upon an assessment of risks and a determination of critical areas for opinion and assurance purposes. The Plan, which is approved by the Audit Committee, is reported to Cabinet and Council and is managed by the Assistant Director of Finance (Audit) throughout the year to ensure delivery of all key aspects of work and the requirement to produce an annual internal opinion on the Council's framework of governance, risk management and control. The performance of Audit Services and the outputs from its work are reviewed on an on-going basis by the Audit Committee which receives regular reports throughout the year on progress against the Audit Plan, assurance levels and recommendations made, accepted and implemented; the format of these reports is reviewed by the Audit Committee to ensure their continued relevance.

Further reviews of Audit Services' performance are undertaken by the Head of Paid Service as part of normal management arrangements and the Director of Finance & ICT as part of the review of the effectiveness of the system of internal control. External assessments of internal audit must be carried out at least once every five years by a qualified, independent assessor or assessment team.

Audit work encompasses both operational systems and those in development and through this work Audit Services:

- assist in formulating, promoting and maintaining sound governance arrangements;
- facilitate good practice in managing risks;
- contribute to ensuring sound resource management;
- recommend improvements in control, performance and productivity;

- provide reassurance and challenge to Managers;
- encourage development of consistent policies and high standards;
- ensure the impartial investigation of irregularities and policy breaches;
- support the achievement of statutory and best practice requirements.

The Constitution gives the Audit Committee overall responsibility for internal and external audit and Audit Services produce Annual Reports to that Committee outlining future planned work and reporting on delivery of the Audit product. The latter report includes the Assistant Director of Finance (Audit)'s opinion on the level of assurance which can be drawn from the work undertaken on the Council's framework of governance, risk management and control.

The assessment of the adequacy of the control environment rests upon the work of managers within the Council. It is informed by the work of Audit Services as described above and also by the work of External Audit as communicated in their annual audit letter and other reports.

Principle 2 of the published Statement on the Role of the Head of Internal Audit (HIA) in Public Service Organisations issued by Cipfa as a best practice requirement states *'The annual HIA opinion is the most important output from the HIA and is one of the main sources of objective assurance that Chief Executives and the leadership team have for their annual governance statement'*. Audit Services' Memoranda and Reports are issued throughout the year and addressed to appropriate Senior Management including the Managing Director, Executive Directors/Directors in accordance with the PSIAS. Audit Services routinely monitor and follow up actions taken to implement agreed recommendations.

Staff of the Audit Services Unit

The Assistant Director of Finance (Audit) must be professionally qualified and have wide experience of internal audit and management.

Audit Services must be appropriately staffed in terms of number, grade, qualification levels and experience to enable the Council's Audit Plan to be delivered effectively. Internal auditors must possess the knowledge (especially of Council activities), skills and other competencies needed to perform their individual responsibilities. Knowledge, skills and other competencies is a collective term which refers to the professional proficiency required of internal auditors to effectively discharge their professional responsibilities. Where the Assistant Director of Finance (Audit) believes that insufficient resources will impact on the provision of the annual audit opinion this will be reported to the Audit Committee.

Audit Services' staff are encouraged to demonstrate their proficiency by obtaining appropriate, relevant professional certifications and qualifications.

Code of Ethics

A Code of Ethics is a mandatory element of the PSIAS which applies to both individual auditors and to the Unit. This Code includes principles of integrity, objectivity, confidentiality and competence, and rules of conduct attached to each of these principles.

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Accordingly, internal auditors are required to perform their work with honesty, diligence and responsibility, to exhibit the highest levels of professional objectivity, to make balanced judgements and not to be unduly influenced by their own interests, and that of others, in forming judgements.

All internal auditors in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life – the Nolan principles.

Audit Services' staff are required by the PSIAS Code of Ethics to be sufficiently independent of the activities they audit so as to ensure that they are able to make impartial and effective professional judgements and recommendations. All staff are required, on an annual basis, to complete and submit to the Assistant Director of Finance (Audit) a return identifying any potential conflicts of interests or confirming that no such conflicts of interests exist.

Independence in the Council is achieved through the organizational status of Audit Services, the objectivity of Audit staff and the Assistant Director of Finance (Audit)'s freedom to report unedited, in their own name, directly to the Head of Paid Service and the Audit Committee.

Core Principles

Audit Services, individual auditors and the internal audit activity, comply with the following principles in delivering and achieving its mission:

- demonstrates integrity;
- demonstrates competence and due professional care;
- is objective and free from undue influence (independent);
- aligns with the strategies, objectives, and risks of the Council;
- is appropriately positioned and adequately resourced;
- demonstrates quality and continuous improvement;
- communicates effectively;
- provides risk-based assurance;
- is insightful, proactive, and future-focused;
- promotes organisational improvement.

Fraud and Irregularities

The Council takes a firm and positive approach to combatting fraud and corruption whether it is attempted on or from within the Authority, and is committed to an effective Anti Fraud and Anti Corruption Strategy which is supported by a Fraud Response Plan. These interrelated procedures are designed to frustrate any attempted fraudulent or corrupt act and cover:

- culture;
- deter and prevent;
- detection and investigation;
- training.

The investigation of alleged fraud and/or corruption centres on the Audit Services Unit and the Council's Financial Regulations and Standing Orders relating to Contracts require that all cases of suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities, must be reported immediately to the Assistant Director of Finance (Audit) who will investigate all such cases. The Unit will involve the relevant Executive Director/Director as appropriate and will undertake joint investigations if necessary.

The Council also has a Whistleblowing Policy which is intended to enable individuals or organisations to disclose information about malpractice internally and to provide them with protection from subsequent victimisation, discrimination or disadvantage. This Policy requires that where a concern is regarding financial irregularities or fraud then the Assistant Director of Finance (Audit) should be contacted.

Responsibilities of Management to Facilitate the Audit

All levels of Management have a role to identify key risks to their service and to ensure these risks are effectively mitigated to an adequate degree. Management is also responsible for ensuring that staff are aware of the processes and procedures required to operate the internal control systems.

Managers should assist Audit Services to discharge their duties by:

- the prompt provision of information and explanations that are sought by Audit Services' staff in the course of their work;
- providing input to the Audit Plan to ensure attention is focused on areas of greatest risk;
- providing early notification to Audit Services of plans for change, including new operational systems and processes;
- implementing agreed actions arising from Audit recommendations in a timely and effective manner;
- ensuring that all members of their staff are aware of the requirement to notify any suspicions of fraud, theft, or other irregularity, promptly to the Assistant Director of Finance (Audit) in accordance with the requirements of the Council's Financial Regulations and Standing Orders relating to Contracts.

In such instances the relevant Executive Director/Director should, in consultation with the Assistant Director of Finance (Audit), take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration;

- ensuring that, in consultation with the Assistant Director of Finance (Audit), where Council services are provided under contract by an external organisation, contractual documentation identifies the internal audit arrangements for those key systems including explicit rights of access.

Responsibilities of Audit

Under the Code of Ethics internal auditors are required to respect and contribute to the legitimate and ethical objectives of the organisation.

Internal auditors are required to continually improve their proficiency and effectiveness and the quality of their services.

In seeking to undertake their duties Audit Services will have regard to the resource requirements on Departments, respect information provided and protect its security.

Any concerns about how Audit Services are undertaking their duties should be addressed to the Director of Finance & ICT and the Head of Paid Service.

Arrangements to ensure the continuing relevance of the Audit Charter

The contents of this Charter will be reviewed by the Assistant Director of Finance (Audit) in consultation with the Head of Paid Service, other appropriate officers and the Audit Committee to ensure that it continues to reflect the requirements of the regulatory frameworks and key legislation on which it is based and will, in any event, be subject to a three yearly review on an on-going basis.

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 September 2022

**Report of the Director of Finance & ICT
and Assistant Director of Finance (Audit)**

National Fraud Initiative

1. Purpose

- 1.1 To inform Members of the Cabinet Office's request that the Council participates in the National Fraud Initiative (NFI) 2022-23.

2. Information and Analysis

- 2.1 The scale of public finance administration is such that detecting instances of fraud and error represent a very real challenge to the Council. As an embedded process which began in 1996, the Council's participation in the NFI exercise is one of a number of schemes with which Audit Services engage to address this issue.

The NFI exercise is coordinated by the Cabinet Office and matches electronic data between approximately 1,200 participating organisations including government departments, national agencies, health authorities, police authorities, local probation boards, fire and rescue authorities, local councils and a number of private sector groups.

- 2.2 The Council has received the Cabinet Office's formal request to participate in the NFI 2022-23. The required data must be extracted from the Council's systems as at 30 September 2022 and submitted between 7 October 2022 and 18 November 2022 via the Cabinet Office's secure web portal.

2.3 The Council is required to submit the following datasets to the Cabinet Office for the 2022-23 exercise:

- Payroll;
- Pensions;
- Deferred Pensions;
- Creditors History;
- Creditor Standing;
- Blue Badge Parking Permit (This data submission will be made directly to the Cabinet Office via the third-party data processor Valtech as part of the GOV.UK digital service on behalf of the Council); and
- Concessionary Travel Pass (This data submission will be made directly to the Cabinet Office by the third-party data processor Fujitsu Services Ltd on behalf of the Council).

The Cabinet Office does not currently require that the Council submit private supported care homes and personal budgets social care data sets, which have been provided as part of previous NFI exercises due to restrictions in matching patient data. However, the Cabinet Office has indicated that options are currently being explored including changes to legislation that would allow these data sets to be included in future exercises.

3. Consultation

3.1 The Code of Data Matching Practice produced by the Cabinet Office outlines that in accordance with data protection legislation, data controllers must inform individuals that their data will be processed pursuant to the NFI exercise, and this should be provided through a privacy notice. To adhere to this requirement Members, staff and pensioners have been informed of the NFI process via the following communication channels:

- National Fraud Initiative Privacy Notice published on the Council website;
- Our Derbyshire employee newsletter on 8 July 2022 (for all employees with a DCC email address and those who have subscribed with a personal email address to Our Derbyshire newsletters);
- Elected Members news and payslip enclosure on 15 July 2022;
- Payslip enclosure on 25 July 2022 (for all employees without access to the WorkPlace including staff within maintained schools);
- Pensioners' payslip enclosure on 25 March 2022 (for all current pensioners-no deferred pensions identified);

- Trade Unions via a Corporate Joint Committee (CJC) letter dated 4 April 2022.

Where data is collected directly from service users and suppliers i.e. Blue Badge Scheme, Concessionary Travel Scheme, personal budgets, direct payments and vendors the individuals and organizations are notified of the NFI process on the documentation used to collect their data.

- 3.2 Audit Services is the central coordinator for the data matches received from the Cabinet Office and liaise with Departments within the Council and external participating organisations to co-ordinate the review. Audit Services are also responsible for tracking the progress of matches and reporting outcomes to the Cabinet Office. As in previous years, reports will be brought to future meetings of the Audit Committee to provide Members with updates on progress regarding the NFI 2022-23.

4. Alternative Options Considered

- 4.1 None. Participation in the NFI is a mandatory requirement for the Council.

5. Implications

- 5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

- 6.1 Files held by the Assistant Director of Finance (Audit).

7. Appendices

- 7.1 Appendix 1 – Implications.

8. Recommendation

That Committee:

- a) Notes the Council's participation in the NFI 2022-23 exercise.

9. Reasons for Recommendation

- 9.1 The Council complies with the requirement to participate in the National Fraud Initiative.

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Assistant Director of Finance (Audit)

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Appendix 1

Implications

Financial

- 1.1 The cost of the Council's participation in the NFI 2022-23 is £3,715 (a reduction on the previous year's fee of £3,800 following an adjustment for the removal of social care data) and the exercise is a significant contribution to the Authority's responsibility for the prevention and detection of fraud.

Legal

- 2.1 The NFI is conducted using the data matching powers conferred on the Minister for the Cabinet Office by Part 6 of and Schedule 9 to the Local Audit and Accountability Act 2014.
- 2.2 The legal basis for processing personal data is that processing is necessary for the performance of a task carried out in the public interest. Certain public sector bodies are required to provide data for the NFI on a mandatory basis.

Human Resources

- 3.1 The Council has ensured that the principles of the Data Protection Act 2018 are observed in providing the data for this exercise and takes every precaution to ensure that data submitted is accurate and up to date.
- 3.2 Members, staff and pensioners have been notified of the requirement to participate in the NFI via pay slips and other communication channels. Trade Unions have been consulted through CJC. A National Fraud Initiative privacy notice has also been published on the Council's website.

Information Technology

- 4.1 The Council's NFI data submissions are uploaded to the Cabinet Office web application. The resultant data matches are accessible via the same Cabinet Office website with some processing and storage of the data matching results performed within the Audit Services' encrypted server environment. NFI data and associated records are retained accordance with the Council's relevant data retention policies.

Equalities Impact

- 5.1 The Cabinet Office document 'Consultation on the expansion of the National Fraud Initiative Data Matching Powers and new Code of Data Matching Practice' dated February 2021 identified '*... a Public Sector Equality Duty (PSED) analysis...found no evidence that the legislation will impact on equalities. The use of the new powers, however, does provide the opportunity to identify inequality and address it, for example, to ensure those entitled to benefits are in receipt of the full amount available to them*'.

Corporate objectives and priorities for change

- 6.1 Participation in the NFI exercise contributes to the Council's positive approach to combatting fraud and corruption whether it is attempted on or from within the Council as identified within the Council's Audit Charter.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

- 7.1 Participation in the NFI exercise contributes to the Anti-Fraud and Anti-Corruption Strategy.

By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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