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Simon Hobbs
Director of Legal and
Democratic Services
County Hall
Matlock
Derbyshire
DE4 3AG

Extension 38357
Direct Dial 01629 538357
Ask for Danny
Sunderland

PUBLIC

To: Members of Audit Committee

Monday, 27 January 2020

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 4 February 2020** in Committee Room 2, County Hall, Matlock, Derbyshire DE4 3AG, the agenda for which is set out below.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'S Hobbs', written over a light blue horizontal line.

Simon Hobbs
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 10 December 2019 (Pages 1 - 6)
4. Budget Monitoring 2019-20 (as at 31 October 2019) (Pages 7 - 26)
- 5 (a) Audit Services Unit - progress against Audit Plan 2019-20 (Pages 27 - 38)
- 5 (b) Regulation of Investigatory Powers Act (RIPA) update (Pages 39 - 40)

6. Meeting dates and agenda items for 2020-21 (Pages 41 - 44)
7. External Auditor - Audit Progress Report (Pages 45 - 60)

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MINUTES of a meeting of the **AUDIT COMMITTEE** held on 10 December 2019 at County Hall, Matlock

PRESENT

Councillor K S Athwal (in the Chair)

Councillors L M Chilton, A Griffiths and P Murray

Officers in attendance – P Handford, C Hardman, P Spencer and L Wild (representing Derbyshire County Council) and A Davidson and J Pressley (representing Mazars)

Also in attendance was I Kirby from C.Co.

Apologies for absence were received on behalf of Councillors N Barker and S Brittain

37/19 **MINUTES RESOLVED** that the minutes of the meeting held on 24 September 2019 be confirmed as a correct record and signed by the Chairman.

38/19 **BUDGET MONITORING 2019-20 (AS AT 31 AUGUST 2019)** A report was presented which summarised the controllable budget position by Cabinet Member portfolio as at 31 August 2019. In addition to this report, further reports would be considered at Cabinet and Council in accordance with the Budget Monitoring Policy and Financial Regulations. The projected outturn compared to controllable budget was presented and this included the use of one-off funding to support the Highways, Transport and Infrastructure and Young People portfolios. The Director of Finance and ICT provided a summary of the individual portfolio positions.

The Debt Charges budget was projected to underspend by £0.563m. This was based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and a £4.500m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction was made on the basis that the amounts set aside to repay debt over the last ten years were well in excess of what was required to ensure the Council could repay its debts. An £8.000m one-off reduction for 2019-20 was reported to Council on 7 February 2018, however it was now proposed to delay some of the one-off reductions in 2019-20 and 2020-21 until 2021-22, in order to smooth the profile of the budget savings required in those years.

The Risk Management Budget was forecast to underspend by £9.366m. This included an additional £5.117m of Business Rates Relief grant funding and a virement of £5.000m of budget from the Adult Care portfolio. It was proposed to use £5.000m of additional Business Rate Relief funding to establish a Business Rates Relief Earmarked Reserve, the purpose of which would be subject to further consideration by Members.

RESOLVED to (1) note the 2019-20 budget monitoring position as at 31 August 2019;

(2) note the revision to the profile of the one-off reductions to the Capital Adjustment Account Reserve from 2019-20 to 2021-22; and

(3) note the establishment of a Business Rates Relief Earmarked Reserve and a contribution of £5.000m from additional Business Rates Relief Grant into this reserve, the purpose of which would be subject to further consideration by Members.

39/19 ANTI-MONEY LAUNDERING POLICY The Council's Anti-Money Laundering Policy was most recently presented to the Audit Committee at its meeting on 13 December 2018, following a review of the Policy in November 2018. Following a further review of the Policy in November 2019, the following changes had been made:-

- Reference to UK legislation and regulations on money laundering had been changed to refer to The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended by the Money Laundering and Terrorist Financing (Miscellaneous Amendments) Regulations 2018, which came into force on 10 January 2019. No changes were required to the Council's Anti-Money Laundering Policy, other than to update the legislation reference.
- Inclusion of new requirement for Money Laundering Reporting Officers to log instances where they had been consulted and they had concluded the acceptance of the cash was appropriate.
- The post of one deputy Money Laundering Reporting Officer had been changed, after recruitment to the new post of Assistant Director of Finance (Financial Management) and removal of the post of Finance Manager (Financial Management and Exchequer).

The Policy, which took account of the Council's exposure to money laundering, along with guidance notes and supporting documentation, was attached in the Appendix to the report.

RESOLVED to note that a review and update of the Anti-Money Laundering Policy had taken place.

40/19 AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN
2019-20 Members were informed of progress against the approved Audit Plan for 2019-20 as at 31 October 2019.

At the meeting of this Committee held on 27 March 2019 Members approved the Audit Plan for 2019-20 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, Directors and the Director of Finance & ICT.

In accordance with the Audit Committee's Terms of Reference this report updated Members on progress against the Plan for the seven months to 31 October 2019 and represented work undertaken during that period which was detailed in Appendix 1 to the report. An analysis of the priority criteria for Audit recommendations and assurance levels was provided in Appendix 2.

Specific reference was made to the current staffing situation and a number of operational matters.

At the last meeting Members were informed that the Chartered Institute of Public Finance and Accountancy's consultancy service, C.Co, had been selected to undertake the external review of Audit Services. This review had now been completed and a separate report providing more detail would follow this item.

RESOLVED to note the information on progress to date against the approved Audit Plan.

41/19 EXTERNAL REVIEW OF AUDIT SERVICES The Public Sector Internal Audit Standards (PSIAS) required that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The last review was undertaken by PricewaterhouseCoopers and the result was reported to the Audit Committee on 25 March 2014.

Following a procurement process the Chartered Institute of Public Finance and Accountancy's (Cipfa) consultancy service (C.Co) had been selected to undertake the external assessment. This assessment was carried out on the basis of a self-assessment with independent external validation. Following the assessment, Audit Services were judged as compliant with the PSIAS overall and in each of the four areas of focus assessed.

Mr Ian Kirby, C.Co Programme Director, attended the meeting to present the report arising from the review. The report was attached as Appendix 1 to the report.

On behalf of the Committee, the Chairman wished to congratulate Mr Hardman and his team for the excellent outcome of the review.

RESOLVED to note the completion of the external assessment undertaken by C.Co and that Audit Services were judged compliant with the PSIAS overall and in each of the four areas of focus assessed.

42/19 ANNUAL REVIEW OF THE COUNTY COUNCIL'S REGULATORY FRAMEWORK Members were updated on the continued effectiveness of the Council's Constitution, Financial Regulations and Standing Orders relating to Contracts, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan, Confidential Reporting Code and Codes of Conduct for Members and Employees.

Members had previously decided that officers should provide an annual report on:

- the continued relevance of these documents;
- the extent of any noted non-compliance with the requirements detailed which had been disclosed during the year;
- the need for any potential review or amendment of their contents; and
- those measures taken to ensure that the requirements contained within these regulations were made known to staff.

It had been identified that there was a need to strengthen the role and raise the profile of the Council's Governance Group which took the lead on such arrangements. Consequently a report was presented to Corporate Management Team on 3 September 2019 proposing how this could be achieved along with the proposed Terms of Reference for the Group, which were attached at Appendix 1 to the report. The Governance Group would be supported by a working group to progress issues considered by the Group.

The previous Director of Legal and Democratic Services had undertaken a significant review and refresh of the Constitution which was approved by Council on 15 May 2019. Similarly Financial Regulations and Standing Orders relating to Contracts had been reviewed, refreshed and approved by Council on 6 February 2019.

The Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan, Confidential Reporting Code and Codes of Conduct for Members and Employees required review, which would be undertaken as part of the work scheduled for the Governance Group.

Any revisions to the Code of Conduct for Members was the responsibility of Council, oversight of the Confidential Reporting Code was the responsibility of the Governance, Standards and Ethics Committee, whilst the Code of Conduct for Employees was the responsibility of the Appointments and Conditions of Service Committee.

These key documents underpinned the Council's governance framework and compliance would continue to be assessed by Audit Services as part of their work.

RESOLVED to note the current status of, and arrangements for the review of those key policies underpinning the Council's governance framework.

43/19 NATIONAL FRAUD INITIATIVE Members were informed of the Council's progress in scrutinising the data matches arising from participation in the National Fraud Initiative (NFI) 2018-19.

The NFI was managed by the Cabinet Office and matched electronic data within and between public and private sector organisations for the purposes of the prevention and detection of crime. Participating organisations included police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

The 2018-19 NFI data matching exercise resulted in thirty-eight distinct reports being made available for investigation. The NFI exercise thus far had resulted in the investigation of £3,010 individual records culminating in the identification of 264 errors totalling £34,422.63. Analysis of the instances where investigation had resulted in a financial outcome were provided.

RESOLVED to note progress made by the Council in respect of the NFI 2018-19 exercise.

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DERBYSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****4 February 2020****Report of the Director of Finance & ICT****BUDGET MONITORING 2019-20 (as at 31 October 2019)****1 Purpose of the Report**

To provide Members with the Revenue Budget position for 2019-20 as at 31 October 2019.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolio as at 31 October 2019. This report has been considered at Cabinet and will be considered at Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget is summarised below. This includes the use of one-off funding to support the Highways, Transport and Infrastructure and Young People portfolios. It also allows for the transfer of £5.000m additional Business Rates Relief Grant into an Earmarked Reserve as approved at the Cabinet Meeting of 21 November 2019.

	Budget	Forecast Actuals	Projected Outturn
	£m	£m	£m
Adult Care	249.954	248.287	(1.667)
Corporate Services	47.755	45.544	(2.211)
Economic Development and Regeneration	0.701	0.616	(0.085)
Health and Communities (exc. Public Health)	1.848	1.730	(0.118)
Highways, Transport and Infrastructure	79.843	79.058	(0.785)
Strategic Leadership, Culture and Tourism	12.825	12.569	(0.256)
Young People	110.503	116.208	5.705
Total Portfolio Outturn	503.429	504.012	0.583
Interest and Dividend Income			(0.597)
Debt Charges			(0.621)
Risk Management			(4.535)
Levies and Precepts			0.000
Corporate Adjustments			0.680
Total			(4.490)

A summary of the individual portfolio positions is detailed below.

Adult Care

There is a projected year-end underspend of £1.667m. The main variances are:

Purchased Services, £4.768m overspend – relates to an increase in the cost of complex care packages and a reduction in Continuing Health Care funding.

Unallocated Budgets, £2.145m underspend – relates to budgets awaiting allocation during the year.

Health Funding, £1.807m underspend – relates to Winter Pressures grant funding which has now been allocated and had not been budgeted for originally.

Commissioning and Service Delivery, £0.959m underspend – due to vacancy control and new posts in the Management Team and Transformation Service being filled later than originally budgeted.

Assistive Technology and Equipment, £0.702m underspend – more targeted issuing has ensured that only the most appropriate equipment is supplied, saving on the procurement of less suitable equipment.

Due to the high projected underspend on the portfolio and the estimated increase in Better Care Fund grant income in addition to this, £5.000m of base budget has been transferred from Adult Care to the Risk Management budget.

The budget savings target for 2019-20 is £5.732m. Of this target, £6.083m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Adult Social Care Precept and Improved Better Care Fund - £12.439m, to cover the additional cost of independent sector fees, the pay award relating to staff working in Adult Care and to address the equitable allocation of budgets across the eight districts.
- Transformational Care Programme - £0.456m, to move 24 clients from long stay hospitals to social care provision in line with the independent living agenda.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Corporate Services

There is a projected year-end underspend of £2.211m. The main variances are:

Human Resources, £0.618m underspend – due to vacancy control. Departmental Human Resource functions are currently being centralised. Holding vacancies will assist in managing a planned restructure of the function as a whole which is expected to deliver significant savings in 2020-21 and 2021-22.

Finance and ICT, £0.525m underspend - due to vacancy control. This will assist in managing a planned restructure aiming to deliver significant savings over the three years from 2020-21.

Strategic Management, £0.345m underspend - relates to savings arising from previous restructures of senior management.

A budget savings target for 2019-20 of £1.367m has been allocated. Of this target, £1.229m of savings initiatives have been identified, all of which are expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Legal Services - £0.300m (one-off), to support the high levels of demand for the service
- ICT Strategy - £0.200m, to ensure that ICT is aligned with the needs of the business and delivery of the Enterprising Council programme.
- Enterprising Council - £0.150m (one-off), to support transformational change.
- Learning Management System - £0.083m (one-off), to manage the replacement of the Council's Learning Management system.
- HR SAP Development - £0.045m (one-off), to support the HR SAP Development team to generate financial savings.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Economic Development and Regeneration

There is a projected year-end underspend of £0.085m. The main variances are:

Economic Development, £0.126m underspend – Part of the budget for the Enhanced Enterprise and Investment Service is set aside to lever in external funding. Suitable projects which deliver sufficient value for money have not yet been identified and recruitment to posts within the service is not yet complete, so this budget is not currently forecast to be spent.

Employment and skills, £0.075m overspend – relates to salary overspend, resulting from a budget deficit when the Head of Employment and Skills post was established.

No budget savings target has been allocated to this portfolio for 2019-20.

No additional funding has been provided to this portfolio in the 2019-20 budget.

It is possible that demand from businesses for additional relief and support with trading arrangements will increase as a result of the process of the United Kingdom's departure from the European Union. It has not been possible to quantify the scale of the resources required to provide this support or the potential impact on the portfolio's outturn position.

Health and Communities

The Health and Communities portfolio includes the Public Health budget of £39.477m, which is fully funded by the ring-fenced Public Health Grant for 2019-20. The forecast year-end position for the portfolio is an underspend of £0.056m. However, excluding Public Health, the portfolio is forecast to underspend by £0.118m. The main variances are:

Trading Standards, £0.173m underspend – progress towards future planned savings for the period to 2022 and one-off funding yet to be committed to support older people in respect of scams and doorstep crime.

A budget savings target of £0.157m has been allocated for 2019-20. A total of £0.206m of savings initiatives have been identified, of which it is anticipated that £0.206m will be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following growth items:

- Coroners - £0.270m, to establish new posts and increase daily fees to Assistant Coroners.
- Trading Standards (Older People Support) - £0.048m (one-off), to provide a programme to increase awareness and reduce instances of fraudulent activity against older people.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Highways, Transport and Infrastructure

The Highways, Transport and Infrastructure portfolio is forecast to overspend by £1.215m, against a total budget of £77.843m. However, after the allocation of £2.000m of one-off funding from the Budget Management Earmarked Reserve, the portfolio is projected to underspend by £0.785m. Funding has been set aside in the Budget Management Earmarked Reserve for the

purpose of meeting the shortfall in the Economy, Transport and Environment department's identified savings target. The intention is to allocate £2.000m of savings to Highways Maintenance in a future financial year, but the 2019-20 Highways budget remains the same as last financial year because of the use of this funding from reserves. Use of the reserve for this purpose was approved in the Revenue Budget reported to Council on 6 February 2019.

Before the allocation of the reserve funding detailed above, the main variances are:

Unallocated Budget Savings, £5.250m overspend – savings targets not yet allocated to specific services.

Planning and Development, £1.778m underspend – mainly due to additional inspection fee income, paid to the Council by building developers, under Section 38 and 278 of the Highways Act (1980). The high levels of fee income reflect the present state of the local economy and the large number of developments currently underway.

Winter Maintenance, £1.777m overspend – of the £1.473m budget for the winter service, £1.189m had already been spent by the end of October 2019. Further expenditure of £2.061m is forecast for the remainder of the year. The Winter Service budget does not provide for more than a mild winter, so the Council is reliant on using contingency reserves for additional costs incurred as a result of a moderate or severe winter.

Highways Maintenance, £1.869m underspend – due to staff costs being allocated to capital budgets rather than revenue. The underspend is also due to vacancies; however, these will reduce as the new Highways staff structure is filled.

Waste Management, £1.647m underspend – lower than expected waste tonnages and savings under the service continuity arrangements.

Costs of £0.567m were incurred in response to the Toddbrook Reservoir incident at Whaley Bridge, predominantly by the Highways Maintenance service. The Highways and Maintenance service costs of £0.547m have been funded from the General Reserve. Use of the General Reserve for this purpose has been reflected in the forecasts above.

The budget savings target for 2019-20 is £2.609m, with a further £3.321m target brought forward from previous years. Of this total target of £5.930m, £0.680m is expected to be achieved by the end of the financial year, with the expected base budget overspend being met from one-off funding, as explained above. Therefore there is currently a £5.250m forecast shortfall in achievement of budget savings, however the multi-year savings programme to 2023-24 does allow for some slippage to be covered by prior years' underspends, still delivering the savings target in total.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Waste Management - £1.500m, to cover the increased cost of delivering the waste treatment and disposal contracts across Derbyshire and increased cost of recycling credits.
- Highways Maintenance - £1.000m (one-off), to provide a co-ordinated programme of maintenance improvements.
- Public Transport - £0.500m, to maintain reasonable levels of public transport accessibility across Derbyshire.
- Water Body £0.100m (one-off), to enable the Council to meet its obligations to manage its water bodies under new regulations
- HS2 Co-ordination Officer £0.064m (one-off), to support representation of the Council's interests as the HS2 route is developed.
- Street Lighting Energy - £0.048m (one-off), to meet inflationary increases to the cost of street lighting energy.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Any additional costs incurred from the identified risks will be met from the Budget Management earmarked reserve, the Economy, Transport and Environment Prior Year underspends earmarked reserve and the Winter Maintenance earmarked reserve, therefore none of these issues are expected to impact on the overall budget position for 2019-20.

Strategic Leadership, Culture and Tourism

A year-end underspend of £0.256m is projected. The main variances are:

Policy and Research, £0.176m underspend – due to vacancy control and reduced running costs.

Call Derbyshire, £0.134m underspend – due to vacancy control and staff turnover.

Heritage, £0.063m overspend – the Environmental Studies Service has been allocated a savings target which has yet to be achieved.

Tourism and Twinning, £0.057m underspend – reduced expenditure on tourism related activities.

The budget savings target for 2019-20 is £0.515m, with a further £0.159m target brought forward from previous years. All of this total target of £0.674m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following items:

- Community Managed Libraries - £0.742m (one-off), to fund the commitment to introduce community managed libraries.
- Thriving Communities - £0.368m, to focus on radically reshaping demand, unlocking community potential and creating an alliance for work and skills.
- Enterprising Council - £0.094m, to support transformational change.

There are no significant risks expected to impact on the portfolio's outturn position.

Young People

The Young People portfolio is forecast to overspend by £7.087m, against a total budget of £109.121m. However, after the allocation of £1.382m of one-off funding from the Budget Management Earmarked Reserve, the portfolio is projected to overspend by £5.705m. Funding has been set aside in the Budget Management Earmarked Reserve for the purpose of meeting the shortfall in the Children's Services department's identified savings target. The intention is to allocate £1.382m of savings to Children's Services budgets in a future financial year, but the 2019-20 budgets have not been reduced by this amount because of the use of this funding from reserves. Use of the reserve for this purpose was approved in the revenue budget reported to Council on 6 February 2019.

However, it should be noted that the eventual overspend could be as high as £8.500m depending on the continued trend in the rate of placements for children in care.

The forecast outturn position includes £6.756m of Dedicated Schools Grant income, as a contribution to the cost of supporting Early Help services and children with additional needs. Income from this source is not guaranteed to continue at the same level in future years.

Before the allocation of the reserve funding detailed above, the main variances are:

Placements for Children in Care, £5.060m overspend – placement numbers have continued to rise steadily over the last six months. There are currently more placements required than can be funded from the allocated budget. The forecast overspend has increased since August due to new placements.

Unallocated Budget, £2.946m underspend – this represents budget released as a result of changes to the Early Help offer. It is being held to cover an anticipated £1.767m of grant income which the government has signalled will be withdrawn in 2020-21. In the interim it will help offset some of the portfolio's underspend against its current budget.

Home to School Transport, £1.316m overspend – an increase in the number of journeys provided to children with Special Educational Needs (SEN) and an increase in the cost of those journeys, driven by economic factors and the need to provide more specialised vehicles.

Children's Safeguarding Services, £1.027m overspend – reliance on more expensive agency social workers to meet an increasing caseload. The number of children with child protection plans is impacting on that team's staff costs. Also, payments to support families without recourse to public funds, short term support associated with Universal Credit and the cost of accommodating children whilst court proceedings are concluded has increased the pressure on budgets to support children and families in need.

Education Support Services, £0.883m overspend – an increase in the number of children with SEN driving demand for the Psychology and the Planning and Assessment teams. Also, a growing number of children who are electively home educated is increasing the cost to the Council undertaking its statutory duties in respect of these children.

Support to Children with Disabilities, £0.832m overspend – increasing demand for support and complexity of some individuals' needs.

Early Help and Preventative Services, £0.769m overspend – a shortfall in contributions from schools towards the Early Help offer.

Pensions Payable to Former Staff, £0.206m overspend – enhanced pension obligations payable to staff who left during the early 1990s.

A savings target of £3.013m has been allocated for 2019-20. Savings initiatives totalling £3.013m have been identified, of which £2.323m are expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Placement Demand Pressures - £3.000m plus one-off funding of £5.000m, to support the increase in the demand for placements and the increasing complexity of children and young peoples' needs.
- Social Worker Recruitment - £1.300m plus one-off funding of £2.600m, as part of a four year recruitment plan to increase the number of social workers to ensure caseloads are at a healthy working level consistent with good practice.
- Home to School Transport (SEN) - £1.450m, to support the increased cost of transporting children and young people to school, pupil referral units or alternative provision when they have been excluded from mainstream schools.
- Increase in Special Guardianship Placements - £1.097m, to ensure the budget is sufficient to meet the current level of costs payable to those who have parental responsibility under a special guardianship order.

- Children in Care Legal Proceedings - £1.050m (one-off), reflecting the greater number of court proceedings and the increased use of external legal firms to present cases.
- Children's Homes - £0.450m, to provide additional staffing required to meet the needs of children and young people placed in homes.
- Care Leavers - £0.402m (one-off), to meet the cost of additional statutory duties towards care leavers.
- SEND Assessment and Planning - £0.275m, to provide additional staffing.
- Mobile Working - £0.260m (one-off), to develop solutions to enable more flexible working with the aim of achieving cost benefits and improvements to the timeliness of information.
- Complex Case Pooled Budget - £0.250m (one-off), contingency for the Council's contribution to the pooled budget reflecting the increasing levels of expenditure in recent years.
- Child Protection - £0.105m (one-off), to fund the cost of staff needed to respond to an increased number of children on protection plans. Staff will be reduced if the number of children on plans reduces.
- Children's Participation - £0.080m (one-off), to fund a delay to a planned budget reduction to the support provided to children and young people to participate in decision making. The service is seeking to identify alternative savings options.
- Foster Carers - £0.060m, to cover the inflationary increase to foster carer allowances from April 2019.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is a ring-fenced grant comprising four individual blocks: Schools Block, High Needs Block (HNB), Early Years Block and Central Block. Allocations of the blocks are governed by the Schools and Early Years Finance Regulations. Any underspend or overspend on the grant is carried forward to future years within the accumulated balance of the DSG Earmarked Reserve.

After utilising available balances from the DSG reserve, it is anticipated that 2019-20 HNB expenditure will exceed the allocated grant income by £2.739m. This has increased since the last forecast because of the number of increasingly complex placements with independent and non-maintained providers. It is anticipated that surpluses in other blocks will offset the HNB deficit, bringing the overall balance on the DSG reserve to carry forward to 2020-21 to nil. However, there are commitments to be paid out to new schools over the next five years from these other blocks. Therefore, it is important that the HNB deficit is recovered before these commitments fall due. These deficits accumulate in the DSG reserve.

On 4 September 2019, in the Spending Review 2019, the Government announced an additional £700m of High Needs Funding for special educational needs. The Department for Education intends to distribute this between authorities based on the HNB within the DSG over the coming three years. It is anticipated that this additional funding will enable balanced spending plans to be set in the financial years to 2022-23, including recovery of the 2019-20 HNB deficit. Any remaining overall deficit on the DSG reserve would have to be funded by earmarking that amount from the General Reserve.

Summary

A Council portfolio overspend of £0.583m is forecast, after the use of £3.382m of Earmarked Reserves to support the Highways, Transport and Infrastructure and Young People portfolios. Any underspends in 2019-20 will be used to manage the budget in 2020-21.

Interest and Dividends received on balances is estimated to underspend by £0.597m, assuming that returns on the Council's investments in pooled funds remain robust and that these investments are held for all of the financial year. The interest base rate is currently 0.75%, however, the Council utilises a range of investments to maximise its income.

The Debt Charges budget is projected to underspend by £0.621m. This is based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and a £4.500m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction is made on the basis that the amounts set aside to repay debt over the last ten years are well in excess of what is required to ensure the Council can repay its debts.

The Risk Management Budget is forecast to underspend by £4.535m. This includes a virement of £5.000m of budget from the Adult Care portfolio. In 2019-20 a contingency amount of £1.000m was budgeted for burdens associated with complying with the new General Data Protection Regulations (GDPR). Use of this contingency amount is controlled by the Deputy Director of Legal Services. To date, £0.316m of this funding has been awarded to departments. Further awards in the remainder of the financial year are anticipated and additional costs required to comply with GDPR are anticipated to be incurred in 2020-21, therefore it is proposed to establish an earmarked reserve for £0.684m to carry forward any residual balance of this funding.

Corporate Adjustments are forecast to overspend by £0.680m. This is based on a prudent allowance for potential credit losses on the Council's non-rated investments.

Details of the Council's Earmarked Reserves balances as at 31 October 2019 are set out in Appendix One. In addition to these balances, £5.000m of

additional Business Rates Relief grant funding received will be transferred to a newly established Business Rates Relief Earmarked Reserve and £1.015m will be released from Earmarked Reserves to the General Reserve as approved by Cabinet on 21 November 2019.

A summary of the expected achievement of budget savings targets is provided at Appendix Three. The budget savings target for 2019-20 is £13.393m, with a further £3.480m target brought forward from previous years. The savings initiatives identified to meet this target currently fall short by £5.362m, therefore further proposals will need to be brought forward to ensure the Council continues to balance its budget. Of this total target of £16.873m, £11.145m is expected to be achieved by the end of the financial year. Therefore, there is a £5.728m forecast shortfall in achievement of budget savings. The resulting base budget overspend is offset to some extent by one-off underspends or is being met from one-off funding from earmarked reserves.

The age profile of debts owed to the Council and the value of debts written off is disclosed in Appendix Four. This information is collected on a departmental rather than a portfolio basis.

A forecast of the Council's General Reserve balance for the period 2019-20 to 2023-24 is detailed in Appendix Five. The forecast shows that the level of General Reserve is expected to be between 2% to 9% of the Council's Net Budget Requirement in the medium term. The majority of chief financial officers consider 3% to 5% of a council's net spending to be a prudent level of risk based reserves.

3 Financial Considerations

As set out above.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

5 Background Papers

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

6 Officer's Recommendations

That Audit Committee:

8.1 Notes the 2019-20 budget monitoring position as at 31 October 2019.

- 8.2 Notes the establishment of a GDPR Compliance Earmarked Reserve and a contribution of £0.684m from the Contingency budget into this reserve.

PETER HANDFORD

Director of Finance & ICT

Earmarked Reserves as at 31 October 2019

Adult Care	£m
Older People's Housing Strategy	30.000
Other reserves	0.033
Total Adult Care	30.033
 Corporate Services	
Loan Modification Gains	28.440
Insurance and Risk Management	20.069
Budget Management	19.626
Revenue Contributions to Capital	16.591
Planned Building Maintenance	5.932
Business Rates Strategic Investment Fund	4.889
Business Rates Pool	4.716
Prior Year Underspends	3.879
Computer Purchasing	3.615
Uninsured Financial Loss	3.500
Property Insurance Maintenance Pool	2.837
Property DLO	2.503
Change Management	2.311
PFI Reserves	1.981
Community Priorities Programme	1.025
Other reserves	4.047
Total Corporate Services	125.961
 Economic Development and Regeneration	
D2 Growth Fund	0.200
Markham Environment Centre	0.114
Skills Training	0.101
Other reserves	0.391
Total Economic Development and Regeneration	0.806
 Health and Communities	
Domestic Abuse	2.060
S256/External Funding	0.254
Other reserves	0.349
Total Health and Communities	2.663
 Highways, Transport and Infrastructure	
Prior Year Underspends	10.713
Winter Maintenance	2.000
Road Safety Public Service Agreement (PSA)	1.182
Waste Recycling Initiatives	0.598

APPENDIX 1**Public**

IT Reserve	0.559
Derby and Derbyshire Road Safety Partnership Reserve	0.500
Other reserves	1.254
Total Highways, Transport and Infrastructure	16.806

Strategic Leadership, Culture and Tourism

Policy and Research	1.044
Community Managed Libraries	0.742
Derbyshire Challenge Fund	0.466
Library Restructure	0.429
Derwent Valley Mills World Heritage Site	0.193
Other reserves	0.590
Total Strategic Leadership, Culture and Tourism	3.464

Young People

Tackling Troubled Families	4.083
Standards Fund (Schools)	1.170
Childrens Services IT Systems	0.746
School Rates Refunds	0.721
Youth Activity Grants	0.330
Foster Carer Adaptations	0.326
Other reserves	0.578
Total Young People	7.954

Total Portfolio Earmarked Reserves**187.687****Schools**

Schools Balances	25.776
Dedicated Schools Grant (DSG)	3.561

Total balances held for and on behalf of schools**29.337****Public Health Grant****7.601**

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High)
*Sensitivity represents the potential negative impact on the outturn position should the event occur.			
Debt Charges			
Interest Payments	<p>If the Council needed to take out extra borrowing to fund additional capital expenditure, such as that associated with the purchase of the Waste Treatment Plant at Sinfin, this would impact on its annual interest payments.</p> <p>For example, an additional £30.000m of borrowing, from the Public Works Loans Board, repayable on maturity in 40 years, would cost an additional £0.951m each year at the current rate of 3.17%. If this borrowing were taken out in January 2019, the 3 month impact on the budget would be £0.238m.</p>	0.238	3
Minimum Revenue Provision	<p>An additional £30.000m of borrowing, from the Public Works Loans Board, repayable on maturity in 40 years would require an additional £0.750m to be provided each year for repayment of the debt.</p> <p>If this borrowing were taken out in January 2019, the 3 month impact on the budget would be £0.188m.</p>	0.188	3
Adult Care			
None	No single risks over £0.500m	-	-
Corporate Services			
County Property	Loss of key personnel due to uncertainty over a review planned to be implemented from January 2020. Potential net loss of income.	0.200	3

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High)
Health and Communities			
Coroners	National shortage of Pathologists may impact by increasing fees	0.090	5
Highways, Transport and Infrastructure			
Highways and Countryside	Failure of assets such as roads, pavements, bridges, retaining walls, street lighting columns, safety fencing, gullies, countryside assets, canals, reservoirs.	1.500	4
Winter Maintenance	Impact of a severe winter.	1.500	4
Street Lighting Energy and Maintenance	Further energy price increases, or further slippage in implementation of the LED programme.	0.300	2
Flooding and/or extreme weather	Emergency response procedures are in place to minimise the impacts of these emergencies. However there is the potential subsequent costs of remedial activities.	1.000	3
Waste Management	Costs associated with resolving the future of the Waste Treatment Plant at Sinfin, including the possibility that some of these costs may not be considered capital in nature.	3.000	5
Young People			
Placements	Increased number of children requiring placements.	1.500	4
Social Care services	Increase in number of referrals meeting social care thresholds.	0.200	4
	Inability to recruit and retain sufficiently experienced social workers.	1.000	5
Department wide	Data security breaches resulting in fines.	0.500	3
Multi-Agency Teams	Not meeting targets for Troubled Families data collection resulting in loss of income	0.300	3

APPENDIX 3

Budget Savings Monitoring 2019-20

Portfolio	Budget Savings Targets			Savings Initiatives Identified			Target not Identified	Actual Savings Forecast	Savings Shortfall
	Not yet achieved Brought Forward			Still to be Achieved			(Shortfall)/ Additional Identified Savings	Forecast to be achieved by Financial Year End	Actual (Shortfall)/ Additional Achievement of Savings Target
	Prior Year £m	Current Year £m	Total Target £m	Prior Year £m	Current Year £m	Total Identified £m	£m	£m	£m
AC	0.000	5.732	5.732	0.000	5.732	5.732	0.000	6.083	0.351
CS	0.000	1.367	1.367	0.000	1.229	1.229	(0.138)	1.179	(0.188)
EDR	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
HC	0.000	0.157	0.157	0.000	0.206	0.206	0.049	0.206	0.049
HTI	3.321	2.609	5.930	0.000	0.680	0.680	(5.250)	0.680	(5.250)
SLCT	0.159	0.515	0.674	0.159	0.542	0.701	0.027	0.674	0.000
YP	0.000	3.013	3.013	0.000	3.013	3.013	0.000	2.323	(0.690)
Total	3.480	13.393	16.873	0.159	11.402	11.561	(5.312)	11.145	(5.728)

AC = Adult Care ; CS = Corporate Services ; EDR = Economic Development and Regeneration ; HC = Health and Communities; HTI = Highways, Transport and Infrastructure ; SLCT = Strategic Leadership, Culture and Tourism ; YP = Young People

Age profile of debt, relating to income receivable, at 31 October 2019

0 - 30 Days £m	31 - 365 Days £m	1 - 2 Years £m	2 - 3 Years £m	3 - 4 Years £m	Over 4 Years £m	Total £m
Adult Care						
1.561	6.132	1.111	0.849	0.303	0.611	10.567
14.8%	58.0%	10.5%	8.0%	2.9%	5.8%	100.0%
Children's Services						
1.036	0.832	0.053	0.059	0.008	0.018	2.006
51.6%	41.5%	2.6%	2.9%	0.4%	0.9%	100.0%
Economy, Transport and Environment						
1.521	3.795	0.447	0.045	0.017	0.013	5.838
26.1%	65.0%	7.7%	0.8%	0.3%	0.2%	100.0%
Commissioning, Communities and Policy						
5.492	1.876	0.273	0.089	0.024	0.175	7.929
69.3%	23.7%	3.4%	1.1%	0.3%	2.2%	100.0%
All Departments						
9.610	12.635	1.884	1.042	0.352	0.817	26.340
36.5%	48.0%	7.2%	4.0%	1.3%	3.1%	100.0%

The value of debt written off in the 12 months up to 31 October 2019

Department	£m
Adult Care	0.764
Children's Services	0.031
Economy, Transport and Environment	0.014
Commissioning, Communities and Policy	0.057
All Departments	0.866

APPENDIX 5

General Reserves Forecast

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Opening Balance	64.570	42.686	26.880	22.144	15.494
Forecast Contributions	12.610	2.500	2.500	2.500	2.500
Forecast Use	(34.494)	(18.306)	(7.236)	(9.150)	(4.150)
Forecast Closing Balance	42.686	26.880	22.144	15.494	13.844
Net Budget Requirement (NBR)	521.292	560.211	553.604	566.550	581.160
<i>As Forecast in the Five Year Financial Plan in the Revenue Budget Report 23 January 2020</i>					
General Reserve Balance as % of NBR	8.19%	4.80%	4.00%	2.73%	2.38%

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DERBYSHIRE COUNTY COUNCIL**AUDIT COMMITTEE MEETING****4 February 2020****Report of the Assistant Director of Finance (Audit)****AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2019-20****1. Purpose of Report**

To inform Members of progress against the approved Audit Plan for 2019-20 as at 29 December 2019.

2. Information & Analysis

At the meeting of this Committee held on 27 March 2019 Members approved the Audit Plan for 2019-20 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. These meetings included the Executive Director of Commissioning, Communities and Policy (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 nine months to 29 December 2019 and represents work undertaken during that period which is detailed in Appendix 1. An analysis of the priority criteria for Audit recommendations and assurance levels is provided in Appendix 2.

Staffing

The Audit Committee has been regularly informed of the considerable, continuing pressures placed on the Unit's staffing resources. Following recent recruitment exercises offers of employment have been made in respect of the two Auditor posts and start dates have been agreed in each case. Unfortunately, whilst an offer was made and accepted for the Senior Auditor post the applicant has subsequently withdrawn. A meeting has been held with the training provider to support the requirements of the Audit Apprentice post and this post is currently advertised on the Council's website. The Unit's levels of sickness absence have been higher than estimated and staff attendance continues to be managed in accordance with the Council's Policy; however this situation has had an impact on available days to deliver the Audit Plan.

The Audit Committee is aware that the ongoing lack of resources will impact on the delivery of the current Audit Plan. I continue to constantly monitor this

situation but it is clear that a number of planned projects will not be delivered and will need to be reconsidered during the formulation of the Audit Plan for 2020-21.

Operational Matters

Audit Services continues its approved programme of work including the provision of advice to Management at all levels within the Council. In common with previous years some work forming part of last year's approved Audit Plan was completed and reported in the current year which is identified at Appendix 1. Audit staff routinely follow up progress against agreed recommendations as part of subsequent work in that area.

External Review of Internal Audit

Following the conclusion of the external review of Audit Services Mr Ian Kirby of the Chartered Institute of Public Finance and Accountancy's consultancy service, C.Co, presented the review's findings to the last meeting of the Audit Committee. A report will be presented to the Committee's next meeting identifying the Unit's response to those areas identified as advisory opportunities to enhance the internal audit service.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Background Papers

A file held by the Assistant Director of Finance (Audit).

5. Officer's Recommendation

That the Committee note the information on progress to date against the approved 2019-20 Audit Plan.

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE AUDIT SERVICES
INTERNAL AUDIT PLAN 2019/20

The information summarized below by Service Department identifies the work approved and actual time spent for the period ending 29 December 2019.

Corporate Activities

It is intended to spend **1,018** days on the Audit of Corporate Activities which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Corporate Projects													
• Workforce Development/ Succession Planning	H	20	-	2	-	-	-	-	-	-	-	-	-
• Cyber Security	H	30	-	-	-	-	-	-	-	-	-	-	-
• Audit of Corporate Culture	H	30	-	-	-	-	-	-	-	-	-	-	-
• Financial Resilience & Achievement of Budget Reductions	H	30	-	38	-	-	-	-	-	-	-	-	-
• New Delivery & Commissioning Models/Partnership Working	M/H	30	-	-	-	-	-	-	-	-	-	-	-
• SAP Utilisation	M/H	20	-	-	-	-	-	-	-	-	-	-	-
• Data Protection Compliance	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Supply Chain Failure	M/H	15	-	-	-	-	-	-	-	-	-	-	-
• Injury to Public or Employees	M/H	-	-	-	1	Qualified	-	2	-	1	-	-	Memo relates to 2018/19.
• D2N2 LEP	M	50	-	33	5	4 Other 1 Qualified	-	2	4	4	-	2M, 1L	-
• emPSN (SCo & ICo)	M	8	-	1	-	-	-	-	-	-	-	-	-
• Grants Administration	M	15	-	-	-	-	-	-	-	-	-	-	-
Corporate Governance including:-													
• Embedding Corporate Governance	H	40	-	39	-	-	-	-	-	-	-	-	27 days.
• Business Continuity Planning	H	20	10	1	1	Limited	-	13	4	3	-	4H,2M	Memo relates to 2018/19.

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low 2

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
• Corporate Health Check	H	20	-	-	-	-	-	-	-	-	-	-	-
• Information Governance Group and Support	H	30	1	14	-	-	-	-	-	-	-	-	-
• Services to Members	H	25	-	-	-	-	-	-	-	-	-	-	-
Corporate Fraud Prevention	H	460	175	139	2	-	-	-	-	-	-	-	This includes work on <ul style="list-style-type: none"> • NFI; • publication of NAFN alerts; • surveillance and data communications compliance; • liaison with external audit; 7 investigations 5 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized.
Audit Contingency	-	75	-	-	-	-	-	-	-	-	-	-	Original contingency was 150 days less transfers of 75 days.
TOTAL		943	186	267	9		-	17	8	8	-	9	

Commissioning, Communities and Policy

It is intended to spend **655** days on the Audit of the Commissioning, Communities and Policy Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 18-19	Actual Days 19-20	No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	60	3	22	1	Qualified	-	3	15	16	4M,1L	8M,2L	Memo relates to 2018/19. Issued as Final without all Management responses.
External Grants & Certifications	M/H	5	-	14	3	Other	-	-	-	-	-	-	-
Information Security Reviews	M/H	50	1	34	4	2 Qualified 2 Other	-	3	3	1	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Themed and Operational													
• Community Safety	M/H	20	-	1	-	-	-	-	-	-	-	-	-
• Trading Standards	M/H	20	-	19	1	Qualified	-	2	2	4	1H, 1M, 4L	1H, 1L	-
• Public Library Service	M/L	5	-	2	-	-	-	-	-	-	-	-	-
Divisional Activity													
Corporate Finance													
Probity and Compliance	M/H	95	-	18	4	Qualified	-	4	10	6	1L	1M,4L	
Major Systems	H	280	25	80	5	2 Substantial 3 Qualified	-	5	36	15	4M,1L	2H,10M, 7L	Due to the nature of these key reviews they are routinely work in progress at the year end. Work on Human Resources, Accounts Payable and Treasury Management reported in year.
Corporate/Departmental ICT Services	M/H	90	30	40	3	1 Qualified 2 Limited	1	25	20	4	-	1C,7H, 1M	Work includes assessments of new and existing IT systems together with specific reviews of the network infrastructure, BACSTEL-IP application, surveillance cameras, database and server management. <i>*10 days transferred from contingency.</i>

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
County Property	M/H	20	-	-	-	-	-	-	-	-	-	-	-
Regulatory Registration Service	M/L	20	-	-	-	-	-	-	-	-	-	-	-
TOTAL		665	59	230	21		1	42	86	46	17	45	

Children's Services

It is intended to spend **528** days on the Audit of the Children's Services Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 18-19	Actual Days 19-20	No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	2	13	1	Qualified	-	8	8	7	1H	1H,6M,1L	Memo relates to 2018/19.
Information Security Reviews	M/H	40	2	33	4	3 Qualified 1 Other	-	1	8	1	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Schools													
Primary & Special	M/H	224	11	238	27	24 Qualified 3 Limited	1	172	249	218	9H,13M,15L	69H,94M,31L	It should be noted that Audit opinions and recommendations made relating to schools and establishments are categorized in relation to the school or establishment and not the Authority. <i>*20 days transferred from contingency.</i>
Secondary	M/H	49	-	47	4	Qualified	-	27	40	27	1M	20H,11M,5L	-
Information Security Reviews	M/H	60	8	6	2	Qualified	-	4	6	-	1M	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Children's Homes	M/H	20	-	15	2	Qualified	-	9	5	2	-	1H,3M	-
Derbyshire Outdoors	M/L	10	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• Starting Point	H	20	-	25	-	-	-	-	-	-	-	-	-
• Early Years	H	25	-	22	-	-	-	-	-	-	-	-	-
• Catering Service	M/H	40	-	42	1	Qualified	-	11	9	7	-	4H,2M	<i>*15 days transferred from contingency.</i>

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low 6

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
• Troubled Families Programme	L	30	4	42	5	Other	-	-	-	-	-	-	-
TOTAL		563	27	483	46		1	232	325	262	40	248	

Adult Care and Public Health

It is intended to spend **333** days on the Audit of the Adult Care Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 18-19	Actual Days 19-20	No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	1	79	1	Qualified	-	6	8	7	1L	2H,2M,3L	Memo relates to 2018/19.
Public Health Information Security Reviews	M/H M/H	30 70	31 54	- 23	1 8	Qualified 5 Qualified 3 Limited	- -	6 17	4 19	6 -	- -	1M,2L -	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Social Care													
Elderly Residential	M/H	36	10	20	4	Qualified	-	22	17	12	1H	6H,7M,8L	It should be noted that Audit opinions and recommendations made relating to establishments are categorized in relation to the establishment and not the Authority.
Physical/Mental Disability	M/H	24	-	-	-	-	-	-	-	-	-	-	-
Day Care & Hostels	M/H	12	-	8	1	Qualified	-	1	6	2	-	3H,1M,1L	-
Community Care Centres	M/H	16	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• Direct Payments	H	25	-	-	-	-	-	-	-	-	-	-	-
• Reduction in Clinical Commissioning Group Spending	H	25	-	22	-	-	-	-	-	-	-	-	-
• Transforming Care Plan	H	30	27	-	1	Qualified	-	6	5	2	-	-	Relates to 2018/19. *30 days transferred from contingency.
• Deputyship	M/H	25	-	3	-	-	-	-	-	-	-	-	-
• Private Residential Care	M/H	25	-	3	-	-	-	-	-	-	-	-	-
TOTAL		363	123	158	16		-	58	59	29	2	36	

Economy, Transport and Environment

It is intended to spend **150** days on the Audit of the Economy, Transport & Communities Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	45	44	6	1	Qualified	-	4	15	9	1L	3H,6M,3L	Memo relates to 2018/19.
Information Security Reviews	M/H	15	-	12	2	Qualified	-	2	2	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
• Public Transport and Procurement of Taxis (including Vetting of Contractors)	M/H	25	-	1	-	-	-	-	-	-	-	-	-
• Planning	M/H	25	-	26	-	-	-	-	-	-	-	-	-
• Concessionary Fares	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Grants	M/H	15	-	25	6	Other	-	-	-	-	-	-	-
TOTAL		150	44	70	9		-	6	17	9	1	12	

Audit Recommendations

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

Level	Category	Definition
1	Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	High	The absence of, significant weaknesses 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.

Audit Opinions

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 control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the system/audit area objectives have been detected.
Qualified Assurance	Whilst there is basically a sound system of 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 identified which may put 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 control system which expose the system/audit area to a high risk of failure and the Council to significant reputational risk.
No Assurance	Control has been judged to be inadequate as systems weaknesses have been identified in numerous key areas rendering the overall system of internal control ineffective and leaving the system/audit area open to a significant risk of error, loss, misappropriation or abuse.

DERBYSHIRE COUNTY COUNCIL**AUDIT COMMITTEE MEETING****4 February 2020****Report of the Assistant Director of Finance (Audit)****REGULATION OF INVESTIGATORY POWERS ACT****1. Purpose of the Report**

To provide Members 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.

2. Information and Analysis

In discharge of this Committee's responsibilities for on-going monitoring of activity in this area, Audit Services were requested to produce regular monitoring reports on activity for review by Members and to provide an assurance on the effective operation of the Council's Policy relating to the Act. This is the fourteenth monitoring report produced under that requirement and covers the period from 1 February 2019 to 31 December 2019.

RIPA and the IPA contain powers for various bodies to carry out covert surveillance and other covert activities. Certain covert powers under RIPA are available to local authorities and can be used in appropriate circumstances in accordance with the requirements of the legislation to support the delivery of their functions. The Investigatory Powers Commissioner's Office oversees the use of covert powers under RIPA by local authorities.

The Council can only undertake covert surveillance if the proposed operation is authorised by one of the authorising officers and subsequently approved by a magistrate. A local authority can only use directed surveillance if it is necessary to prevent or detect criminal offences, which attract a custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco. The authorising officer must also be satisfied that the proposed directed surveillance is proportionate to what is sought to be achieved.

Access to Communications Data

No applications have been made in this period in respect of access to communications data.

Authorization of Directed Surveillance

No applications have been received in this period in relation to directed surveillance.

Although there have not been any applications for the use of the Council's powers under RIPA in 2019, the Authority's RIPA Policy has not been updated for a number of years and consequently it would be prudent to instigate such a review. Therefore it is intended that a review of the Council's RIPA Policy is undertaken working in conjunction with the Director of Legal and Democratic Services.

3. Legal Considerations

The Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016 regulate the use of a range of investigative powers by a variety of public authorities. This legislation provides a statutory framework for the authorization and conduct of certain types of covert surveillance. Its aim is to provide a balance between preserving a person's right to privacy and enabling enforcement agencies to gather evidence for effective enforcement action. Local authorities can only use these powers for the prevention and detection of crime and their use is subject to review by the independent Investigatory Powers Commissioner's Office.

4. Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

5. Officer's Recommendation

That the Committee note that:-

- in the period 1 February 2019 to 31 December 2019 no applications were made under the Council's powers relating to RIPA;
- it is intended to review the RIPA Policy in conjunction with the Director of Legal and Democratic Services.

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE COUNTY COUNCIL**AUDIT COMMITTEE MEETING****4 February 2020****Report of the Director of Finance & ICT and the Assistant Director of Finance
(Audit)****MEETING DATES AND AGENDA ITEMS FOR 2020-21****1. Purpose of the Report**

To agree likely agenda items for 2020-21 meetings of the Audit Committee.

2. Information and Analysis

Proposed dates for Audit Committee meetings and likely agenda items for consideration and/or approval by Members are set out in a schedule at Appendix 1 to this report. These items are based on the existing business of the Committee.

To this schedule may be added Audit Committee Member training proposals and any additional reports arising.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Background Papers

File held by the Assistant Director of Finance (Audit).

5. Officers' Recommendation

That the Audit Committee considers and agrees the proposed programme for 2020-21.

Peter Handford
Director of Finance & ICT

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE COUNTY COUNCIL**APPENDIX 1****AUDIT COMMITTEE - MEETING DATES AND AGENDA ITEMS 2020-21**

	23 JUNE 2020	21 JULY 2020	22 SEPT 2020	8 DEC 2020	2 FEB 2021	23 MAR 2021
Finance Timetable	✓					
Strategic Risk Review	✓		✓	✓		✓
Statement of Accounts 2019-20	✓					
External Auditor's Reports (if any)	✓	✓	✓	✓	✓	✓
Annual Governance Statement and System of Internal Control		✓				
Review of the Effectiveness of the System of Internal Control		✓				
Report of the Monitoring Officer		✓				
Audit Services Unit Annual Report 2019-20		✓				
Statement of Accounts 2019-20		✓				
Annual Audit Letter 2019-20			✓			
Treasury Management Annual Report			✓			
Budget Monitoring			✓	✓	✓	✓
Audit Services Unit progress against Audit Plan 2020-21			✓	✓	✓	
NFI update			✓			
Annual Review of the Council's Regulatory Framework			✓			
Anti-Money Laundering Policy				✓		
Oversight of activity and compliance - RIPA					✓	
Proposed meeting dates and Agenda items 2021-22					✓	
Review of Annual Governance Statement recommendations and Action Plan progress					✓	
Approval of Audit Services Unit Plan 2021-22						✓

NOTES

To meet the requirements of the audit of the Council's accounts it is hoped that the formal approval of the 2019-20 accounts will be undertaken at the meeting on 21 July 2020, if this is not possible then there will be the need to agree an additional meeting.

Audit Committee Member training proposals and any additional reports may be added to the above schedule.

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Audit Progress Report Agenda Item 7

Derbyshire County Council and Derbyshire Pension Fund

Year ending 31 March 2020





CONTENTS

1. Executive summary
2. Engagement and responsibilities summary
3. Key areas of audit focus – Derbyshire County Council
4. Value for Money – Derbyshire County Council
5. Key areas of audit focus – Derbyshire Pension Fund
6. Planned reports

Appendix A – Forthcoming accounting and other issues

Appendix B – National Publications

This document is to be regarded as confidential to Derbyshire County Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. EXECUTIVE SUMMARY

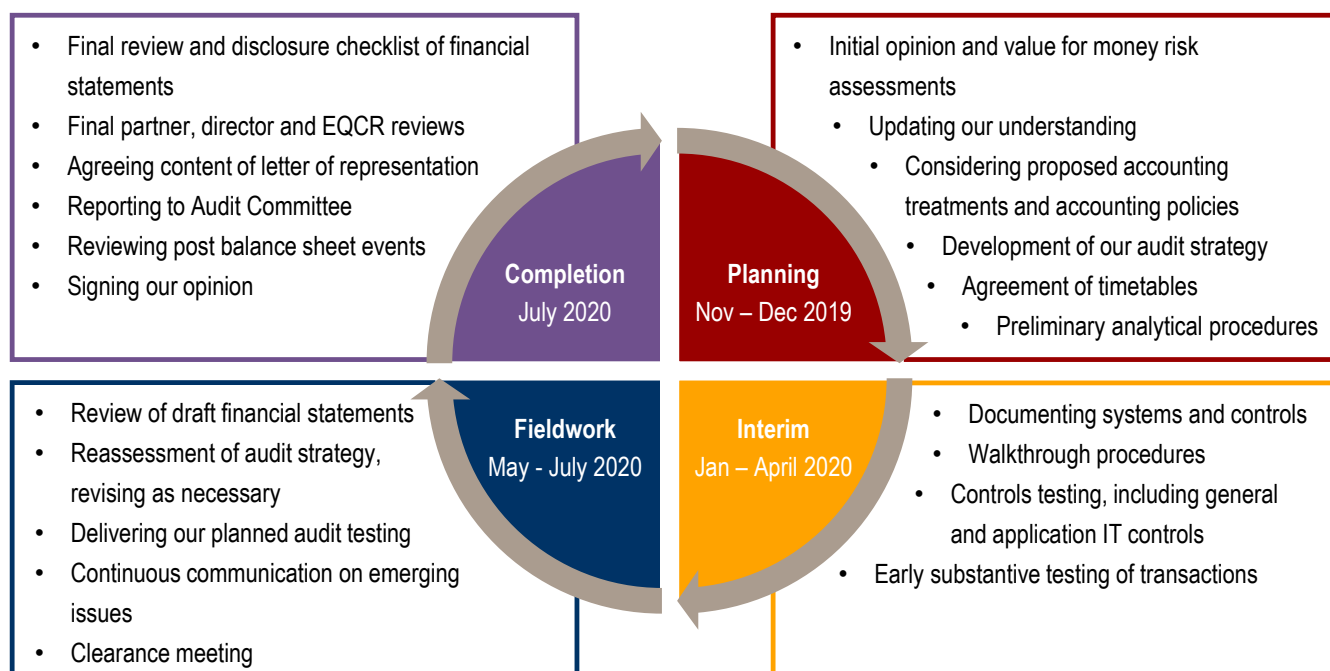
We are appointed to perform the external audits of Derbyshire County Council (the Council) and Derbyshire Pension Fund (the Fund) for the year to 31 March 2020.

The February Audit Committee falls before our Engagement Quality Control Reviewer (EQCR) will have had the opportunity to review our audit file and draft Audit Strategy Memorandum. We have therefore taken the decision to provide you with an assurance update and welcome any questions you may have on the scope of our audit or the approach being taken.

Most importantly, we would like to give the Audit Committee the assurance that our work is on track and at this stage, there are no matters arising which we are required to report to the Committee.

Key highlights:

- We have had good engagement from the Council's finance team and held our normal planning meetings with senior managers to inform our risk assessments and to update our understanding of the current priorities and challenges the Council faces. These included a useful discussion on the Council's planned approach on the valuation of land and buildings, ensuring both the Council and ourselves were clear on the key challenges, issues and audit requirements.
- We undertook our on site interim audit work in January 2020 and the work is currently under review.
- We expect our Value for Money risk assessment to be focused on the Council's arrangements for sustainable resource deployment.
- On completion of our EQCR's review we will bring our Audit Strategy Memorandums to the March Audit Committee for consideration. Our risk assessment process will continue throughout the year.
- Our timetable of work is set out in the diagram below.
- The remainder of this document informs the Audit Committee of the key areas of focus for our 2019/20 audits.



2. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Scope of engagement

The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinions

We are responsible for forming and expressing an opinion on the financial statements of the Council and the Fund.

Our audits are planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council and the Fund for the year.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 4 of this report.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audits do not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audits should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audits, we have identified the Audit Committee as those charged with governance.

3. KEY AREAS OF AUDIT FOCUS – DERBYSHIRE COUNTY COUNCIL

Based on our sector knowledge and planning work to date we do not expect the profile of the accounts audit risks for the Council to be significantly different to that reported last year, with the audit risks and areas of management judgement likely to include:

Description of risk	Planned response
Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
Property, plant and equipment valuation The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.	In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we will: <ul style="list-style-type: none"> • Critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assess whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; • Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.
Defined benefit liability valuation The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	We will address this risk by performing work in the following areas: <ul style="list-style-type: none"> • reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; • agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; • critically assessed the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson; • liaising with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; and • performing a walkthrough of payroll transactions at the Council to understand how pension contributions are deducted and paid to the Pension Fund by the Council.

4. VALUE FOR MONEY – DERBYSHIRE COUNTY COUNCIL

Our approach to Value for Money

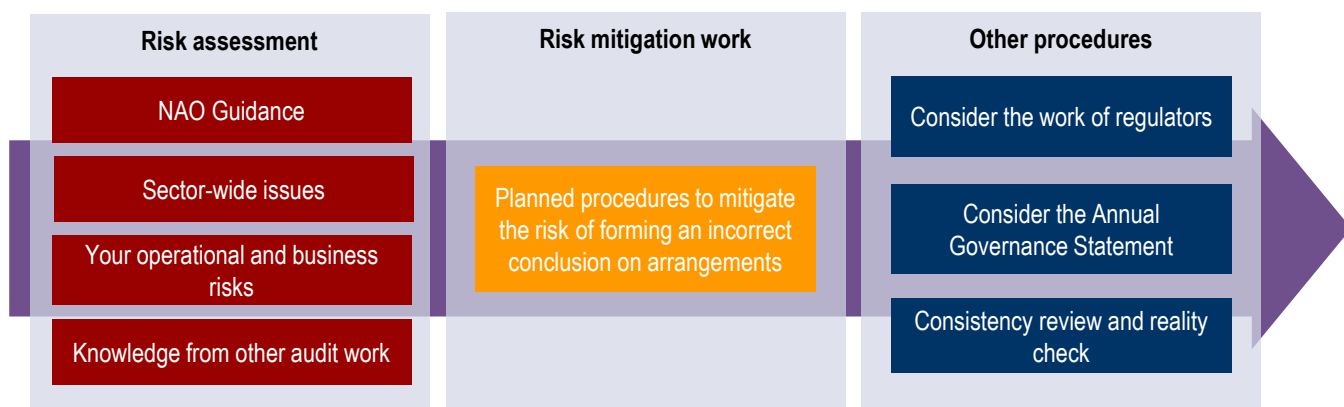
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2019/20 financial year, we have not at this stage identified any significant risks to our VFM conclusion. We have though identified one specific matter which we need to keep to under close review:

- Financial sustainability –The Council continues to face financial pressure in the coming years and the Council keeps updating its medium term financial plan (MTFP) to meet these pressures. We need to ensure our knowledge of the Council's MTFP arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.

We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, this will be reported to the Audit Committee in July 2020 as part of our Audit Completion Report.

5. KEY AREAS OF AUDIT FOCUS – DERBYSHIRE PENSION FUND

Based on our sector knowledge and planning work to date relating to the Fund we do not expect the profile of the accounts audit risks to be significantly different to that reported last year, with the audit risks and areas of management judgement likely to include:

Description of risk	Planned response
<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We will address the risk through performing audit procedures, covering a range of areas including (but not limited to):</p> <ul style="list-style-type: none"> • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • journals and other adjustments recorded in the general ledger in preparing the financial statements.
<p>Valuation of unquoted investments for which a market price is not readily available</p> <p>As at 31 March 2019 the fair value of investments which were not quoted on an active market was £912m, which accounted for 18 percent of net investment assets. Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	<p>We plan to address this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • agree holdings from fund manager reports to the global custodian's report; • agree the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation; • agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; and • where audited accounts are available, check that they are supported by a clear opinion.

6. PLANNED REPORTS

The table below lists the reports we will be providing in relation to our audit work for the Council and the Fund for 2019/20

Report and Purpose	When
Audit Strategy Memorandum Sets out in detail how we intend to carry out our work, in light of an assessment of risks. This is updated as necessary.	March 2020
Audit Completion Reports These summarise our conclusions and cover all of our responsibilities on the financial statements and VfM. In accordance with professional standards, this report has to be issued before we finalise, and issue, our opinion on the Council's and Pension Funds financial statements.	July 2020
Audit Opinion This affords our opinion on the Trust's financial statements and a conclusion on whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the 'VFM conclusion').	July 2020
Certificate This confirms the audit has been completed in accordance with statutory requirements.	July 2020
Annual Audit Letters These communicate to the Council and external stakeholders (including the public) the key issues from our work that we consider should be brought to the Council's attention	August/September 2020
Other reports These may be issued at any point during the audit process, where appropriate e.g. Audit Progress Reports to the Audit Committee.	Throughout the year

APPENDIX A – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	<p>The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies.</p> <p>The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet.</p> <p>In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.</p>

Forthcoming audit changes

Matter	Year of application	Commentary
Value for Money Conclusion	2020/21	<p>The National Audit Office (NAO) has published the final draft of the new Code of Audit Practice 2020, confirming more robust narrative reporting requirement.</p> <p>The new Code comes into effect from April 2020 and will apply to the Council's 2020/21 financial year.</p> <p>There a number of changes to the Code, the most noticeable being the introduction of external audit commentary on a local authority's overall arrangements in securing value for money, with a focus on financial sustainability, governance, and improving value for money.</p>

APPENDIX B - NATIONAL PUBLICATIONS

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy (CIPFA)		
1.	Local Government Financial Resilience index	Online data tool which measures local authorities against a range of indicators to assess their level of resilience.
2.	Financial Management Code	Guidance for good and sustainable financial management in local authorities.
3.	Prudential Property Investment	Guidance on prudent investments in commercial properties.
Local Government Association (LGA)		
4.	Behavioural Insights Programme	Funding awarded to Derbyshire County Council for increasing rates of breastfeeding to improve health.
5.	Probity in planning: advice for councillors and officers making planning decisions	This 2019 guidance is an update to the 2013 version of the Local Government Association's Probity in Planning.
6.	Chief executives' 'must know' for children's services	How to avoid some of the more obvious and dangerous errors and challenges involved in leading one of the most sensitive, expensive and high-risk areas of local government.
7.	A Councillors' guide to procurement	The guide covers questions commonly asked by Councillors.
8.	Reaching out	Loneliness policy context and consideration of effective local delivery models.
9.	A Councillor's guide to digital connectivity	Key information for Councillors.
Mazars LLP		
10.	Annual Transparency Report, Mazars	Sets out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm.
11.	Mazars' response to the Brydon Review	Mazars' response to the latest review into the auditing profession which was published in December 2019.

APPENDIX B - NATIONAL PUBLICATIONS

1. Local Government Financial Resilience index, CIPFA, December 2019

The resilience index is an online data tool which measures local authorities against a range of indicators to assess their level of resilience against financial shocks and to support financial decision making. Upper tier authorities are judged against nine indicators including social care.

The indicators measured include:

- levels of reserves;
- change in reserves;
- reserves sustainability;
- interest payable/net revenue expenditure;
- gross external debt;
- social care ratio;
- fees and charges to service expenditure ratio;
- council tax requirement/net expenditure ratio; and
- growth above baseline.

The tool allows for year on year comparisons of each authority's performance, as well as comparisons with similar and neighbouring authorities. Trend analysis is also available for some of the indicators outlined above.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-local-government-financial-resilience-index>

2. Financial Management Code, CIPFA, October 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and aims to provide assurance that they are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code with help strengthen the framework that surrounds financial decision making.

The FM Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom.

The Code applies to all local authorities, including police, fire and other authorities.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

<https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code>

APPENDIX B - NATIONAL PUBLICATIONS

3. Prudential Property Investment, CIPFA, November 2019

Increasingly there has been a move towards investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. This publication provides guidance on making the assessments needed to ensure that such acquisitions are prudent and on the risks local authorities must manage when acquiring property.

Statutory investment guidance from the Ministry of Housing, Communities and Local Government (MHCLG) last year set out clearly that local authorities need to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure.

The increased scale of investment in property was recognised by revisions to CIPFA's Prudential Code for Capital Finance and the Treasury Management Code in 2017, but the growing amounts being borrowed for such a purpose are putting a strain on the creditability of the Prudential Framework and reinforce the need to ensure that such acquisitions are affordable, prudent and sustainable.

In addition to the core issue of borrowing in advance of need, which the Prudential Code has very clear provisions on, this publication provides guidance on the risk perspective to the practical assessment of prudence and affordability. Those risks could be very difficult to manage. Even when these issues are managed and there is reliance on investment income, a potential failure or a downturn of the property market may have a direct impact upon local services.

This publication considers such issues and the actions local authorities would need to take to mitigate against such risks.

<https://www.cipfa.org/policy-and-guidance/publications/p/prudential-property-investment>

APPENDIX B - NATIONAL PUBLICATIONS

4. Behavioural Insights Programme, LGA, January 2020

The latest round of the Local Government Association's Behavioural Insights Programme has awarded funding to eight councils, including Derbyshire County Council.

As part of the LGA's sector-led improvement offer, the programme encourages innovation in local public services with the aim of changing behaviour to reduce demand on overstretched local services as well as improving residents' lives.

Behavioural insights is a scientific approach that helps people to make better choices for themselves and society through interventions or 'nudges'.

In last year's LGA-funded trial, Knowsley Metropolitan Borough Council increased the uptake of assistive technology by 27 per cent through their interventions using targeted mail to those with blue badges and assisted bin collections. Alongside this, staff were supported to offer assistive technology to service users.

Kent County Council, Kent Police and their commissioned support services increased the number of domestic abuse victims that seek and receive support by more than 2 per cent through the use of contact information cards.

In the latest phase of the Programme, the LGA will provide the eight councils with a £20,000 grant each:

- Derbyshire County Council – reducing the number of repeat applications to the Derbyshire Discretionary Fund by increasing uptake of budgeting support.
- Newcastle City Council – increasing the number of families engaging positively with early help services following an initial report of concerns to children's social care.
- North Yorkshire County Council – Improving school readiness by encouraging more parents, families and community support networks to read with their children to assist with speech and language development.
- South Gloucestershire Council – to deploy a strengths-based approach with adult social care service users in the local hospital in order to prevent, delay or divert demand.
- Sunderland City Council – increasing rates of breastfeeding to improve health.
- Surrey County Council – increasing sustainable travel amongst local business employees.
- The London Borough of Merton – reducing the number of vehicles idling outside schools.
- The London Borough of Redbridge – reducing the demand for on-street prostitution in the local area.

The LGA and the councils undertaking the work will be sharing learning and results as and when they come in for others to benefit from.

<https://www.local.gov.uk/lga-announces-behavioural-insights-programme-has-awarded-funding-eight-councils>

5. Probity in planning: Advice for councillors and officers making planning decisions, LGA, December 2019

This 2019 guidance is an update to the 2013 version of the Local Government Association's Probity in Planning. It clarifies how councillors can get involved in planning discussions on plan making and on applications, on behalf of their communities in a fair, impartial and transparent way. This guide has been written for officers and councillors involved in making planning decisions in their local authority and does not constitute legal advice.

<https://www.local.gov.uk/probity-planning-advice-councillors-and-officers-making-planning-decisions>

APPENDIX B - NATIONAL PUBLICATIONS

6. Chief executives 'must know' for children's services, LGA, December 2019

This is not intended to be a comprehensive blue-print for guaranteed results. Rather, it is intended to be a clear summary guide for chief executives, showing how to avoid some of the more obvious and dangerous errors and challenges involved in leading one of the most sensitive, expensive and high-risk areas of local government.

Key messages stated in the publication include:

- Together with the director of children's services, the lead member for children's services, and the leader or mayor, the chief executive has a key leadership role across the council and working with other local agencies to improve outcomes for children and young people. This strategic 'quartet' of political and officer leadership is fundamental to effectiveness and sustained improvement. It is the role of the chief executive, as the most senior professional concerned, to ensure the quartet is at least functional, at best, collectively inspirational and transformational.
- While the director of children's services and lead member have statutory responsibilities for delivering effective children's services and providing corporate leadership to champion the needs and improved outcomes for children and young people, the chief executive has a crucial role to ensure the whole council supports children and young people and enables the director to fulfil their role. The chief executive also plays the fundamental role in the effective professional oversight and line management of the director of children's services.
- Due to the complex nature of running a council, and the challenge of balancing workload pressures, chief executives might not have the time to develop an in-depth understanding of the ongoing performance of complex services. They instead must establish a system of delegated responsibility and performance reporting in order to fulfil their, and the council's obligations. Being in the chief executive position brings with it particular risks and challenges, especially when that complex service is children and young people, where the risks are high and the cost of failure can be profound, yet the signals of deteriorating performance may at best be opaque.

<https://www.local.gov.uk/chief-executives-must-know-childrens-services>

7. A Councillor's guide to procurement, 2019 edition, LGA, October 2019

The LGA worked closely with councils to develop the National Procurement Strategy 2018 and a toolkit that enables councils to set their own objectives and measure their own progress.

The National Procurement Strategy puts the councillor role front and centre and this guide has been produced specifically with councillors in mind. It looks at the roles councillors play – both executive members and those engaged in overview and scrutiny work – and provides hints and tips on how to get the best out of procurement and contract management. Just as in the national strategy, the focus is on delivering council objectives. Councillors do not need to be procurement professionals but they do need to be able to ask the right questions, including:

- What is the procurement process and why do major procurements in local government fail?
- What are the role and responsibilities of a councillor?
- How is social value delivered under the Public Services (Social Value) Act 2012 and more generally?

<https://www.local.gov.uk/councillors-guide-procurement-2019-edition>

8. Reaching out, LGA, October 2019

This guide outlines the current loneliness policy context, uses a range of case studies to demonstrate effective local delivery models working in practice, and provides useful checklists and tips on how to measure and evaluate outputs.

<https://www.local.gov.uk/reaching-out>

9. A Councillor's guide to digital connectivity, LGA, October 2019

This guide is structured to provide councillors with key information on digital connectivity. It explores the main issues and challenges facing local areas.

<https://www.local.gov.uk/councillors-guide-digital-connectivity-0>



APPENDIX B - NATIONAL PUBLICATIONS

10. Annual Transparency Report, *Mazars*, December 2019

Mazars produces an annual transparency report, setting out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm. The report includes:

- Public Interest Committee Report;
- UK Governance Council Report;
- Inspiring Stakeholder Confidence in Audit Quality (including quality monitoring and audit quality indicators);
- Our risks; and
- Structure, Leadership and Governance.

Link to the latest report issued in December 2019 is set out below.

<https://www.mazars.co.uk/Home/About-us/Corporate-publications/Transparency-reports/Mazars-UK-Transparency-Report-2018-2019>

11. Mazars' response to the Brydon Review, *Mazars*, December 2019

The Brydon Review is one of four key reviews into the scope and quality of audit, namely:

- Competition and Market's Authority (CMA): resilience and competition in the audit market;
- Kingman's Review (review of the Financial Reporting Council and regulatory oversight);
- The Brydon Review (tone and aspirations for the future of the industry); and
- The Redmond Review (quality of local authority financial reporting and external audit).

The Brydon Review contains various recommendations and essentially recommends a major overhaul of audit which would see the creation of a separate 'corporate auditing profession', greater focus on fraud detection during audits, and the replacement of the 'true and fair' concept, with a greater focus on going concern.

Mazars' response to the latest Brydon Review report issued in December 2019 is detailed per the link below.

<https://www.mazars.co.uk/Home/News-Events/Latest-news/Mazars-response-to-the-Brydon-report>

Link to the Brydon Review

Published in December 2019, focusing on the quality and effectiveness of audit.

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

Link to the Kingman's Review

Published in December 2018, this review recommended the replacement of the Financial Reporting Council with a new independent statutory regulator, accountable to Parliament. The new regulator will be called the Audit, Reporting and Governance Authority (ARGA).

<https://www.gov.uk/government/news/independent-review-of-the-financial-reporting-council-frc-launches-report>

Link to the Redmond Review

At the time of writing this report, the outcome from the Redmond Review has not yet been published.

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

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