

Public Document Pack



Helen Barrington
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 the Audit Committee

Monday, 14 June 2021

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 22 June 2021** in the Council Chamber, County Hall, Matlock, Derbyshire, the agenda for which is set out below.

Yours faithfully,

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

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

1. To receive apologies for absence
2. To receive declarations of interest (if any)
3. To confirm the non-exempt minutes of the meeting held on 23 March 2021
4. Strategic Risk Register (Pages 1 - 46)

To consider the report of the Director of Finance & ICT, Director of Legal & Democratic Services and Audit Manager on:

5. National Fraud Initiative (Pages 47 - 52)

To consider External Auditor reports on:

6. Audit Strategy Memorandum - Derbyshire Pension Fund (Pages 53 - 82)

DERBYSHIRE COUNTY COUNCIL

Audit Committee

22 June 2021

Report of the Director of Finance and ICT

STRATEGIC RISK REGISTER REVIEW

1 Purpose of the Report

To request Audit Committee to review the Strategic Risk Register and provide an update on the corporate risk management strategy for 2021-2024.

2 Information and Analysis

Strategic Risk Register

The Strategic Risk Register is shown at Appendix A. The register includes those risks that may have a significant impact on the Council's ability to deliver its services and objectives.

Updates to the risk register are shown in purple text.

At present, all risks currently score 15 and above, putting these into the extreme high-risk category. These risks therefore are all subject to significant management action, control, evaluation or improvements and continued proactive monitoring.

Work is continuing to fully assess and develop management strategies for two strategic risks. These are:

- Risk Ref: 2020/21 - *Information governance*. The scope of this risk is being widened from a largely technical focus to cover all aspects of information governance within the Council.
- Risk Ref: 2018/5 - *Failure to understand or respond adequately to new or changing legislation and regulation*. The new Director of Legal and Democratic Services is undertaking a full assessment of this risk in consultation with all Departments.

The risk scores for the following risks have been re-assessed since the last report:

- Risk Ref 2011/05 - *Failure to have adequate business continuity plans in place.* The current risk score has reduced but is still rated in the extreme high-risk category and the target risk score has increased but remains in the high-risk category.
- Risk Ref 2021/02 - *Failure to have adequate emergency response arrangements in place.* The target risk score has increased from the high to extreme high-risk category as the impact of not having arrangements in place would be very high.

Further work will be undertaken to identify any additional steps to reduce the target and current scores for these risks, focussing on measures to reduce the likelihood (probability) of these risks occurring.

The scores for all other risks remain unchanged from the last report.

The corporate guide to assessing impact and likelihood is included within Appendix B to assist Audit Committee Members.

Corporate risk management strategy update

Good progress has been made in updating the corporate risk management strategy for 2021-2024. The key proposals were reported at the last meeting and the full strategy will be brought to the next meeting with a recommendation for approval.

Action is currently underway to upgrade APEX (the Council's performance information system) over the next few weeks to record all corporate risks. This will provide the basis for improved monitoring and reporting in support of the revised strategy. Over the coming months, the opportunity will be taken to systematically review risks in relation to deliverables in the Council Plan and service delivery plans to improve the quality of risk management and oversight.

4 Officer's Recommendation

That Audit Committee:

- i) review the Strategic Risk Register to:
 - a. note the key risks to the Council.
 - b. note the target scores as a reflection of the aims of the Council.
 - c. note the mitigations identified to achieve the target score.
- ii) note the progress with the revised corporate risk management strategy.
- iii) note the work underway to upgrade APEX to include data on all corporate risks in relation to planned deliverables.

PETER HANDFORD

Director of Finance & ICT

Report Date: June 2021**Date of Previous Risk Score:** February 2021Notes: References highlighted **Purple** have been added since the previous report.

Old Category is shown when there has been a change of category.

Previous Risk Score shows rating, probability and impact prior to the Current Risk Score




No Change



Downwards movement



Upwards movement

Risk Ref: 2011/1 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description Impact of a prolonged recovery and a funding gap In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery.	Peter Handford Director of Finance and ICT	The Council has updated its Five-Year Financial Plan alongside the setting of the Revenue Budget 2021/22 in February 2021. The update reflects the outcomes of the Spending Round 2020 and the Local Government Finance Settlement 2021/22. The continuation of mainstream funding for local authorities at 2020/21 levels is welcome, together with the additional funding for social care including the option of the Adult Social Care precept.	EXTREME 25 Probability Almost Certain 5 Impact Very High 5		EXTREME 25 Probability Almost Certain 5 Impact Very High 5	HIGH 12 Probability Probable 4 Impact Medium 3

This additional funding has allowed the Council to invest in critical services, such as adults and children's social care. However, savings of £72m+ are still required over the medium in order to maintain a balanced annual budget.

There is a significant commitment in the Council's 2021/22 Revenue Budget to provide an additional £27m of ongoing funding and £15m to support service pressures.


Given the uncertainty regarding Covid-19, the EU Exit, local government devolution and delays to the Fair Funding and Business Rates Reviews, consideration has been given to the longer-term financial sustainability of the Council in setting its 2021/22 budget.

There is a reliance on the achievement of a programme of budget savings.


		The Covid-19 pandemic has resulted in an economic shock from which it will take some time to recover.				
Page 5	Controls:	<u>REF:</u>	<u>Control Description</u>	<u>Status</u>		<u>Owner</u>
		FIN001	Five-Year Financial Plan is updated at least annually and following key Government announcements e.g. Spending Rounds.	In place/embedded		E Scriven
		FIN002	Departmental budget reductions programmed developed together with a plan of lead-in times for consultation, where appropriate and the identification of workforce reductions.	In place/embedded		P Handford
		FIN003	Budget Management Strategy Group established to ensure a cohesive approach to the monitoring of departmental budget saving targets, associated consultation activity and budget setting procedures. Departmental representatives following agreed terms of reference are meeting at least monthly with an expectation that the frequency of meetings will be more regular during the budget setting period.	In place/embedded		P Handford
		FIN004	Budget Monitoring Policy ensures that there is regular reporting to SMTs and Members. The Director of Finance meets with Executive Directors and Cabinet Members to discuss the latest monitoring position. The position is reported to Cabinet and Council on a quarterly	In place/embedded		E Scriven

		basis (effective from 1/4/2020) alongside departmental performance information.		
	FIN005	The Reserves Policy stipulates that the Council's level of reserves will be reviewed at least annually. This includes a projection of the General Reserve balance to ensure that is maintained at an adequate risk assessed level.	In place/embedded	E Scriven
	FIN006	Positive use of Better Care Fund and alignment of health and social care priorities for integrated working.	In progress/taking effect	H Jones
	FIN007	Lobby Government in ensuring fair funding for Derbyshire. The Council responds to all key Government consultations in respect of the Funding Review which is currently ongoing. Consideration is being given to the establishment of countywide lobbying in association with district/borough/city councils, adopting a joined-up approach in respect of priority areas such as social care and homelessness.	In progress/taking effect	P Handford
	FIN008	Monitor the impact of the National Funding Formula for schools and closely monitor the implications of the High Needs Block level of funding ensuring compliance with the revised Government regulations.	In progress/taking effect	C Allcock
	FIN009	Departments have identified estimated Covid-19 costs for 2021/22 and initial identification of service pressures over and above those	In progress/taking effect	P Handford

	FIN010	<p>identified as part of the 2021/22 budget setting process. The Financial Foresight Toolkit will be utilised to support a corporate approach to 2022/23 budget setting.</p> <p>A £15m recovery fund has been established to support the Derbyshire economy and recovery from Covid-19. It is expected that the majority of the scheme will each provide significant benefit to the local economy with a smaller portion for internal recovery.</p>	In progress/taking effect	P Handford
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Risk Ref: 2020/01 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Increase in Demand on Council Services</i> As demand for services changes, the Council may need to adapt the services it currently offers in order to provide the new or additional services. Failing to manage the changes could lead to core services being reduced leading to significant impact upon stakeholders and partnerships; potential litigation; fines; risk of injury or death.	Iain Little Deputy Director of Public Health	Demand Management has been identified as a priority project within the Enterprising Council approach. A report to Enterprising Council Board in May 2021 recommended that demand management is embedded across change management projects and programmes through developing an approach to understand and measuring demand. This will align the work with the Strategic Transformation workstream. An SRO has been identified, and next steps will include establishing a cross-council project team. This work has been delayed due to capacity pressures	<div>EXTREME 20</div> Probability Probable 4 Impact Very High 5		<div>EXTREME 20</div> Probability Probable 4 Impact Very High 5	<div>High 12</div> Probability Probable 4 Impact Medium 3

		caused by the Council's Covid-19 response.				
	<u>Ref:</u>	<u>Control Description</u>		<u>Status</u>		<u>Owner</u>
	To be added	SRO identified to lead work Demand management programme group established		In place/embedded In progress/taking effect		E Crapper I Little


Risk Ref: 2011/05 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Failure to have adequate business continuity plans in place</i> The emerging risk environment, the number and type of emergency and the interdependencies of services is increasingly making business continuity or "resilience" a significant focus for the Council.	Chris Henning Executive Director, Place	<p>The Council's corporate business continuity plan provides a strategic framework around which staff can work to enable critical functions to be maintained, or quickly restored to minimise any effect on service delivery to the community.</p> <p>The plan concentrates on services provided at County Hall headquarters, Chatsworth Hall, John Hadfield House and Shand House. and identifies priority functions which need to be maintained or restored in order to provide critical services.</p> <p>Further work is being undertaken to look at services provided at other locations, partnership working and external suppliers.</p>	<div>EXTREME 25</div> Probability Almost Certain 5 Impact Very High 5		<div>EXTREME 16</div> Probability Probable 4 Impact High 4	<div>HIGH 12</div> Probability Possible 3 Impact High 4

There is an established annual programme of training and exercises to ensure staff understand what their roles and responsibilities are, test the effectiveness of the plan and assist with future development.

Following a Business Continuity exercise organised by Emergency Planning a revised priority functions spreadsheet for all service areas is in place. The document ensures that heads of service are actively considering and documenting their business continuity arrangements. The priority functions spreadsheet needs to be revisited throughout the year; the previous version was completed in Nov 2020.


Following the outbreak of the coronavirus, the Council has engaged in significant scenario planning across all departments to ensure that the Council is equipped to respond to ensure continuity of services on a priority basis.

Controls:	<u>REF</u>	<u>Control Description</u>	<u>Status</u>	<u>Owner</u>
	2011/05 ETE001	Corporate Business Continuity Plans updated and tested on an annual basis. Plan is held on an external resilient portal (ResilienceDirect) to which staff with identified roles and responsibilities have access.	In place/embedded	E Partington
	2011/05 ETE002	In the event of an emergency, the Business Continuity Management Team (key strategic corporate staff) will meet at appropriate intervals to agree the strategic objectives and task the Business Continuity Support Team in order to ensure an effective co-ordinated response.	In place/embedded	E Crapper
	2011/05 ETE001	Departments hold in-depth reviews of their continuity arrangements to ensure key services can continue.	In progress/taking effect	E Crapper
	2011/05 ETE001	ICT and procurement to work with departments to ensure systems procured provide resilience.	In progress/taking effect	T Gerrard
	2011/05 ETE001	Cross departmental working in place to support key areas. Skills and training identified.	In progress/taking effect	E Crapper
		Business Continuity Policy – May 2018	In progress/taking effect	E Partington

Risk Ref: 2021/02 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Failure to have adequate emergency response arrangements in place</i> <p>The Council's ability to provide an effective response to an emergency situation, including major incidents such as severe weather (e.g. climate change-based flooding), fire, loss of utilities or pandemics, whilst maintaining its critical services to the public.</p> <p>The emerging risk environment, the number and type of emergencies is increasingly making continuity or "resilience" a significant focus for the Council.</p> <p>Budget cuts and rationalisation (including resourcing reductions) also challenge the Council in its ability to fulfil its</p>	Chris Henning Executive Director, Place	<p>Under the Civil Contingencies Act (CCA) 2004 the County Council is defined as a Category 1 Responder and therefore has statutory duties placed on it, one of which is to ensure that it has plans in place to respond to an emergency and continue to provide critical services, i.e. emergency planning and business continuity arrangements.</p> <p>The Local Resilience Forum is made up of Category 1 Responders as defined by the CCA. As a Category 1 Responder the Council is jointly responsible for preparing and maintaining Derbyshire LRF's community risk register and ensuring that multi-agency plans are in place</p>	<div>EXTREME 20</div> <div>Probability Probable 4</div> <div>Impact Very High 5</div>		<div>EXTREME 20</div> <div>Probability Probable 4</div> <div>Impact Very High 5</div>	<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>

Category 1 Responder statutory duty under the Civil Contingencies Act 2004.		to mitigate/respond to the risks/threats identified within it.				
<div>Page 14</div> Controls:		<u>Control Description</u>	<u>Status</u>		<u>Owner</u>	
	To be added	Corporate Emergency Plan updated and tested on an annual basis with multi agency training and exercises. Plan is held on an external resilient portal (ResilienceDirect) to which staff with identified roles and responsibilities have access.	In place/embedded		E Partington	
		In the event of an emergency, key staff will attend multi agency Strategic Co-ordinating and Tactical Co-ordinating Groups as appropriate. During Covid-19, wherever possible, Strategic Coordinating Group and Tactical Coordinating Group meetings will be held virtually in response to Covid-19 and other major incidents.	In place/embedded		C Henning	
		Following emergencies departments review their response with internal debriefs that feed into LRF multi-agency debriefs as appropriate.	In place/embedded		C Henning	
		LRF multi-agency risk and capability plans are prepared and maintained by LRF partners to ensure an effective response by responding agencies including the County Council.	In place/embedded		C Henning	

		<p>Flood Risk Management Strategy and guidance notes - The flood risk management strategy sets out the Council's actions to help manage flood risk in Derbyshire. It also gives the role of our partners (such as district and borough councils, water companies, parish and town councils). The strategy is divided into 2 parts:</p> <ul style="list-style-type: none"> • Part 1 provides information about flooding and flood risk - it covers who to call, and how local people can help themselves to become more resilient to the impacts of flooding • Part 2 covers the more technical details of understanding flood risk in Derbyshire - it has an action plan about how we will manage future risks and get money to cover costs 	In place/embedded	C Brailsford
		<p>Flood Risk Asset Register - register of structures or features in Derbyshire which are considered to have a significant impact on flood risk and requires permission if any changes are to be made. Owners of assets and features on the asset register must maintain their assets and ensure that they are working fully. The Council has the power to enforce the owners of registered assets to carry out this duty.</p>	In place/embedded	C Brailsford

Risk Ref: 2011/19 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description Effective Change Management <p>The Council is undergoing significant organisational change from financial pressure or political change which could create significant workforce issues around having the right skills, productivity and capacity, each of which may adversely impact upon service delivery if not managed.</p> <p>The effect of reducing the Council workforce and pressure for increased productivity without effective change management and employee engagement also carries health and attendance risks.</p> <p>The lack of effective change management can lead to significant impact upon stakeholders and partnerships;</p>	Emma Crapper <p>Director of Organisation Development and Policy</p>	<p>Work has taken place to further develop the whole council strategic transformation case identified as a key priority to drive forward Phase 2 of the Council's Enterprising Council approach. The initial work has focused on developing a whole council view of change activity across the organisation which will support the identification of priority programmes of work and the targeting of resources.</p> <p>A new centralised programme management office is currently in the process of being developed and this will ensure that the council develops a consistent approach to project/programme management and business planning across the organisation. The initial work has focussed on reviewing the existing change and</p>	<div>EXTREME 20</div> <div>Probability Probable 4</div> <div>Impact Very High 5</div>		<div>EXTREME 20</div> <div>Probability Probable 4</div> <div>Impact Very High 5</div>	<div>MODERATE 9</div> <div>Probability Possible 3</div> <div>Impact Medium 3</div>

potential litigation; fines; risk of injury or death and unplanned spending increases.

transformation projects and programmes taking place across the Council. The PMO will also be responsible for ensuring the Council has the necessary skills, capacity and capability to deliver identify change.


A new Assistant Director – Business Change has been appointed for twelve months creating additional capacity to support the effective implementation of the strategic transformation case and the PMO.

Employee engagement and wellbeing is central to the development of the Council's people strategy and in the previous 12 months, the Council's has deployed a number of pulse surveys to seek views from its workforce.

A cycle of regular pulse surveys has been approved which will complement the Council's wider approach to engagement (Listen and Engage, Shape and Respond).


<div>Page 18</div>		<p>This is supported by internal communications narrative work centred on 'Our Spirit'.</p> <p>Feedback from leadership forums also help inform and mitigate against potential concerns within the workforce and will shape the engagement approach further as we proceed, supported by a clear leadership development approach and leadership behavioural framework.</p> <p>The council continues to progress its wellbeing strategy actions plans, focused on people, data and systems to ensure the strategy is successfully embedded, with continuation of new initiatives such as the employee assistance programme.</p>				
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Page 19	<u>Ref:</u>	<u>Control Description</u>	<u>Status</u>	<u>Owner</u>
	To be added	Development of strategic transformation case and prioritised council wide programme of transformation	In progress/taking effect	E Crapper
		Creation of a centralised Programme Management Office for the Council	In progress/taking effect	E Crapper
		Development of effective governance arrangements to monitor and evaluate agreed change activity	In progress/taking effect	E Crapper
		Deployment of the employee engagement pulse survey cycle as approved by CMT on 8 February 2020.	In progress/taking effect	J Skila
		Regular leadership forums / senior leadership forums to support leader development and information sharing, coupled with a leadership behavioural framework.	In progress/taking effect	J Skila
		Ongoing deployment and monitoring of the council's wellbeing strategy and associated action plans.	In progress/taking effect	J Skila

Risk Ref: 2011/20 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description Supply Chain Failure Failure to manage contracts effectively could lead to unforeseen increased costs; risk of contracts collapsing; increased carbon footprint.	Peter Handford Director of Finance and ICT	A Central Contract Management Support Team has been proposed to improve management of contracts across the Council. This is still subject to approval.	<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>		<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>	<div>MODERATE 6</div> <div>Probability Unlikely 2</div> <div>Impact Medium 3</div>
	<u>Ref:</u>	<u>Control Description</u>		<u>Status</u>		<u>Owner</u>
	To be added	A guidance document has been produced to ensure departments are aware of their responsibilities to ensure management of business continuity is part of their contract management processes. This document will be issued once audit sign off is received.		Proposed/not yet approved		T Gerrard

		Proposed introduction of a standardised Contract Management Framework via a Central Management Professional Standards Team across the Council.	Proposed/not yet approved	T Gerrard
		Identification of high value/high risk contracts including partnerships and partners which demand a higher level of contract management.	Proposed/not yet approved	T Gerrard
		Understanding the flow of Council goods and services from our suppliers will help mitigate supply chain risk and identify any potential risk to supply and/or costs this should include the manufacturing, movement and storage of goods, right through to order fulfilment. This data should be captured and reported on centrally as part of robust contract/supply chain management.	Proposed/not yet approved	T Gerrard
		Use of an external credit reference agency is proposed as part of contract management activity to check financial standing of providers during the life of the contract.	Proposed/not yet approved	T Gerrard
		Contract & provider knowledge sharing with other councils via the East Midlands Heads of Procurement and the national Public Sector Procurement Working Group.	Proposed/not yet approved	T Gerrard
		Reviewing and updating tender documentation and contracts to identify weaknesses which could contribute towards supply chain failure.	In progress/taking effect	T Gerrard


		Ensuring Business Continuity Plans are reviewed and tested with providers during the life of the contract as part of robust contract management activity	Proposed/not yet approved	T Gerrard
		County Procurement is an active member of the Council's Environmental Sustainability Group. As part of this Group proposals to embed sustainability into Procurement activities are being considered. The Social Value Portal organisation is being on-boarded to deliver sustainability as part of the Social Value framework. A Soft Market Testing exercise is also being undertaken to identify a sustainability partner.	In progress/taking effect	T Gerrard

Risk Ref: 2011/2 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Failure to achieve value for money for the Council's New Waste Treatment Facility; and failure to re-commission the facility and secure long-term operation</i> <p>The Council is working with stakeholders to determine the "Estimated Fair Value" (EFV) of the facility following termination of the Project Agreement with RRS. This is the compensation due to the former contractor and comprises the value of the plant, considering all of the costs of rectifying ongoing issues, and the costs of providing the services to meet the agreed contract standards.</p> <p>Failure to achieve value for money is a significant risk to the Council's budget. Failure to re-commission the facility is a significant risk for the long-term</p>	Chris Henning Executive Director, Place	<p>The Council is meeting regularly with the project funders to reach a consensual settlement on the EFV. In parallel preparations continue in the event negotiations are unsuccessful.</p> <p>Work to determine the condition and capability of the facility is nearing completion and will determine the next steps for the facility. This information is informing the EFV workstream.</p> <p>Project planning is underway on services post 2022, when the Service Continuity Contract expires. A Work Plan of key actions is in place, resources allocated and are subject to regular review.</p>	<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>		<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>	<div>MODERATE 6</div> <div>Probability Unlikely 2</div> <div>Impact Medium 3</div>


waste management strategy, the Council's future economic and environmental sustainability and its reputation.						
Page 24	<u>Ref:</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	To be added	A Service Continuity Contract has been put in place to make sure waste continues to be dealt with, and that recycling centres and waste transfer stations continue to operate. These services are being provided by waste management company Renewi under a new two-year contract. The contract includes work to secure and preserve the waste treatment facility.			In place/ embedded	C Brailsford
		Joint Waste Contract Management Boards (with Derby City Council) in place and meet regularly to provide strategic leadership			In place/ embedded	C Brailsford
		Internal Waste Project Board has been established			In progress/ taking effect	C Brailsford
		Specialist advisors (finance; commercial and legal) appointed and support the Project Team. The Project Team meets at minimum weekly.			In place/ embedded	C Brailsford

Risk Ref: 2020/01 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description Information governance The Council's information governance policies, processes and systems insufficiently protect personal, commercial and other sensitive data, leading to potential harm to vulnerable persons, employees and commercial relationships, legal action, financial penalties and reputational damage	Peter Handford Director of Finance and ICT	This corporate risk is being reformulated by the Director of Finance and ICT to address information governance (incorporating GDPR and cyber resilience). The risk scores are unchanged until the review is complete and an informed assessment is made. An implementation plan for The Data Strategy will shortly be provided for approval to centralise legacy flat file data into a secure SharePoint structure.	<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>		<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>	<div>High 12</div> <div>Probability Possible 3</div> <div>Impact Medium 4</div>
	Ref:	Control Description			Status	Owner
	To be added	As part of the ICT Phase 2 a dedicated Data Architecture function has been implemented to build out the data use and management guidelines.			In progress/ taking effect	R Pearson

		An implementation plan to migrate to SharePoint, and implement the advance security options available in the e5 license is being developed.	In progress/ taking effect	R Pearson
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Risk Ref: 2011/11 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Adapting to Climate Change</i> The Council faces a challenge in relation to an increase in extreme weather patterns including increased rainfall, drought, heatwaves and unseasonal weather. This will result in risks of increased frequency of flooding; damage to infrastructure; risk to health, well-being and productivity; water and energy shortages; risks to natural capital; interruption of food production and trade; new and emerging pests, diseases and plant and animal species. Climate change around the world is likely to result in mass migration of people.	Claire Brailsford Acting Director of Environment and Transport	The Derbyshire Climate Change Adaptation Plan was produced in 2013 with a review of progress taking place in 2017. The Adaptation Plan addressed flooding, infrastructure, service delivery, adapting the built environment and community and business resilience planning with considerable work being undertaken in each area.	<div>EXTREME 16</div> <div>Probability Possible 4</div> <div>Impact High 4</div>		<div>EXTREME 16</div> <div>Probability Probable 4</div> <div>Impact High 4</div>	<div>MODERATE 6</div> <div>Probability Unlikely 2</div> <div>Impact Medium 3</div>

	<u>Ref:</u>	<u>Control Description</u>	<u>Status</u>	<u>Owner</u>
	To be added	Analysis and distribution of future climate projections for Derbyshire	In progress/ taking effect	C Brailsford
		Derbyshire Local Flood Risk Management Strategy	In place/ embedded	C Brailsford
		Derbyshire Natural Capital Strategy (being commissioned)	In progress/ taking effect	J Battye/ C Brailsford
		Planning guidance	Proposed/not yet approved	J Battye

Risk Ref: 2011/9 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description Protection of Vulnerable Adults Failure to protect the most vulnerable in our society could lead to significant fines; special measures; litigation; decreased staff morale; reputational damage	Helen Jones Executive Director, Adult Social Care and Health	<p>This risk was last updated in February 2021</p> <p>An Adult Social Care (ASC) Quality Assurance Strategy has been developed which is the foundation from which we will ensure that all ASCH functions drive the delivery of high quality services for the people of Derbyshire and work to continuously improve quality based on a clear understanding of expectations and requirements.</p> <p>Alongside this strategy a Quality Improvement Board (QIB) has been established. The Board is chaired by the Service Director and involves Group Managers across the department. The Board ensures that the quality and improvement of all ASC services is the responsibility of</p>	<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>		<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>	<div>HIGH 10</div> <div>Probability Unlikely 2</div> <div>Impact Very High 5</div>


Page 30		<p>the whole department and that the QA strategy is being implemented.</p> <p>The work of the Board is focused into six key work streams; Safe Services, Quality Recording, Quality Monitoring and Improvement, Quality Workforce, Communications and Quality Policies and Procedures. Each work stream has a set focus and purpose and key actions to address the learning points. These key actions are delivered through detailed work stream action plans.</p>				
	<u>Ref:</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	2011/9 ASC001	An Adult Social Care Quality Assurance Strategy and Framework has been developed and agreed. This is now being implemented and embedded into practice.			In progress / taking effect	S Stevens
	2011/9 ASC002	The quality Improvement board meets on a six weekly basis to review progress within work streams, to drive delivery on the action plan and to identify new learning.			In place / embedded	S Stevens

Page 31	2011/9 ASC003	The Quality Improvement Board provides regular updates to the ASC Senior Management team, Executive Director and Portfolio Holder.	In place / embedded	J Vollar
	2011/9 ASC004	Safeguarding leadership arrangements have been reviewed and additional investment has been made into the team as well as a transfer of the operational structure into the Commissioning, Safeguarding and Performance team to enable more independent scrutiny and oversight.	In place/ embedded	J Ryalls / S Knowles
	2011/9 ASC005	We have reviewed our approach to learning reviews and serious incidents and are revising policy and process in order to ensure appropriate and consistent monitoring, review and learning mechanisms are established and embedded	In progress/ taking effect	J Ryalls / S Knowles
	2011/9 ASC006	Additional investment has been made into the ASC Quality and Compliance team in order to ensure we have a focused approach to audit, monitoring and continuous improvement.	In place/ embedded	T Henson
	2011/9 ASC007	An initial performance dashboard has been developed which currently monitors the performance of our care homes by measuring across six key metrics; staffing vacancies, occupancy, incidents, training, complaints and CQC rating. This dashboard is further being developed to capture quality, compliance and safeguarding activity across the whole department. Both the high-level dashboard, and a more detailed report sitting underneath, are sent to all relevant operational staff and are also monitored by the Quality and Compliance Team.	In progress/ taking effect	T Henson
	2011/9 ASC008	Senior Managers are updated in relation to any significant incidents through a newly embedded 'notifiable incident form'.	In place/ embedded	D Sullivan / T Henson


Risk Ref: 2021/02 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Protection of Vulnerable Children</i> Failure to protect the most vulnerable in our society could lead to significant fines; special measures; litigation; decreased staff morale; reputational damage	Jane Parfrement Executive Director, Children's Services	<p>Whilst risk can never be eliminated entirely, the council has robust policies and procedures in place to safeguard vulnerable children, supported by training and development, supervision and quality assurance processes.</p> <p>Structures and capacity within frontline teams have been reviewed, in order to reduce caseloads and increase support for practitioners via reflective supervision and management oversight.</p> <p>Successful recruitment and retention strategies have reduced turnover and vacancies in social care over the past two years, leading to greater workforce stability.</p> <p>More recently, social care in Localities have experienced</p>	<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>		<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>	<div>HIGH 10</div> <div>Probability Unlikely 2</div> <div>Impact Very High 5</div>

		<p>higher turnover during the pandemic and additional strategies have been put in place.</p> <p>These measures provide a firm foundation for ongoing service improvement and the reduction of risks to children.</p>				
Page 33	<u>Ref:</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	To be added	Robust policies & procedures, training, supervision and QA in place. Supported by strong independent quality assurance function.			In place/ embedded	A Noble
		Derbyshire Safeguarding Childrens Partnership embedding and supporting quality assurance and development of multi-agency safeguarding practice			In progress/ taking effect	L Dale
		Systemic practice operating model; integration of Early Help and Social Care.			In place/ embedded	A Noble
		Formal and informal learning, coaching and mentoring. Work underway to further strengthen L&D approaches			In progress/ taking effect	A Noble / L&D team
		Robust procedures within Starting point to embed multi agency thresholds and pathways. Further work across DDSCP to strengthen partnership responsibility			In progress/ taking effect	P Lambert

Page 34		Reviewing of staffing, training and caseloads - including successful growth bid.	In place/ embedded	A Noble
		Practice improvement plans with oversight by QA Board chaired by Exec Director. Regular performance monitoring and accountability at all levels across children's safeguarding and SEND services. Plan recently reviewed following achievement of original actions.	In place/ embedded	P Lambert
		Supervision policy and management oversight reviewed and strengthened.	In place/ embedded	P Lambert
		Workforce strategy - recruitment and retention of social workers improved; supporting more stable workforce and reducing remaining capacity pressures. Strategies developed and implemented to address recent staffing challenges in Locality areas. Longer term approaches to recruitment and retention being explored.	In progress/ taking effect	P Lambert
		Strengthened procedures via DDSCP to identify and embed learning from serious case reviews/child practice reviews. Implementation of regular assurance reports to CMT on learning reviews and actions to strengthen practice.	In progress/ taking effect	A Noble
		Systems in place to report regularly and learn from complaints.	In place / embedded	D Cohen
		Systems in place to ensure a joined up approach to managing risks for children during COVID-19; strengthened multi-agency working to achieve visibility for children including those with EHC plans.	In place/ embedded	A Noble / I Peel


Risk Ref: 2012/2 Category:	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Maintenance of Property Assets</i> Failure to maintain our assets could lead to significant fines; significant litigation; decreased staff morale; reputational damage; HSE investigation	Dave Massingham Director of Property	<p>In February 2019 Cabinet approved a new operating model for Corporate Property Services based on the property life cycle. The Asset Management Framework developed in 2019 documents the Strategy for managing Land and Buildings.</p> <p>A new Senior Management Team was established during 2020 and a programme to externalise non-core services commenced March 2020.</p> <p>In February 2021 a new Governance and decision arrangements framework was presented to Cabinet and agreed.</p> <p>Resources within operational service areas have been refocused on priority risk areas of Statutory Compliance and a</p>	<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>		<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>	<div>MODERATE 6</div> <div>Probability Unlikely 2</div> <div>Impact Medium 3</div>


		new administrative and contract management team for Statutory Compliance areas has been implemented.				
Page 36	<u>Ref:</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	2012/2 PROP001	Asset Management Framework is reviewed annually			In place/ embedded	J Scholes
	2012/2 PROP002	Governance and Performance Framework is a key deliverable in the service plan			In progress/ taking effect	G Massey
	2012/2 PROP003	A 5-year programme of individual asset plans for all council assets has been developed and is underway			In progress/ taking effect	J Scholes
	2012/2 PROP004	5-year programme of individual Condition Surveys for all council assets			In place/ embedded	S Brown
	2012/2 PROP005	Annual Premises Reviews to 100% of managed estate			In place/ embedded	S Brown
	2012/2 PROP006	Planned Preventative Maintenance plans to align with Asset Plans			In progress/ taking effect	S Brown
	2012/2 PROP007	Dedicated resource to Statutory Compliance – administration, contract management and operational service provision			In place/ embedded	S Brown

Risk Ref: 2021/03 Category:	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description Maintenance of <i>Place</i> Assets Failure to maintain our assets could lead to significant fines; significant litigation; decreased staff morale; reputational damage; HSE investigation Page 37	Chris Henning Executive Director, <i>Place</i>	Representatives from <i>Place</i> , Property and Corporate Finance are seeking to develop a holistic strategy and approach to how individual plans, processes and procedures will fit together to form the Council's joined up approach. Derbyshire's approach to Highways Asset Management has been developed using the recommendations made within the 2013 Highways Management Efficiency Programme (HMEP) Highway Infrastructure Asset Management Guidance and is the basis of the Council's approach to delivering best practice, as set out in the 2016 Code of Practice for Well-Managed Highway Infrastructure.	<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>		<div>EXTREME 15</div> <div>Probability Possible 3</div> <div>Impact Very High 5</div>	<div>MODERATE 6</div> <div>Probability Unlikely 2</div> <div>Impact Medium 3</div>

Page 38		<p>These required local authorities to adopt a risk based, integrated asset management approach to maintaining highway infrastructure by October 2018. These approaches are supported by the new funding models for local authority highway maintenance.</p> <p>A Corporate Property Asset Management Framework is in place. <i>Working with Property Service, Service Asset Management Plans are being developed.</i></p> <p>The Capital Strategy for 2022-22 provides a high-level overview of how capital expenditure and capital financing contribute to the provision of local public services.</p>				
	<u>Ref:</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	To be added	The Highways Infrastructure Asset Management Policy and Strategy documents set out delivery of road-related services against our key priorities taking into consideration residents' needs, the condition of the asset and how best use can be			In progress/ taking effect	J Gould

Page 39		<p>made of available resources. The emphasis is on managing our infrastructure assets efficiently and effectively by focusing on investing in long-term planned maintenance instead of short-term repairs. Documentation is reviewed biennially.</p>		
		<p>Highway Network Management Plan - technical document which specifies how the department manages and provides change to Derbyshire's highway network. The document follows a review of existing policies and procedures to reflect the change to the risk-based approach set out in the HIAMs documentation and the criteria to manage the network. It reflects changes to materials and techniques within the industry, relevant legislation and current environmental guidance and practice.</p>	In progress/ taking effect	J Gould
		<p>Environmental Management System (EMS) - ISO 14001 Certification – Yearly Audit programme and three yearly recertification</p> <p>Quality Management System (QMS) – ISO 9001-2015 Certification - Yearly Audit programme and three yearly recertification</p>	<p>In place/ embedded</p> <p>In place/ embedded</p>	<p>J Gould</p> <p>D Massey</p>

Risk Ref: 2018/5 Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Failure to understand or respond adequately to new or changing legislation and regulation</i> Lack of knowledge and understanding of statutory duties meaning the Council is at increased risk of special measures, HSE investigation, corporate manslaughter charges, personal prosecution and insurers refusing to provide indemnity on property or liability claims.	Helen Barrington Director of Legal and Democratic Services	This corporate risk is under review by the new Director of Legal and Democratic Services. The risk scores are unchanged until the review is complete and an informed assessment is made.	<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>		<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>	<div>HIGH 10</div> <div>Probability Unlikely 2</div> <div>Impact Very High 5</div>
	<u>Ref:</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	To be added	Under review				

Risk Ref: 2018/4 Category: Strategic	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Risk Description <i>Ineffectual workforce planning</i> A failure to recruit and retain experienced staff; a lack of succession planning in order to ensure effective continuity of key skills and knowledge at all levels including leadership skills. Resulting in unfilled posts, accepting a lower calibre of staff, increasing training requirement to upskill new staff, vital knowledge lost leading to service delivery issues	Emma Crapper Director of Organisation Development and Policy	<p>Aligned to the development of the council's people strategy, core people priorities have been defined which include focus on the attraction and retention of the workforce and responsive workforce plans.</p> <p>A review of recruitment services is underway, coupled with a current review of the council's learning and development model. This includes consideration of the organisation's approach to succession planning and performance management which will central to our future workforce planning approaches.</p> <p>In conjunction with the LGA, an assessment has been undertaken of the council's current approach to workforce</p>	<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>		<div>EXTREME 25</div> <div>Probability Almost Certain 5</div> <div>Impact Very High 5</div>	<div>MODERATE 9</div> <div>Probability Possible 3</div> <div>Impact Medium 3</div>

		planning in readiness for developing the future activity which is required to support delivery of more responsive workforce plans.				
Page 42	<u>Ref:</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	To be added	In conjunction with LGA, evaluation and development of the council’s strategic workforce planning approach supported by consistent establishment controls that enable effective forecasting, resourcing solutions and development of departmental L&D plans (including succession planning and career/learning pathways).			In progress/ taking effect	J Skila
		Deliver improved proactive recruitment campaign management and strategic recruitment advice considering the future needs, values and behaviours of the organisation. Be more active in the recruitment marketplace on the council’s journey to becoming an employer of choice.			In progress/ taking effect	J Skila

Corporate Impact Assessment Criteria of Risk Category

Scale	Scale Description	Risk Categories								
		Financial	Reputational	Physical Injury/Health and Safety	Environmental Damage	Service/Operational Disruption/Key Targets/Objectives	Statutory Duties/ Legal Implications	Partnership Implications	Information Governance	Stakeholder Implications
Page 43	5 Very High	>£25,000,000	Lasting or permanent brand damage resulting from adverse comments in national press and media. Members/Officers forced to resign	Death or severe life-changing injuries	Major national or international	Severe disruption/loss of service more than 7 days	Multiple Litigation	Complete failure / breakdown of partnership	Significant breach, extensive national press, ICO fines, loss of ISO 27001 certification	Stakeholders would be unable to pursue their rights and entitlement and may face life threatening consequences
	4 High	£10,000,000 to <£25,000,000	Temporary brand damage from coverage in national press/media	Extensive or multiple injuries/ Incidents reportable to HSE	Major local impact	Disruption/Loss of service less than 7 days	Litigation	Significant impact on partnership or most of expected benefits fail	Larger breach, no sensitive data loss local press coverage Or Minor breach, sensitive data loss local press coverage	Stakeholders would experience considerable difficulty in pursuing rights and entitlements
	3 Medium	£5,000,000 to <£10,000,000	Extensive coverage in regional press/radio/TV/social media	Serious injuries/ incidents reportable to HSE	Moderate locally	Disruption/Loss of service less than 48 hours	Ombudsman	Adverse effect on partnering arrangements	Larger breach, no sensitive data loss and internally controlled Or Minor breach, sensitive data loss internally controlled	Some minor effects on the ability of stakeholders to pursue rights and entitlements, eg other sources or avenues would not be available to stakeholders

Appendix B

2	Low	£2,5000,000 to <£5,000,000	Minor adverse comments in regional press/social media	Minor (i.e. first aid treatment)/ No time lost from work	Minor locally	Internal disruption only, no loss of service	Individual Claims	Minimal Impact on Partnership	Individual breach no loss of sensitive data	Minimal impact without needing to look at other sources or avenues
1	Negligible	<£2,500,000	Minimal adverse comments with minimal press/social media	None	None/ Insignificant	No loss of service	No impact	No Impact	No impact	No impact

Likelihood Assessment Criteria	
Scale	Description
5	ALMOST CERTAIN: The event is expected to occur or occurs regularly (monthly, quarterly or biannual)
4	PROBABLE: The event will probably occur (annually)
3	POSSIBLE: The event may occur (1 incident in 2 years)
2	UNLIKELY: The event could occur (1 incident in 5 years)
1	RARE: The event may occur in certain extreme circumstances (1 Incident in 10 years or above)

Risk Score Matrix (Impact x Likelihood)						
Page 45 Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Impact				

Colour	Score
Green	Low
Yellow	Moderate
Amber	High
Red	Extreme

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

22 June 2021

Report of the Director of Finance & ICT, Director of Legal & Democratic Services and Audit Manager

1. Purpose

- 1.1 The purpose of this report is to inform Members of the Council's progress in scrutinizing the data matches arising from participation in the National Fraud Initiative (NFI) 2020-21.

2. Information and Analysis

- 2.1 The Cabinet Office is responsible for organising and coordinating the NFI process to assist in the identification of public sector efficiency and reform. The NFI is a national data matching exercise that has enabled participating organisations across the United Kingdom, to prevent and detect instances of fraud and error totalling £245 million between 1 April 2018 and 4 April 2020. This brings cumulative outcomes of the initiative to a total value of £1.93 billion since its inception in 1996.
- 2.2 Approximately 1,200 participating organisations from both the public and private sectors provide data for the NFI, which currently takes place every two years. The data matching process involves comparison of data sets, including payroll and benefit records, against other data held by the same or another body to establish a match. Where such matches arise, these instances are investigated to identify potential fraudulent or erroneous claims or payments.

National Fraud Initiative (NFI) 2020-2021

- 2.3 In order to inform Members, Staff and Pensioners of the Council's participation in the NFI exercise, fair processing notices were included within payslip's and the Our Derbyshire employee newsletter for July 2020. Pensioners were notified by an inclusion within their payslip message in May 2020. Other data subjects included in the matching process i.e. suppliers, blue badge and concessionary travel pass holders are informed of the procedure when completing the registration process with the Council. Trade Unions were informed via the Secretary of the Corporate Joint Council (CJC) on 2 April 2020.
- 2.4 Audit Services is the Council's central coordinator for the data matches received from the Cabinet Office and ensures matches are investigated, which includes liaising as required, with departments and other public bodies. Audit Services also maintains the web-based application provided by the Cabinet Office, to track progress on reported matches. The primary results of the Council's matching exercise were made available for review on 28 January 2021.
- 2.5 The initial 2020-21 return for the Council identified a total of 31 separate reports involving 23,005 results arising from matching with the other participating organisations' data, including Housing Benefits Claimants and Department for Work and Pensions (DWP) deceased persons. These data matching results included data in respect of pensions, payroll, blue badge, concessionary travel and suppliers.
- 2.6 The review of the NFI data matching reports is currently in progress with the relevant information having been distributed to departments and Audit Services reviewing the more complex returns. As in previous years, further reports will be brought to future meetings of the Audit Committee to provide Members with updates on the progress of the NFI 2020-21 process and level of identified error and fraud.

3. Alternative Options Considered

- 3.1 As the Council has a legal duty to provide data to support the NFI process and investigate the resultant matches, there is no alternative options to consider.

4. Implications

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

5. Consultation

5.1 No formal consultation was undertaken in the preparation of this report.

6. Background Papers

6.1 Electronic files and Cabinet Office reports held by Audit Services, Finance & ICT Services, County Hall Complex.

7. Appendices

7.1 Appendix 1 – Implications.

8. Recommendation(s)

8.1 That Audit Committee are asked to:
a) note the scope of the NFI 2020-21 data matching exercise and progress made to date.

Report Authors:

Peter Handford
Director of Finance & ICT

Helen Barrington
Director of Legal & Democratic Services

Daniel Ashcroft
Audit Manager

Philip Spencer
Audit Manager

Contact details:

peter.handford@derbyshire.gov.uk

helen.barrington@derbyshire.gov.uk

daniel.ashcroft@derbyshire.gov.uk

philip.spencer@derbyshire.gov.uk

Implications

Financial

- 1.1 The exercise is a significant contribution to the Council's responsibility for the prevention and detection of fraud. The cost to the Council of participation in NFI 2020-21 is £3,800.

Legal

- 2.1 The NFI is conducted using the data matching powers conferred on the Minister for the Cabinet Office by Part 6 of and Schedule 9 to the Local Audit and Accountability Act 2014. As a relevant authority, the Council is required to provide data for the purposes of conducting data matching exercises.
- 2.2 The legal basis for processing personal data in connection with the NFI process, is under Article 6(1)(e) processing is necessary for the performance of a task carried out in the public interest.
- 2.3 The Council will also ensure that the principles of the Data Protection Act are observed in providing the data for this exercise and will take all reasonable steps to ensure that data submitted is accurate.
- 2.4 The NFI does not require the consent of the individuals concerned under current data protection legislation.

Human Resources

- 3.1 The Cabinet Office advises local authorities to inform its Members, Staff and Pensioners of the requirement to participate in NFI process. Members, Staff and Pensioners have been notified by means of a fair processing notice included in appropriate newsletters, payslips and by the publication of an NFI Privacy Notice on the Council's website. Trade Unions have also been consulted through the CJC.

Information Technology

- 4.1 None.

Equalities Impact

- 5.1 None.

Corporate objectives and priorities for change

- 6.1 The NFI exercise helps support the 2021-25 Council Plan key actions for resilient, healthy and safe communities by identifying and investigating potential fraud.

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

- 7.1 None.

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Audit Strategy Memorandum

Derbyshire Pension Fund

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Year ending 31 March 2021



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Materiality and misstatements

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Appendix – Key communication points

This document is to be regarded as confidential to Derbyshire Pension Fund. 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.

Members of Derbyshire County Council's Audit Committee
Derbyshire County Council
County Hall
Matlock
DE4 3AG

14 June 2021

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Derbyshire Pension Fund for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Derbyshire Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0738 724 2052.

Yours faithfully

Signed: 

Cameron Waddell

Mazars LLP

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Derbyshire Pension Fund (the Pension Fund) for the year to 31 March 2021. 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 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 opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.



Consistency report

We are required to form and express an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Derbyshire County Council.



Going concern

The Pension Fund is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Fraud

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. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. 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 audit should not be relied upon to identify all such misstatements.



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 Derbyshire County Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Fees for audit and other services

Our commitment to independence

Materiality and misstatements


Appendix

02

Section 02:

Your audit engagement team

2. Your audit engagement team




Cameron Waddell

Role: Engagement Lead

Email: cameronwaddell@mazars.co.uk

Telephone: 0738 724 2052.




Engagement manager name

Role: Engagement Manager

Email: john.pressley@mazars.co.uk

Telephone: 0790 998 0880



Alexander Campbell

Role: In-charge

Email: alexander.campbell@mazars.co.uk

Telephone; 0790 998 2058

03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

The diagram below outlines the procedures we perform at the different stages of the audit.

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Planning January to February 2021

- Planning visit and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion September 2021

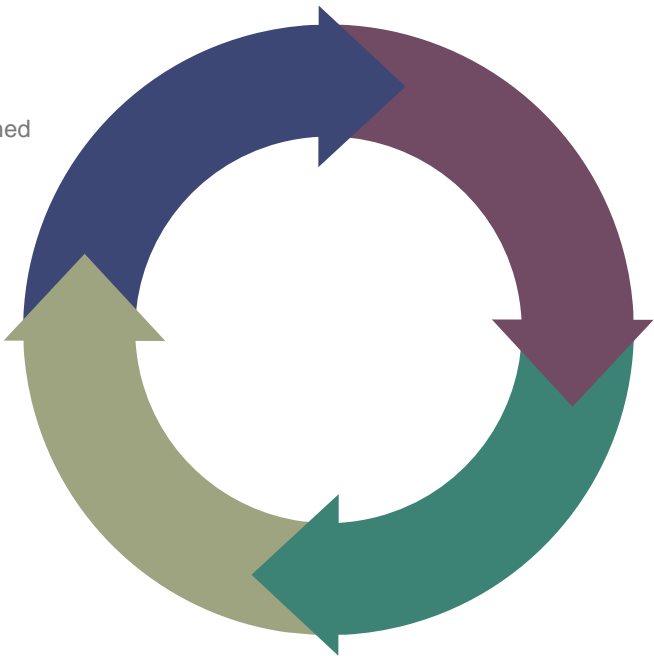
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's reports

Interim March 2021

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork June to September 2021

- Receiving and reviewing draft financial statements
- Technical review of financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will liaise with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

Management makes use of experts in specific areas when preparing the Pension Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits.	Hymans Robertson	NAO Consulting actuary PWC
Valuation of unquoted investments not traded on active markets.	Fund managers	At this stage we have not engaged our own expert for the valuation of level 3 investments. However, we may engage an expert if considered necessary to support our work on the valuation of unusual or complex level 3 investments.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Unquoted investment valuations and related disclosures	Investment managers that provide valuations of unquoted investments	Substantive testing of transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures.	Fund Managers	Substantive testing of transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures.	Custodian	Substantive testing of transactions occurring in the year and the valuations applied to investments at the year end.



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- Key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- Other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

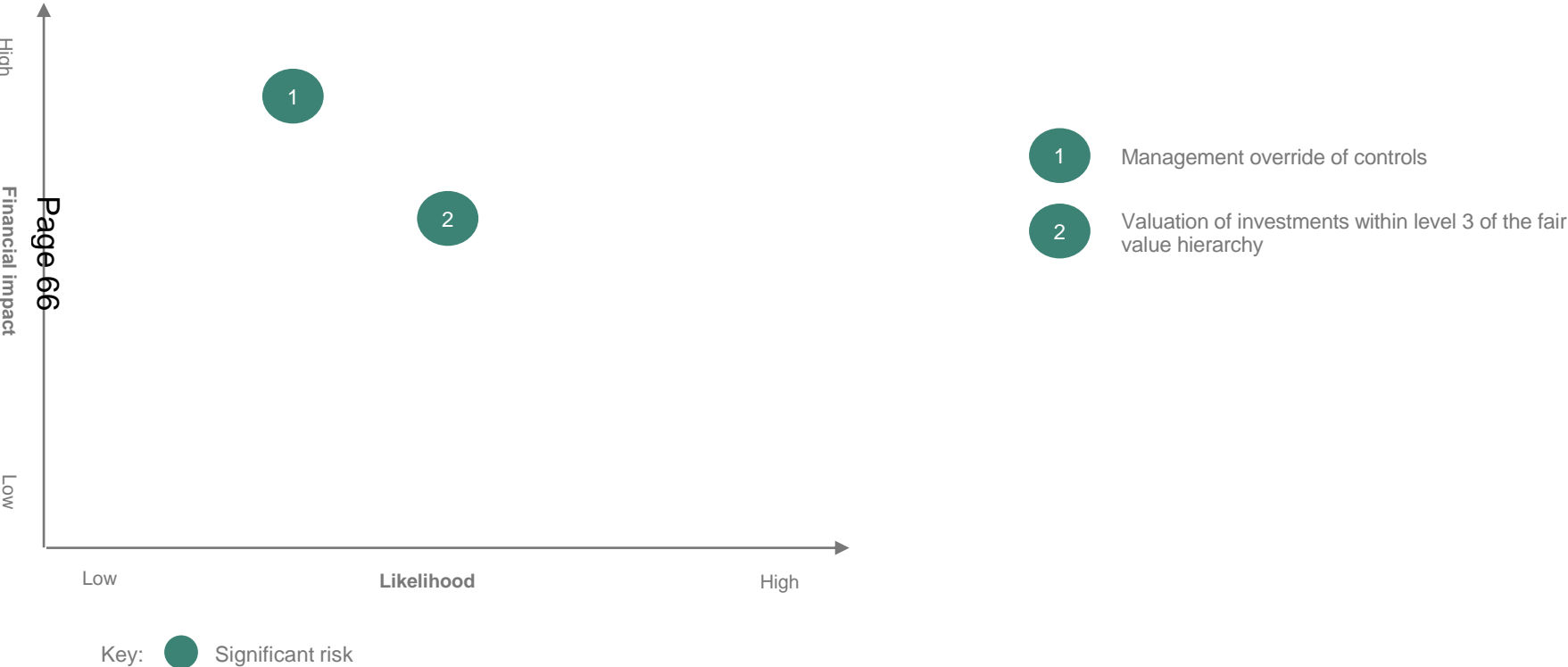
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.



4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Derbyshire Pension Fund. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 67	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</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>	●	○	○	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.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>At 31 March 2020 the Pension Fund held investments which were not quoted on an active market with a fair value of £1,938m, accounting for 41.6 per cent of the Fund's 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 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; and• agree the investment manager valuation to audited accounts or other independent supporting documentation, where available.

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05

Section 05:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Pension Funds’s appointed auditor

Details of the 2019/20 actual and planned 2020/21 fees are set out below:

Area of work	2020/21 Fees	2019/20 Actual Fee
Scale audit fee ¹	£22,077	£22,077
Fee variations:		
Additional Testing in relation to the triennial valuation as at 31 March 2019 as part of our audit of the 2019/20 financial statements ²	£Nil	£3,000
Fee variations ³	£6,000	£6,000
Audit related assurance services		
Pension assurance letters to employer auditors ⁴	£18,200	£17,160

¹ This scale fee was originally set in 2018.

² The additional fee in 2019/20 relates to work carried out on the process for submission of data to the actuary for triennial valuation purposes. This work currently occurs every three years, and will next take place in 2022/23.

³ £6,000 of the additional audit cost in 2019/20 relates to enhanced procedures on unquoted investments in response to increased regulatory expectations. These procedures will be repeated for our 2020/21 audit and we may need to respond to further recommendations from our regulator.

⁴ During the year we respond to requests received from 13 employer body auditors to undertake a programme of work to provide assurance in respect of data held by the Fund, which is used by the actuary to calculate pension assets and liabilities for individual employers. It is expected that the Fund will recharge these fees to the relevant employers. This approach is in line with the PSAA Terms of Appointment, and the expectation within NAO’s AGN01 General Guidance Supporting Local Audit.

PSAA Ltd has issued a consultation on the 2021/22 audit fee scale. We will revisit our fee proposal in line with the outcome of this consultation to ensure we are consistent with sector wide changes.

5. Fees for audit and other services

Fees for other non-PSAA related work

We have not been separately engaged by the Pension Fund to carry out additional work.

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06

Section 06:

Our commitment to independence

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6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



07

Section 07:

Materiality and other misstatements

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7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	46,575
Performance materiality	34,931
Specific materiality - We set a specific materiality for the fund account using a benchmark of 10% of benefits payable.	17,263
Trial threshold for errors to be reported to the Audit Committee	1,397

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of net assets. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

7. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 1% of net assets. Based on the draft accounts for 2019/20 we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £46.6m (£49.3m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our

preliminary assessment of overall materiality, our proposed triviality threshold is £1,397,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.

Reporting to the Audit Committee

The following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none">• Uncorrected misstatements and their effect on our audit opinion;• The effect of uncorrected misstatements related to prior periods;• A request that any uncorrected misstatement is corrected; and• In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none">• Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• A discussion of any other matters related to fraud.	Audit Completion Report and discussion at the Audit Committee, Audit Planning and Clearance meetings

Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none">• Non-disclosure by management;• Inappropriate authorisation and approval of transactions;• Disagreement over disclosures;• Non-compliance with laws and regulations; and• Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none">• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;• Significant difficulties, if any, encountered during the audit;• Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;• Written representations that we are seeking;• Expected modifications to the audit report; and• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none">Whether the events or conditions constitute a material uncertainty;Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; andThe adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Cameron Waddell

Mazars

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

0115 951 882

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.