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PUBLIC

To: Members of Audit Committee

Monday, 12 July 2021

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 20 July 2021** in Members Room, 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. Apologies for Absence
To receive apologies for absence (if any)
2. Declarations of Interest
To receive declarations of interest (if any)
3. Minutes (Pages 1 - 4)
To confirm the non-exempt minutes of the meeting of the Audit Committee held on 22 June 2021.

4. Audit Services Annual Report 2020-21 (Pages 5 - 58)
5. Annual Governance Statement (Pages 59 - 86)
6. Risk Management Strategy (Pages 87 - 126)

PUBLIC

Agenda Item No.3

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 22 June 2021 at County Hall, Matlock.

PRESENT

Councillor G Musson (in the Chair)

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

Officers in attendance – D Ashcroft, P Handford, T Kearsey, J Lakin, J Morgan and P Spencer (representing Derbyshire County Council) and J Pressley (representing Mazars)

Declarations of Interest

There were no declarations of interest

20/21 **CHAIRMAN'S ANNOUNCEMENTS** The Chairman welcomed members to the first meeting of the Audit Committee following the recent county council elections.

21/21 **MINUTES RESOLVED** that the minutes of the meeting held on 23 March 2021 be received.

22/21 **MATTERS ARISING (Minute No.10/21) Statement of Accounts 2020-21** The Director of Finance & ICT provided Members with an update on the Statement of Accounts for 2020-21. It had been hoped that publication of the Statement of Accounts would be 30 June 2021. However, due to issues surrounding the plant, property and equipment valuations again, and the on-going Covid-19 pandemic, this had put the finance team behind schedule by 3-4 weeks. It was therefore more realistic that the pre-audit Accounts would be submitted by the end of July 2021.

23/21 **STRATEGIC RISK REGISTER REVIEW** The purpose of the report was to request the Audit Committee to review the Strategic Risk Register and to provide an update on the corporate risk management strategy for 2021-2024.

Jane Morgan, the Risk and Insurance Manager, attended the meeting to provide Members with a brief overview of risk management and the role of the Audit Committee in relation to risk and mitigations.

On behalf of the Committee, the Chairman thanked Jane Morgan for her most informative presentation.

The Strategic Risk Register was presented at Appendix 1 to the report and included those risks that may have a significant impact on the Council's ability to deliver its services and objectives. Updates to the risk register were highlighted.

At present, all risks currently scored 15 and above, putting these into the extreme high-risk category. Therefore, these were all subject to significant management action, control, evaluation or improvements and continued proactive monitoring. Work was continuing to fully assess and develop management strategies for two strategic risks. These were:

- Risk Ref: 2020/21 - *Information governance*. The scope of this risk was 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 was undertaking a full assessment of this risk in consultation with all Departments.

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

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

Further work would 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 had remained unchanged from the last report.

The corporate guide to assessing impact and likelihood was included within Appendix 2 of the report, to assist Audit Committee Members. Members of the Committee considered the register and raised various issues and questions. The register contained the current and previous risk scores, but it was suggested that details of how the risk had changed over time would be useful. The Risk and Insurance Manager would build this information into the register to enable a trend to be visualised.

Additionally, good progress had been made in updating the corporate risk management strategy for 2021-2024. The key proposals had been reported at the last meeting and the full strategy would be brought to the next meeting with a recommendation for approval. Members were also informed that departmental risk owners would be invited to meetings of the Committee to expand on their particular area of risk.

Action was also currently underway to upgrade APEX (the Council's performance information system) over the next few weeks to record all corporate risks. This would strengthen the Council's overview of risk management and provide the basis for improved monitoring and reporting in support of the strategy, with the aim of establishing the Council amongst the best performing local authorities for risk management by 2024.

RESOLVED that the Audit Committee review the Strategic Risk Register to:

- (1) note the key risks to the Council;
- (2) note the target scores as a reflection of the aims of the Council;
- (3) note the mitigations identified to achieve the target score;
- (4) note the progress with the revised corporate risk management strategy; and
- (5) note the work underway to upgrade APEX to include data on all corporate risks in relation to planned deliverables.

24/21 **NATIONAL FRAUD INITIATIVE (NFI)** The Cabinet Office was responsible for organising and co-ordinating the NFI process to assist in the identification of public sector efficiency and reform. The NFI was a national data matching exercise that had 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.

Audit Services was the Council's central co-ordinator for the data matches received from the Cabinet Office and ensured that matches were investigated, which included liaising as required, with departments and other public bodies. The primary results of the Council's matching exercise had been made available for review on 28 January 2021.

The initial 2020-21 return for the Council had 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. The review of the NFI data matching reports was currently in progress and further reports would be brought to future meetings to provide Members with updates on the progress of the NFI 2020-21 process and level of identified error and fraud.

RESOLVED to note the scope of the NFI 2020-21 data matching exercise and progress made to date.

25/21 **AUDIT STRATEGY MEMORANDUM – DERBYSHIRE PENSION FUND** John Pressley from Mazars attended the meeting and presented Members with the Audit Strategy Memorandum for the Derbyshire Pension Fund for the year ending 31 March 2021. The purpose of the document was to summarise their audit approach, highlight significant audit risks and areas of key judgements.

The risk assessment for the financial statements audit had identified the following significant risks:

- Management override of controls
- Valuation of investments within level 3 of the fair value hierarchy

The management override of controls was a standard audit risk. As at 31 March 2020 the Pension Fund held investments which were not quoted on an active market with a fair value of £1.938m. As the pricing of these investment assets was subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. It was therefore considered that there was an increased risk of material misstatement. Mr Pressley outlined their plans to address this risk.

On behalf of the Committee, the Chairman wished to thank Mr Pressley for his presentation.

RESOLVED to note the Audit Strategy Memorandum for Derbyshire Pension Fund.

Audit Services Annual Report 2020-21

“Audit Services aspires to enhance and protect organisational value by providing risk based and objective assurance, advice and insight”

Background to the Annual Report

The Annual Report provides Members with the outcome of Audit activity relating to the County Council's operations throughout the financial year. The Report highlights the achievement of the 2020-21 Audit Plan which was approved by the Audit Committee on 27 May 2020. This includes details of the areas reviewed, opinions provided, key issues identified and actions arising. The Annual Report is a requirement of the Public Sector Internal Audit Standards (PSIAS) in which the Chief Audit Executive (Head of Audit) must provide:

- An opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- Detail of the Audit Plan delivered throughout the year and overall outcomes to support for the Audit Opinion;
- An opinion that can be used by the organisation to inform its governance statement;
- A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP).

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

Covid-19

Towards the end of 2019-20, the Covid-19 pandemic placed the country in lockdown and the Council's staff were required to work from home, wherever possible, from 23 March 2020. These unprecedented events placed significant pressures on the Council's services and staff as it sought to fulfil additional responsibilities placed upon it by central Government whilst trying to maintain existing services.

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1.	Progress Against the 2020-21 Audit Plan	
2.	Key Performance Indicators 2020-21	
3.	Satisfaction Questionnaires 2020-21	

Due to the pandemic, the Audit Committee's meeting scheduled for 24 March 2020 was cancelled and took place on 27 May 2020. At that meeting, Members received two reports from the Assistant Director of Finance (Audit) detailing the proposed Audit Plan, and the areas which could impact on the delivery of the approved Plan. Further performance and updates were provided to the Audit Committee throughout the year.

The response to the pandemic has continued to affect the work of Audit Services during 2020-21, prompting a refocusing of the Plan onto key priority areas and more targeted reviews that could be delivered without placing additional pressure on departmental staff resources. The findings from these reviews were used to support our overall assessment of governance and control systems, in addition to providing a different perspective to the Audit Opinion.

Throughout this period, Audit Services have continued to support Senior Management in the design and implementation of required/proposed operational changes, in particular, where these changes were to be made at short notice. As the restrictions continued throughout the year, the ongoing pressure on the Council's staff reduced opportunities to undertake Audit activities agreed within the 2020-21 Audit Plan. As detailed within **Appendix 1** to this report, in certain instances Audits could not be undertaken due to the availability of staff, closure of schools and establishments.

Whilst the challenges faced by those tasked with supporting the Council's Covid-19 response and maintaining service delivery is fully recognised and acknowledged, it is essential that, as the transition to a position of living with the virus and more 'normal' activities return, resources will need to be made available to deliver Audit reviews. Although sufficient work has been undertaken during the year to form an opinion on the Council's governance, risk and control framework, this would prove more challenging in 2021-22 if the Unit were unable to progress a similar number of Audits as in 2020-21.

Assistant Director of Finance (Audit)

On 2 February 2021, Carl Hardman notified Audit Committee of his intention to retire on 31 March 2021 after over thirty years' service with the Council. Following a recruitment process, Dianne Downs has been appointed as the new Head of Audit, Insurance and Risk Management, taking up the post in early September 2021.

Regulatory Framework and Scope of Audit Operation

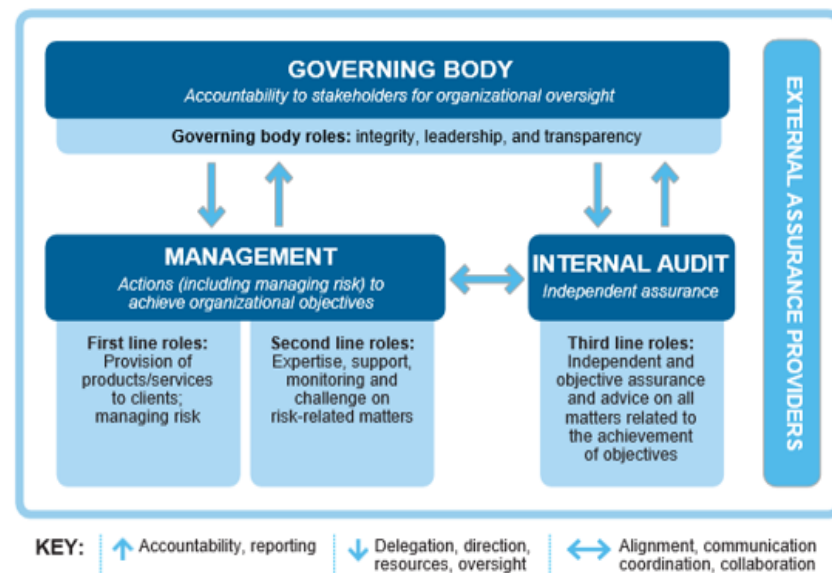
As defined by the Chartered Institute of Internal Auditors, ‘The role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively’.

The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control, together with a duty to prepare an Annual Governance Statement (AGS). The Audit Opinion on the Council’s control environment contained within this report is included within the AGS, to provide independent assurance to the Council’s stakeholders. To support this, Audit Services discharges the Council’s statutory responsibilities as defined within:

- Regulation 5 of the Accounts & Audit Regulations 2015.
- Section 151 of the Local Government Act 1972, in relation to significant aspects of the Director of Finance & ICT’s statutory duties.

To support Audit Services, the Council has an approved Audit Charter and Audit Strategy. The Unit’s role and responsibilities are also documented in the Council’s policies and procedures including Financial Regulations and Anti-Fraud and Anti-Corruption Strategy. The Unit utilises the Chartered Institute of Auditors Three Lines Model to support its role in assuring the effective management of risk and corporate governance structures.

The IIA’s Three Lines Model



The independence of Audit Services is achieved by maintaining reporting lines which allow for direct and unrestricted access to the Council Leader, Audit Committee, Head of Paid Service, other Executive Directors, Section 151 Officer, Monitoring Officer, Directors and Members. The Council’s Constitution gives the Audit Committee overall responsibility for Internal and External Audit and sets out the role and responsibilities of the Head of Audit.

Head of Audit - Audit Opinion

Overall, based on the work undertaken during 2020-21 and our experience from previous years' Audit, our opinion is of a "Qualified Assurance" on the adequacy and effectiveness of the internal control framework, risk management and governance procedures within the County Council. Whilst the arrangements were generally found to be satisfactory, some enhancements have been recommended for senior management to action and improve the control framework.

In forming our opinion, we are satisfied that no conflicts of interest have occurred which would have any bearing on Audit Services independence or objectivity. In addition, our organisational independence and objectivity has not been impaired or the scope of our work restricted in any way.

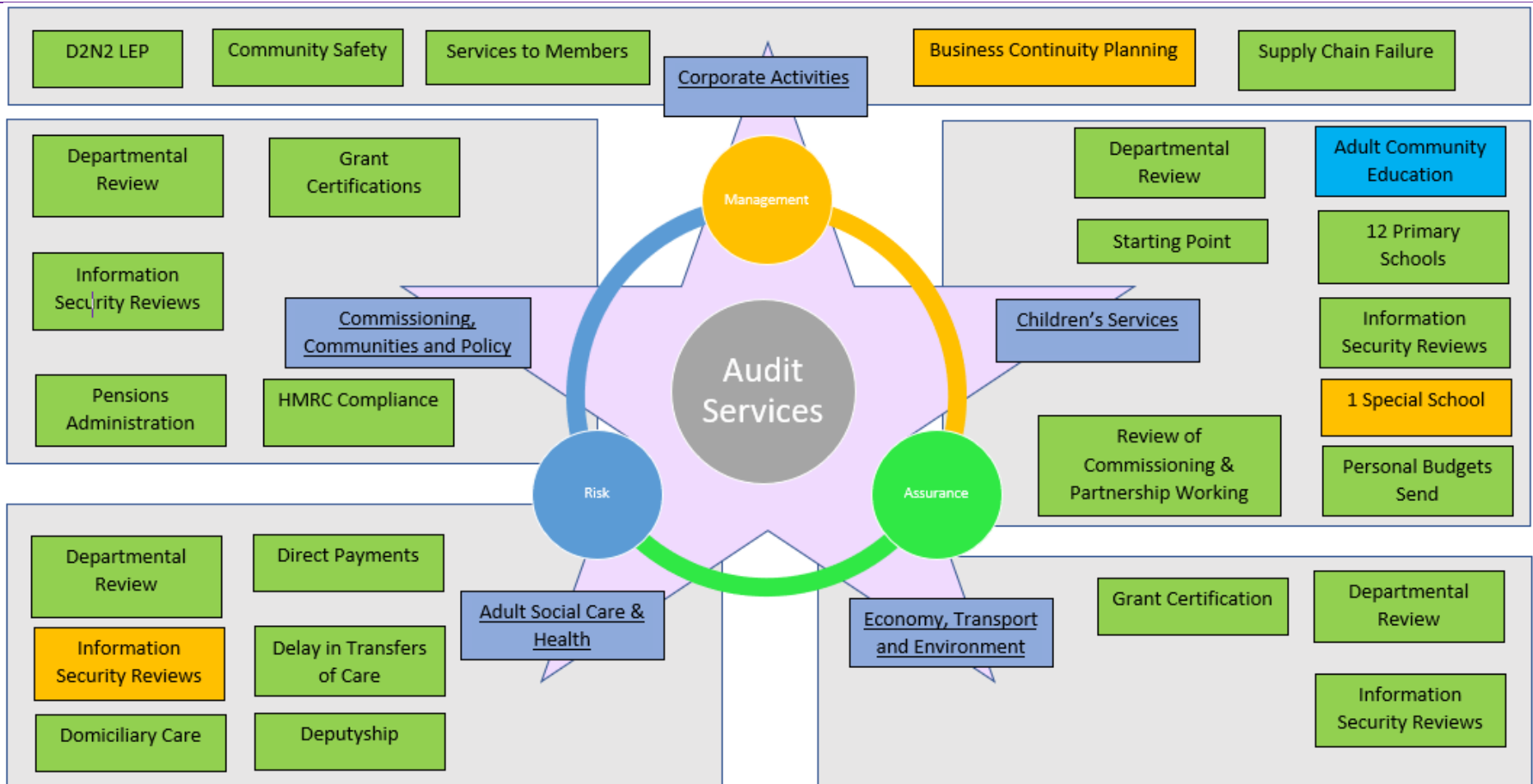
This opinion is based on:

- ongoing support and review of the Council's governance arrangements including the AGS;
- individual opinions reported in Audit Services Memoranda arising from risk-based Audit assignments drawn from the approved Audit Plan (see next page);
- the implementation of recommendations in respect of previous years' internal audit work;
- an assessment of risk management arrangements and the framework of assurance;
- Management responses to findings and recommendations;
- the extent of resources available to deliver the internal audit work, although these were less than those required to achieve the approved Audit Plan;
- the proportion of the Council's audit requirements that has been covered within the period;
- known and assessed impacts of the Covid-19 pandemic on the governance, risk management and control framework.

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

Guidance has also been taken from current practitioner articles including 'Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope' by the Chartered Institute of Public Finance & Accountancy (Cipfa).

Summary of Audit Opinions



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Key Financial Systems	HR Management	Accounts Payable	Accounts Receivable	Purchasing	Asset Management	Funds Management	Treasury Management
IT & IS Reviews	Bacs Payments		Systems Development		Corporate Database		
Unplanned Projects	Duplicate Payments		Photocopier Charges		Director Checks		Hospitality
Audit Opinions	Substantial	Qualified	Limited	No			

Available Audit Resources

Regular update reports have been presented to the Audit Committee throughout 2020-21 detailing progress against the approved Audit Plan. These reports have informed Members of the Unit's staffing resources which have been subject to a prolonged period of unexpected pressure due to vacancies and sickness; Members have been supportive of action taken throughout this challenging period.

As the employment market has been difficult for the recruitment of Audit staff, one of the key aims over the next few years is to continue the process started with the appointment of an Audit Apprentice to develop staff internally. Whilst this will not deliver results in the short term and continually carries the risk that staff will leave during or after their training period, this is considered one of the most efficient ways to fully equip Audit Services with the required staff.

Key to ensuring new and inexperienced staff have the ability to deliver a valued Audit service, will be the ongoing support and investment in effective training. In 2020, Audit Services transitioned to the latest version of the data analysis software IDEA, with a view to accelerating the use of data analysis and continuous auditing of the Council's key systems. Audit specific training on the new SAP solution and Microsoft Office 365 products will be scheduled in 2021-22, to ensure an effective review can be undertaken on the two core IT systems.

It is however, positive to report that some progress was made during the year with the recruitment of an Auditor in March 2021. Operating in a Covid environment has made it difficult to meet face to face with new colleagues making the induction and staff development more challenging. This is evident with the two Audit staff that joined the Unit just before the National lockdown, who have not had the opportunity to fully develop their audit experience in areas including schools, establishments and routine compliance visits. The changes to working arrangements and operational processes resulted in audit reviews taking longer than anticipated to prepare, complete and finalise in 2020-21, further impacting on available resources.

Audit Services continue to work to safeguard the Council and its senior management by promoting the principles of good governance, ensuring that robust controls are in operation and seeking to improve risk management arrangements whilst looking to minimize the effects of reduced resources and increased demands on its services. However, in common with other Council functions the Unit's ability to respond within a reasonable timeframe to requests made of the service, including operational project related work, has again been impacted upon during this year. We do however, continually monitor this situation to minimize the effect of reduced resources on the effective delivery of the Audit Plan.

Planning Audit Activity

The Unit has established practices to formulate the Audit Plan and inform our risk assessment. This is drawn from a wide range of sources including the Council Plan, Strategic and Departmental risk registers, service plans and other information, as illustrated in the 'Audit Plan' graphic. The Plan is discussed and agreed by key stakeholders including individual Executive Directors and Directors, Head of Paid Service, Section 151 Officer, Monitoring Officer and is available to the Council's External Auditor prior to submission to, and approval by the Audit Committee.

The Audit Services Unit is part of the Commissioning, Communities and Policy Department and the Assistant Director of Finance (Audit) has direct access to all Members, all levels of Management and employees of the Council. The Assistant Director of Finance (Audit) meets with the Corporate Management Team and individual Executive Directors to discuss progress against the Plan and emerging issues. The Plan is subject to ongoing review and adjusted to meet changing risks with regular updates of Audit activity reported to the Audit Committee.

Our work contributes to the Authority's ambition to be an enterprising and value for money council. We support Management in formulating and implementing robust governance, risk management and control systems and ensuring ongoing compliance. As part of this, Audit staff undertake IT security and data protection assessments of external suppliers' systems, procedures, network security and operational controls.

As already mentioned, the Covid-19 restrictions impacted significantly on the Unit's ability to deliver a number of audits in 2020-21. The Cipfa Code of Practice on Managing the Risk of Fraud and Corruption states that councils should undertake an annual assessment of whether the level of resource to counter fraud and corruption is proportionate for the level of risk. This assessment is made by the Assistant Director of Finance (Audit) when formulating the Audit Plan.



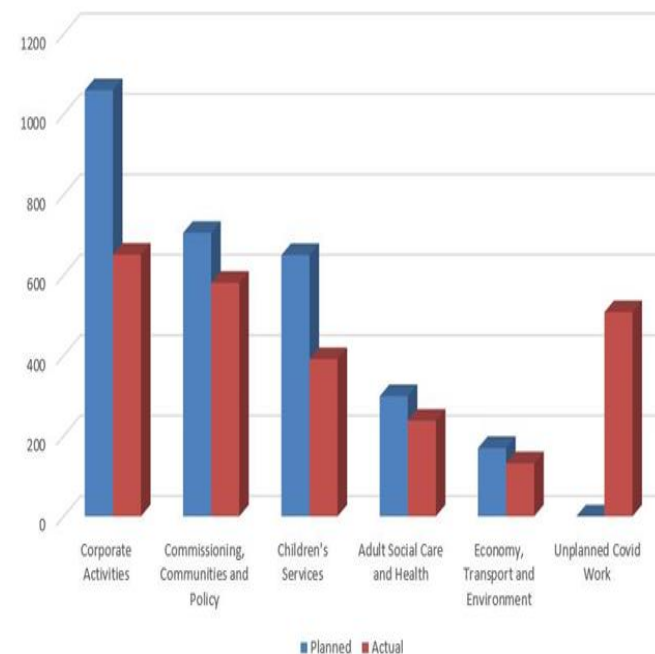
Audit Services Outcomes

The Covid-19 pandemic has had a significant impact on the operations of the Council and Internal Audit in 2020-21. The prolonged uncertainty and disruption brought about by the pandemic affected the delivery of the planned internal audit work.

It was apparent the Council was dealing with a set of new challenges which demanded rapid responses and altered the organisation’s risk landscape. During the three national lockdowns, non-essential travel was restricted and social distancing introduced which meant that internal audit and the majority of other Council staff worked from home, significantly changing the way audits were undertaken. All audits were conducted remotely resulting in the internal audit process taking longer than normal and it proved challenging for Management to effectively balance internal audit requests and the ongoing response to the pandemic.

By necessity, the Audit Plan was flexed within the year to ensure it remained relevant to key risks facing the Council. Consequently, the Audit Plan was continually reviewed during the year to take into account changes in the Council’s environment and discussions with Management. Due to availability of staff to support Audits, a number of reviews such as Business Continuity Planning, Corporate Health Check, Registration Service, Server Infrastructure, schools and establishments visits were not undertaken. The outcome of the Audit Performance for 2020-21 is shown below:

Planned Days against Actual Days for each Audit Area



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2020-21 Outcome	Days
Approved Audit Plan	2,884
Actual Productive Days	2,501
Shortfall in Productive Days Delivered	383

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

Governance Arrangements

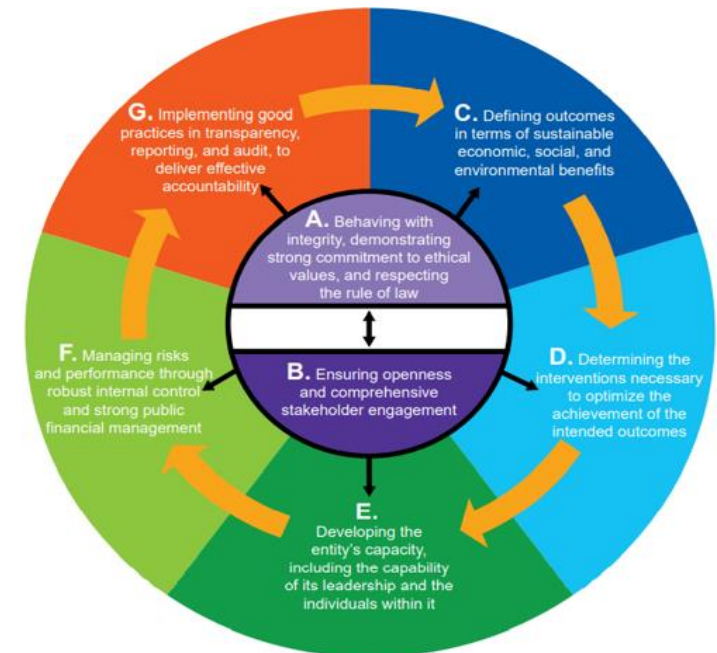
Corporate governance includes the systems, processes and values by which councils operate and are held accountable to their communities and stakeholders. The importance of effective corporate governance cannot be underestimated as it is fundamental to underpinning credibility and confidence in public services. The Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has a corporate governance framework in place to align with best practice and compliance with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The Council is committed to effective corporate governance and demonstrates this by:

- Reviewing the Council’s governance arrangements against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework;
- Assessing the effectiveness of its governance arrangements against the Local Code of Corporate Governance;
- The completion of Executive Director Assurance Matrices;
- Considering the impact of External Assessments;
- Preparing the AGS;
- Monitoring the progress against the recommendations in the AGS Action Plan.

Audit Services staff contribute and help define the Council’s Corporate Governance Framework and procedures.

The Council’s systems of governance and internal control are based upon a framework which embraces regular management information, approved policies and procedures (including Financial Regulations and Standing Orders relating to Contracts), administrative procedures (including segregation of duties), Management supervision and a structure of delegation and accountability.



Source: International Framework: Good Governance in the Public Sector (CIPFA)

Examples of Good Practice and Areas for Improvement

Each Audit Memorandum produced reflects areas of good practice identified by the Audit Services' review and includes a prioritized Action Plan detailing recommendations for improvements. The following are examples of where a substantial Audit Opinion (Strengths) or Limited Audit Opinion (Areas for Improvement) were reported from our work undertaken in 2020-21. Due to the timing of the reviews, these may include or refer to previous year's reviews issued in the current year.

Good Practice	Areas for Improvement
<p><u>Accounts Payable and Receivable</u></p> <p>As an important area of the Council's core financial operations the Accounts Payable and Accounts Receivable functions were considered to be well managed and operating in compliance with documented procedures. These processes have been adapted during the Covid-19 lockdown and continue to operate effectively.</p>	<p><u>Maintenance of Council Properties</u></p> <p>Although an Annual Maintenance Programme was in place, a significant backlog has accumulated in the timely completion of scheduled checks. There were also gaps in the performance management framework used to monitor the service.</p>
<p><u>Funds Management and the administration of the Derbyshire Pension Fund</u></p> <p>The review identified that the Fund is supported by a governance framework and a suite of policies and procedures which are generally fit for purpose and operating effectively. Minor improvements were noted in relation to the need to maintain a number of administrative functions.</p>	<p><u>Asset Management System</u></p> <p>The Council's Corporate Property service is entering a period of fundamental change and re-evaluation of its core responsibilities and function. Whilst significant work has already been undertaken to manage the new arrangements and ensure robust legal provisions are in place, there is still work to be completed. Improvements in staff training and the IT systems used to record and monitor the Council's assets, were in need of improvements.</p>

Human Resources

The review identified that roles and responsibilities relating to payroll administration, monthly payroll processing and oversight were allocated to staff working within the Shared Service Centre (SSC).

Systems and controls surrounding payroll administration are generally adequate and operating effectively. Opportunities to further strengthen the arrangements in place relating to payroll reconciliations, overpayment analysis and recording of employee working hours were reported.

Adult Community Education Service

A governance framework is in place which includes a suite of policies and procedures detailing Service objectives (within the Curriculum Policy) and how the course programme will be communicated to stakeholders. A detailed course planning process is in place to identify and evaluate provision for the next academic year.

An annual budget is set which details how Education & Skills Funding Agency (ESFA) funding will be utilised to deliver the Service in accordance with the Curriculum Policy.

Bacs IT System

Whilst operational procedures are in place to manage the payments of the Council's Bacs transactions, there was found to be limited progress made in respect of previously notified Audit recommendations. Of these recommendations five were categorised as 'High' and included matters relating to the strengthening of user authentication and management of the continuity process.

At the point of the review, the Bacs software supplier was only 50% of the way through the accreditation process for their independent information security accreditation.

Information Security Reviews

As part of the work to support the Council's information security framework, Audit Services review third party organisations operational procedures. Issues were reported where the expected standards were not in place including:

- Poor training and induction;
- Limited back up arrangements;
- Absence of independent information security accreditations;
- Absence of encryption of mobile devices.

Detailed Analysis - Corporate Activity

Departmental Performance	2019-20	2020-21	Departmental Opinions	2019-20	2020-21
Days within the Approved Audit Plan	1,018	1,060	Substantial	-	-
Actual days delivered	640	546	Qualified	2	6
Percentage of Departmental Audits achieved	63%	51.5%	Limited	1	2
Number of Reports/ Memoranda Issued	12	11	No	-	-
			Other (including letters)	9	3

The Unit undertook work on a variety of systems and procedures, themed and operational projects, including potential fraud investigations. Audit Services issued 11 Reports and Memoranda within the Corporate Activities area, which are detailed within **Appendix 1**. An overview of the main Audit Opinions are shown below.

Corporate Fraud Prevention

The Council has a framework of policies which are intended to encourage the prevention of fraud, promote its detection and identify a clear protocol and methodology for undertaking investigations. Nationally the number of frauds and scams increased significantly with Action Fraud reporting that Covid-19 related frauds increased by 400% in March 2020. Fraud threats are constantly changing, varying in complexity and scope in some cases, reviving previous, similar fraudulent activities. The involvement of organised crime is a growing threat which will impact on local authorities and their residents. Throughout the year, Audit Services continued to build on its work over the past few years to liaise with Derbyshire Constabulary and colleagues within the Council, to analyse internal data against potential organised crime group activities.

Audit Services continued to distribute intelligence received relating to potential frauds and scams. To help build upon the work already undertaken in this area, Audit resources targeted specific fraud awareness measures including the creation of an online training module for staff.

As the services and the way the Council operates are subject to change, it is essential that the level of management oversight and supervision must not compromise the governance, risk management and control framework. Operational and Management controls form a vital part of the Three Lines Model illustrated on page 4.

During the year, Audit staff worked on 5 investigations of potential fraud, misconduct or irregularity. Audit staff investigate individual cases of suspected theft, fraud or irregularity and produce Audit Reports for senior management which detail our findings and recommend appropriate action including, where necessary, measures to improve controls to prevent recurrence. Staff actively participated in the National Fraud Initiative (NFI) 2018-19 and investigated data matches reported as part of that process as well as preparing for NFI 2020-21. The Unit continues to work with the National Anti Fraud Network (NAFN) which provides valuable intelligence on potential frauds. Relevant information received from NAFN and other sources is investigated by the Unit and disseminated to Members, Executive Directors and Directors in order to ensure that the Council is informed of known and emerging fraud risks.

The Assistant Director of Finance (Audit) is the Council's RIPA Monitoring Officer, responsible for the oversight and monitoring of powers exercised under the Regulation of Investigatory Powers Act (RIPA) in accordance with the Council's RIPA Policy. On 27 May 2020, the Audit Committee was informed of the outcome of the inspection of the Council's procedures relating to the use of its powers under RIPA by Mrs Samantha Jones of the Investigatory Powers Commissioner's Office (IPCO). In summary the Commissioner confirmed that the Council:

“demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection. Four of the six previous recommendations emanating from the 2016 inspection have been discharged” and



“It must be emphasised that although your Council has not exercised its RIPA powers since 2012, there is good work being undertaken in ensuring that activity instigated by your staff when accessing the internet and social media sites is subject of a robust audit regime and a separate policy document. This document, together with the overarching RIPA policy document and your retention policy, is indicative of your level of commitment to ensure compliance with the legislation.”

D2N2 Local Enterprise Partnership (LEP)

As part of the Council’s Accountable Body services the Unit completed a review of activities during 2019-20. The results of the Audit work confirmed that robust governance and control arrangements were in place, with effective reporting arrangements and financial support and oversight provided by the Council as the Accountable Body.

Departmental Reviews

These key reviews have been undertaken for a number of years and developed by the Unit to assess the adequacy and effectiveness of controls operating within Departments. Such work forms an integral part of Audit’s overall assessment of the effectiveness of the governance arrangements operating within the Council and can inform future Corporate/Departmental Audit projects. In 2020-21, the Departmental reviews considered the completed Executive Director Assurance Matrices developed by the Governance Group and how requirements of the Council’s Constitution were being met. Departmental reviews are also a vital component in demonstrating a continuous Audit presence.

IT Systems, Information Security and Data Protection

As in previous years, Audit staff have worked with colleagues across the Council including ICT Services and procurement colleagues to review compliance with the Council’s information security framework and the Data Protection Act 2018. During the year it remained evident that whilst awareness around the data protection and information security is more prominent within the third-party suppliers, there are still areas for improvement. Audit Services take every opportunity to engage with individual suppliers and more widely to promote the benefits of enhancement cyber security procedures and potential risks. Derbyshire like other counties have a significant number of small and medium-sized enterprises (SMEs) who would likely be impacted the hardest in the event of a cyber or ransomware attack.

The National Cyber Security Centre (NCSC) provide advice and guidance to all types of organisations on steps that can be taken to reduce the opportunity for IT network compromise or potential loss of data. Whenever possible and through various channels, Audit Services frequently promote the work of the NCSC. It is important to remember that all organisations can implement a few key procedures that will have a big impact on its information security risk profile:

- Taking regular backups of important data and checking these can be restored;
- Keeping smartphones and other devices up to date and secured with a PIN or password;
- Use anti-virus software and keep all software up to date;
- Regularly train staff on information security and how to spot phishing emails;
- Wherever possible use two factor authentication to strengthen passwords;
- To protect against the most common forms of cyber-attack, look to achieve the Government backed Cyber Essentials or Cyber Essentials 'Plus' accreditation.

Supply Chain Failure

The review of Supply Chain Failure considered the framework of financial documentation in place and the approach taken to supply chain failure within the Procurement Strategy. Whilst there were areas of good practice noted with regard to the management of supply chain failure, and that further work had commenced in this area, there were opportunities to reduce inconsistencies to supply chain management across the Council. The establishment of a corporate contract register will improve overall transparency and accountability.

Covid-19 and Other Grant Certification and Support

Audit Services reviewed arrangements around the Local Government income compensation scheme for lost sales, fees and charges. The Unit worked with Departmental finance staff to identify income that had been lost as a result of Covid-19 and was deemed to be eligible for compensation under the Scheme. Returns were submitted to the Ministry of Housing, Communities and Local Government on a quarterly basis through 2020-21 to support annual eligible lost income of £2.35m.

Meetings and Support

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

Governance Group - The Group has a key role in considering and promoting governance matters (including the development and revision of related policies), supporting the work of the Audit Committee and production of the AGS. The Group has developed a Local Code of Corporate Governance and Director Assurance Matrices to support the AGS.

Information Governance Group - Audit Services continue to be an integral part of the ongoing monitoring and compliance work required to maintain the Council's ISO27001:2013 accreditation. The Unit's role includes attendance and support to the monthly meetings of the Group, review of information security policies and ongoing information security reviews as specified within the Audit Plan. The Unit's staff are the contact point for the External Auditor in relation to the provision of internal audit in respect of the ISO27001 standard.

Detailed Analysis - Commissioning, Communities and Policy

Departmental Performance	2019-20	2020-21	Departmental Opinions	2019-20	2020-21
Days within the Approved Audit Plan	655	705	Substantial	2	5
Actual days delivered	476	679	Qualified	16	12
Percentage of Departmental Audits achieved	83%	96%	Limited	2	2
Number of Reports/ Memoranda Issued	25	21	No	-	-
			Other (including letters)	5	2

The Unit undertook work on Departmental systems and procedures, themed and operational projects, core finance activities and IT system reviews. Audit Services issued 21 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit Opinions are shown below:

Departmental Review

As the 2020-21 Departmental review was scheduled in the final quarter of the 2020-21 Audit year, the review had not been finalised before the 31 March 2021. The outcome from the 2019-20 review reported during 2020 confirmed that the Department continued to operate within a framework of policies, procedures and associated governance arrangements which are generally fit for purpose. However, testing of human resources and budgetary control arrangements identified that Council policies were not always consistently applied. A further area which required management attention related to the declaration of business interests for staff and recording of staff secondary employment.

Accounts Payable Review

As an important part of the Council's core financial operations, the Accounts Payable function is considered to be well managed and operating in compliance with documented procedures. The Accounts Payable Team process a significant volume of transactions which exceeded 750,000 during the period September 2019 to September 2020. A number of minor operational improvements were recommended.

Accounts Receivable Review

The Accounts Receivable function oversees the billing, collection and management of the Council's income. Established processes are in place and operating effectively in relation to the creation of new customers, raising of invoices and the collection of outstanding debt. These processes have been adapted during the Covid-19 lockdown and continue to operate effectively. A number of minor operational improvements were recommended.

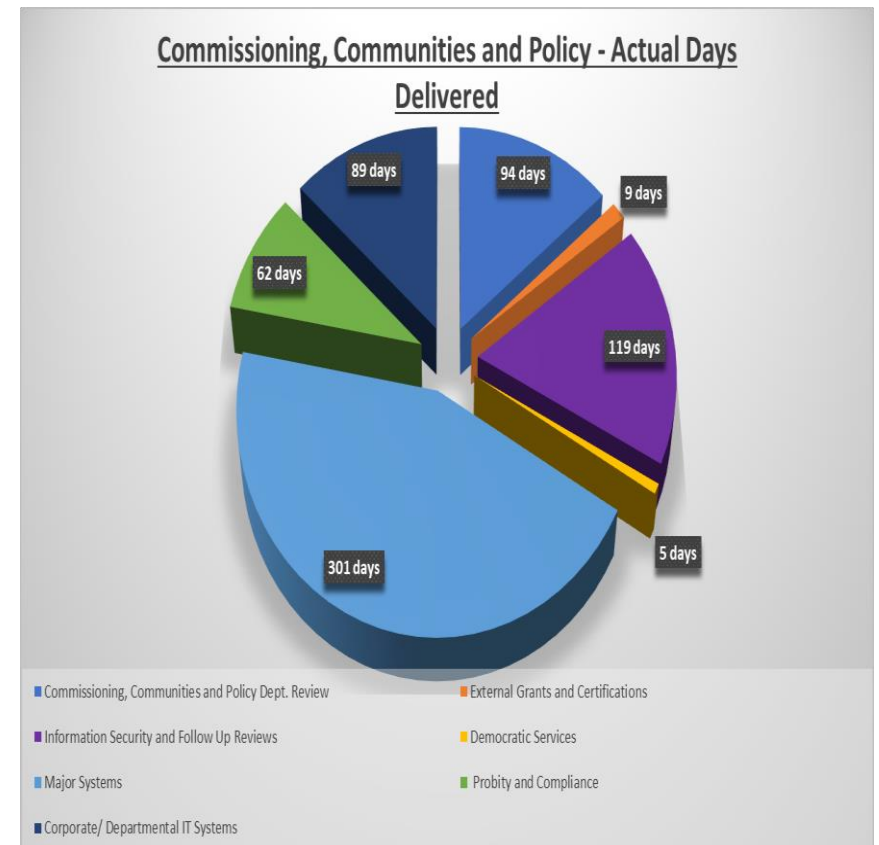
Procurement Review

As the 2020-21 procurement review was scheduled in the final quarter of the 2020-21, the review had not been finalised before the 31 March 2021 year end. The outcome from the 2019-20 review reported during the year confirmed that the Procurement Strategy approved by Cabinet was in place and supported by a detailed Implementation Plan, together with an Enterprising Procurement Vision and Mission to create a commercial capability in the Corporate Procurement Team. New structures, working practices and procedures were either recently in place or currently under development which should improve the efficiency, effectiveness and customer service experience once fully embedded.

Recommendations were made to further strengthen elements of the procurement administration relating to the completion of procedure guidance notes, improve monitoring of off-contract spend and the collection of data to effectively monitor key performance indicators

IT Systems Development Control Review

Whilst significant elements of the service were operating effectively, opportunities to improve current processes and procedures regarding systems development controls were identified. These included the reintroduction and review of Key Performance Indicators (KPIs) to monitor ongoing service effectiveness, together with improvements in the key



documentation that supports systems development and maintenance control procedures. Enhancements to the IT systems options appraisal process could potentially deliver financial savings, by integrating and adapting existing technology rather than purchasing new IT solutions.

Core IT System Interfaces Follow-Up Review

Overall, significant work had been undertaken across the Council to address the main findings from the Audit review undertaken in 2017-18. Improvements were evident in the security of data being transferred between systems and documentation to support the variety of interlinked applications. In a small number of cases, the action taken to implement the agreed recommendations had not fully addressed the overall risk, where this was the case, the outstanding issues were raised again.

Meetings and Support

In addition to our programme of Audits, the Unit assists Management with the provision of ongoing support, advice, attendance at various meetings including those with Departmental staff and project boards. This level of engagement is necessary to help the Council achieve its objectives by providing assurance that risks are being managed effectively and promote the principles of good governance and control frameworks. Examples include:

Finance Officers' - Meets on a regular basis to discuss a range of budgetary and accounting issues and supports the Director of Finance & ICT.

Risk Management - Role is to monitor and support Corporate leadership of risk management across the Council.

GDPR Working - Plays a pivotal role in ensuring the Council's ongoing compliance with current data protection legislation and ensuring best practice is implemented across all services.

SAP Implementation – Drawing upon resources from across the Council to support the migration from the current SAP ERP system, to the new SAP Intelligent Enterprise Suite, including SAP S/4HANA Enterprise Resource Planning application.

Cloud Centre of Excellence Board – Supporting the ongoing roll out of the Microsoft Office 365 software across the Council and transfer of information into the new platform.

Detailed Analysis – Children’s Services

Departmental Performance	2019-20	2020-21	Departmental Opinions	2019-20	2020-21
Days within the Approved Audit Plan	528	650	Substantial	-	1
Actual days delivered	626	390	Qualified	42*	19**
Percentage of Departmental Audits achieved	119%	60%	Limited	3*	1**
Number of Reports/ Memoranda Issued	55*	22**	No	-	-
			Other (including letters)	-	1

(*2019-20 - Includes 32 primary and special schools and 3 children’s homes. **2020-21 - Includes 11 primary school ‘virtual’ audits).

The Unit undertook work on Departmental systems and procedures, themed and operational projects, and IT system reviews. Audit Services issued 22 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit Opinions are shown below:

Children’s Services Departmental Review

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and ISO27001. There was sufficient evidence to support that the Department has measures in place to meet regulatory and legislative requirements and comply with the Council’s Constitution. The majority of controls in respect of accountancy and budgetary control and risk management were deemed to be effective.

Recommendations were made to enhance current staff absence procedures in accordance with the Council’s Attendance Management and Ill Health Capability Procedure. Processes around the validation of business continuity arrangements for suppliers required further strengthening and enhancements to the password parameters within Departmental IT systems.

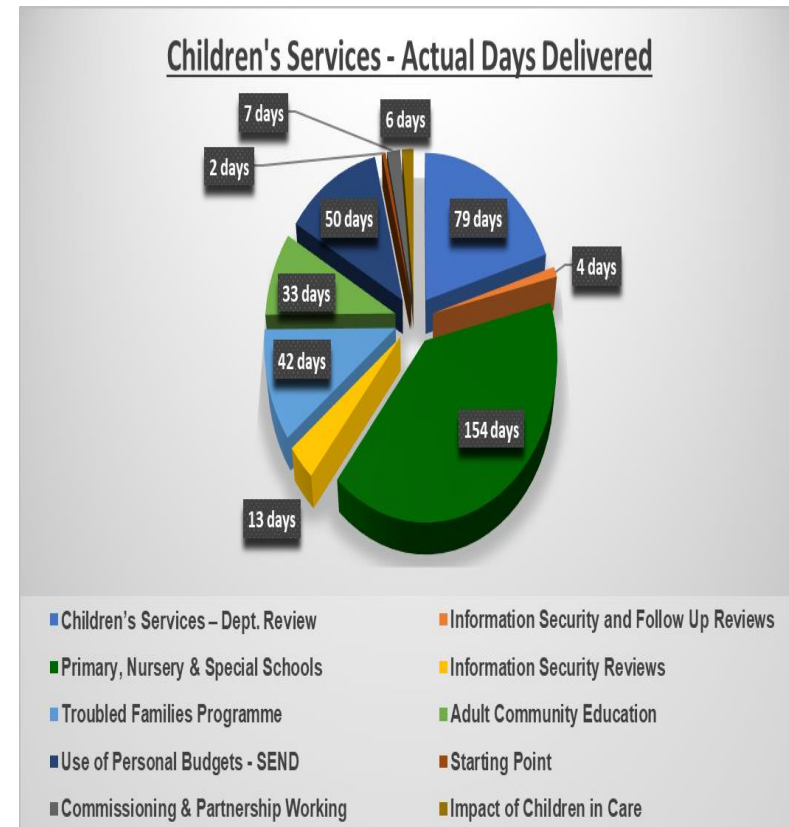
Adult Community Education

Derbyshire Adult Community Education Service (DACES) aims to provide a wide range of high quality and effective learning opportunities that respond to the needs of the local economy, the Council's priorities and current and potential learners. When assessing the Service's Strategy and Governance, Course Planning and Provision, Funding, Learner Administration and Performance Management, the review identified only minor areas for improvement. Based on the work undertaken and information assessed it was considered that Management could draw a substantial assurance that the Service was operating effectively.

Use of Personal Budgets for Children with SEND

The Audit considered the Council's strategy, the policies and procedures relating to the administration and management of personal budgets for children with special educational needs and disabilities (SEND), together with compliance with the Special Educational Needs (Personal Budgets) Regulations 2014.

The Council has developed a framework including staff resources and processes to assist in the evaluation of needs, calculation of an indicative personal budget and the administration and oversight of associated direct payments. Although this is supported by statutory and local guidance, improvements were recommended to current policies and procedures, to ensure these were up to date and reflected approved controls. Existing processes also required enhancements to ensure that Education, Health and Care (EHC) Plans are completed within 20 weeks of the initial needs being identified. Tightening of the administration around the periodic review and recovery of excess funds would further enhance the service provision.



Troubled Families Programme

During 2020-21 Audit Services reviewed six Troubled Families Grant submissions. In total there were 755 families which equated to funding of £604,000, with the Council meeting its agreed maximum target.

Schools

Due to the Covid-19 restrictions, no 'on-site' reviews of schools were undertaken during 2020-21. A small number of remote audits were conducted which has provided some assurance that systems of control have been maintained during this period. In addition, work was undertaken in respect of duplicate payments and declarations of interest which did not identify any major weaknesses. Audit Services has continued to monitor the submissions of the School Financial Value Standard (SFVS) returns by Derbyshire local authority controlled schools to ensure they have met the Department for Education (DfE) required submission date of 31 March 2021.

Detailed Analysis – Adult Social Care and Health

Departmental Performance	2019-20	2020-21	Departmental Opinions	2019-20	2020-21
Days within the Approved Audit Plan	333	299	Substantial	0	-
Actual days delivered	331	245	Qualified	17	5
Percentage of Departmental Audits achieved	99%	82%	Limited	5	3
Number of Reports/ Memoranda Issued	22	9	No	0	-
			Other (including letters)	-	1

The Unit undertook work on Departmental systems and procedures, themed and operational projects, and IT system reviews. Audit Services issued 9 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit Opinions are shown below:

Adult Social Care and Health Departmental Review

The Departmental Audit considered management and administration, budgetary control, risk management and human resources together with regulatory, legislative and ISO27001 compliance. This identified that the Adult Social Care and Health Department had adequate procedures in place to effectively undertake the duties conferred on it by statute, central government guidance and the Council Constitution.

Areas for improvement included the need to ensure that pre-planned, targeted testing of the Department's business continuity arrangements were completed and to critically evaluate the effectiveness of these arrangements before they need to be utilised. Line managers also need to ensure the Council's human resources policies are consistently applied especially in terms of acting-up arrangements and staff who may be working excessive hours.

Deputyship System

The Department acts as Deputy for individuals who are deemed as lacking capacity to manage their own financial affairs when there is no-one else appropriate, able or willing to perform this role. Particular consideration was given to the creation of Deputyship arrangements, their ongoing administration, oversight and associated fees and charges, and the

administration of clients' property and assets. Improvements were evident following the previous Audit review, with a dedicated team and associated working arrangements now in place to effectively discharge the Council's duties as a nominated Deputy or Appointee in accordance with the Mental Capacity Act (MCA) 2005, MCA Code of Practice and the Public Guardian Practice Note 01/2016. Building on the progress made, further opportunities for improvement were recommended through the creation of a formal Scheme of Delegation for the Deputyship Team and the strengthening of monthly reconciliation processes in key areas.

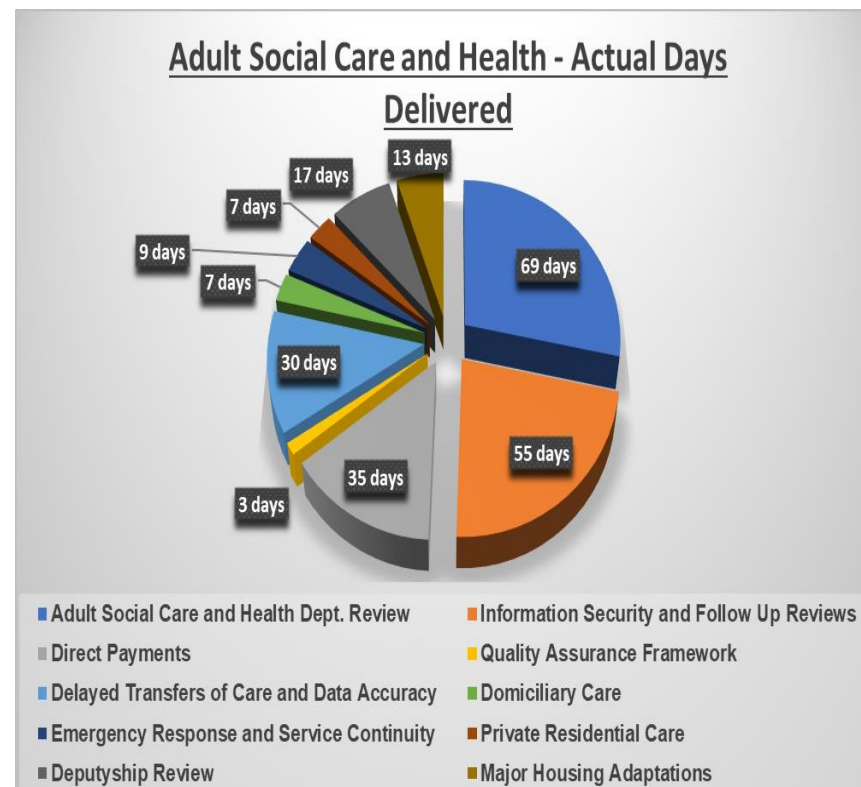
Delayed Transfers of Care and Data Accuracy

A Delayed Transfer of Care (DTOC) occurs when a patient is ready for discharge from NHS-funded acute or non-acute care and is still occupying a bed. This review focussed on the processes in place for patients' transfer of care, the reporting of DTOC to NHS England and the plans in place to reduce DTOC.

A number of areas of good practice were identified during the Audit and it was positive to note that work continued throughout the Covid-19 pandemic, both on site and utilising home working opportunities. Areas of service improvement were made to encourage the Department to use the NHS England Improvement Tool and East Midlands DTOC updates as well as increasing reporting in respect of DTOC to Members and Management. The Department were reviewing the option of introducing a 7-day working week in order to ensure that hospital discharges can operate efficiently and do not have to rely on volunteers from the Out of Hours Service.

Direct Payments

The provision of personal budgets and the associated right of an individual to choose to receive their personal budget as a direct payment is part of the Government's agenda to promote independence and choice by allowing individuals to choose how, by whom, and at what costs their needs are met. This review considered the systems and controls relating to the identification of social care needs, the calculation of an indicative budget and the payment of some, or all, of this



budget to clients as a direct payment. Consideration was given to the monitoring of direct payments and the identification and investigation of potentially fraudulent activity.

The review concluded that there had been improvements in respect of Direct Payments since the previous audit. There were however, still further areas to address in respect of the policies, procedures and documents listed on the Council's Direct Payment website to ensure that they are current. The procedures could also be improved by clearly stating the action that should be taken to notify interested parties of potentially fraudulent direct payment activity.

Adult Social Care and Health IT Systems

A number of new IT systems and information security arrangements were reviewed in respect of Derbyshire Integrated Sexual Health, Activity Recording and Scheduling, Autism Support Service and Welfare Rights. In response to the Covid-19 pandemic, Audit Services reviewed the systems for managing and recording lateral flow testing as it was being developed and implemented.

A number of the suppliers audited during the period were found not to have a consistent baseline of information security procedures in place to minimise the opportunity for unauthorised data access or reduce the threat of system compromise. Areas of concern related to the absence of effective business continuity arrangements, use of encryption (especially on portable devices including laptops) and failure to engage with the Government backed Cyber Essentials scheme.

Covid-19 and Other Grant Certification and Support

S.31 Demand Led Grant for Community Testing Funding. Audit Services worked with Public Health operational and financial staff to provide cost and activity data to the Department of Health and Social Care relating to the operation of the Covid-19 Community Testing and Community Collect programmes within Derbyshire in the period 21 December 2020 to 31 May 2021. This involved the review of forecast and actual testing data and the audit of £2.875m programme costs. With the Community Testing programme now extended to 31 March 2022, Audit Services will continue to undertake monthly grant returns through the 2021-22 financial year.

HIV Pre-Exposure Prophylaxis (PrEP) grant. Audit Services undertook testing on the use of £66,520 PrEP grant funding by the Public Health Department in 2020-21. Based on this work, Audit Services were able to provide assurance to the Managing Executive Director (CCP) and the Director of Public Health that grant monies had been utilised appropriately and as such, to facilitate the signing of the Annex C 'Statement of Grant Usage'.

Detailed Analysis – Economy, Transport and Environment

Departmental Performance	2019-20	2020-21	Departmental Opinions	2019-20	2020-21
Days within the Approved Audit Plan	150	170	Substantial	-	-
Actual days delivered	192	132	Qualified	4	3
Percentage of Departmental Audits achieved	128%	77%	Limited	-	-
Number of Reports/ Memoranda Issued	10	4	No	-	-
			Other (including letters)	6	1

The Unit undertook work on Departmental systems and procedures, themed and operational projects, and IT system reviews. Audit Services issued 4 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit Opinions are shown below:

Departmental Review

As the 2020-21 Departmental review was scheduled in the final quarter of the 2020-21 Audit year, the review had not been finalised before 31 March 2021. The outcome from the 2019-20 review reported during 2020-21 confirmed that the Department continued to operate within a framework of policies, procedures and associated governance arrangements which are generally fit for purpose. Budgetary control arrangements were robust with the most significant challenge for the Department relating to the delivery of budget savings.

Potential improvements were identified in relation to elements of the recruitment and selection procedures for new staff and information security awareness at certain external establishments.

IT Review - Waste Management Accounting System Replacement

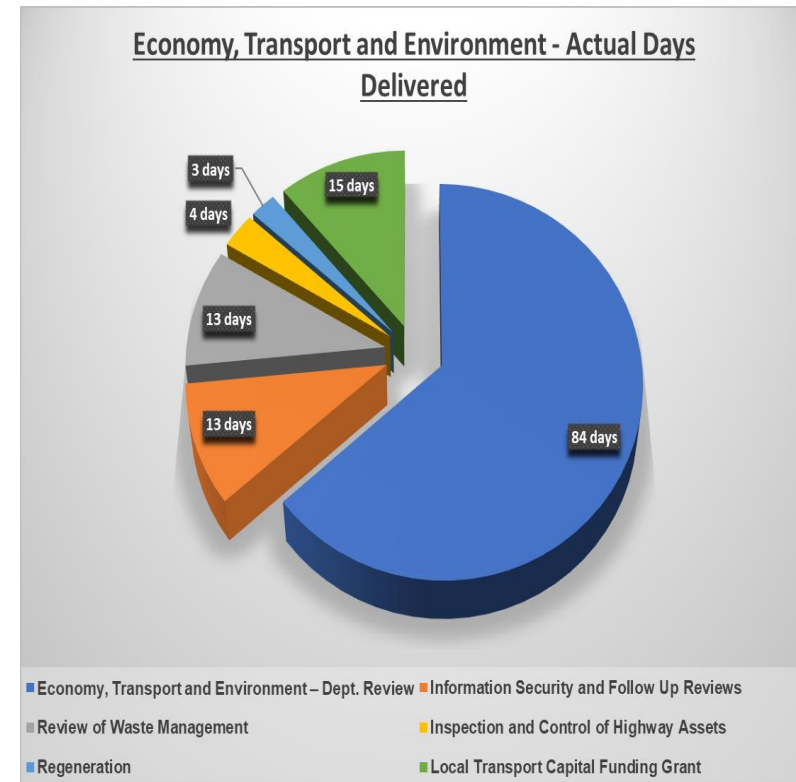
The Audit identified a satisfactory level of control was in place for most of the areas reviewed as part of the testing. Whilst a small number of recommendations were raised with the supplier, none of these were deemed 'High' priority. Enhancements to the 'live' system configuration settings as part of the implementation process addressed the remaining matters identified during the Audit.

Covid-19 and Other Grant Certification and Support

During the year Audit have helped support the Department's grant certification requirements by undertaking independent reviews of the following grants received from central government:

- Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) Specific Grant Determination involving in excess of £22m provided by the Department for Transport for the 2019-20 financial year
- Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant involving £896,500 provided by the Department for Transport for the 2019-20 financial year.

In both cases Audit completed an independent certification and sign-off following detailed testing of a sample of transactions to confirm the conditions attached to each grant determination had been complied with. There were no significant reporting issues arising from this work.



Unplanned Work (As reported to Audit Committee on 27 May 2020)

Performance	2019-20	2020-21	Departmental Opinions	2019-20	2020-21
Days within the Approved Audit Plan	-	0	Substantial	-	1
Actual days delivered	-	508	Qualified	-	6
Percentage of Audits achieved	-	-	Limited	-	-
Number of Reports/ Memoranda Issued	-	8	No	-	-
			Other (including letters)	-	1

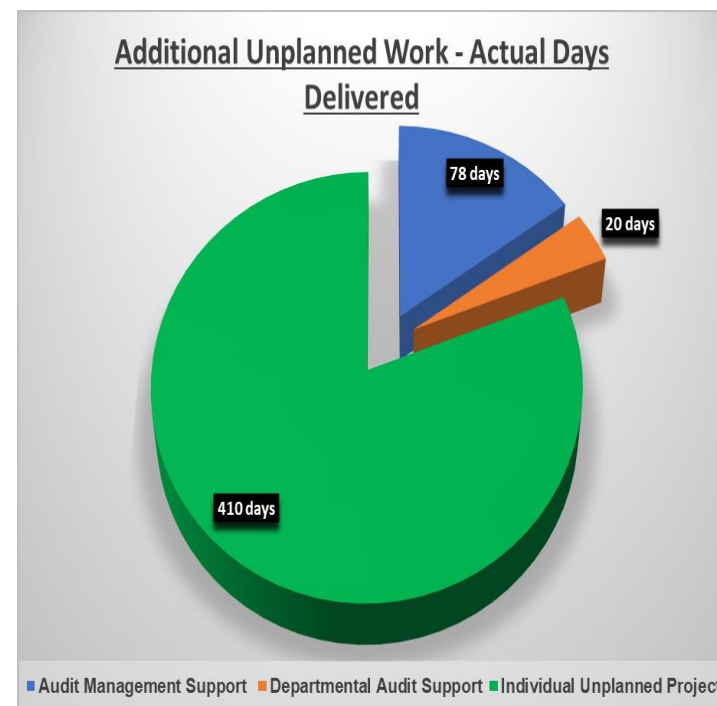
During the majority of 2020-21, challenges were faced in terms of progressing planned projects and therefore Audit staff were deployed on more targeted reviews in areas of specific risk e.g. checks on potential duplicate payments.

Duplicate Payments Review

Over 539,000 of the Council's invoices and 174,000 invoices paid on behalf of schools were analysed using the Audit analytical software IDEA. Investigations confirmed no duplicate payments had been being made in respect of the Council's invoices, although twenty-nine suspected duplicate payments on behalf of schools were identified, with a potential recoverable value of £16,943.59. The affected schools were contacted by Audit staff to arrange recovery action.

Hospitality, Hotels & Meals Review

A review of supporting documentation and transactions was undertaken to evaluate whether these payments were appropriate and represented best value in the procurement of goods and services. Improvements were recommended to improve the policy framework to guide staff when receiving hospitality or claiming meals. Further clarity was also required to manage corporate donations and sponsorship of Council events.

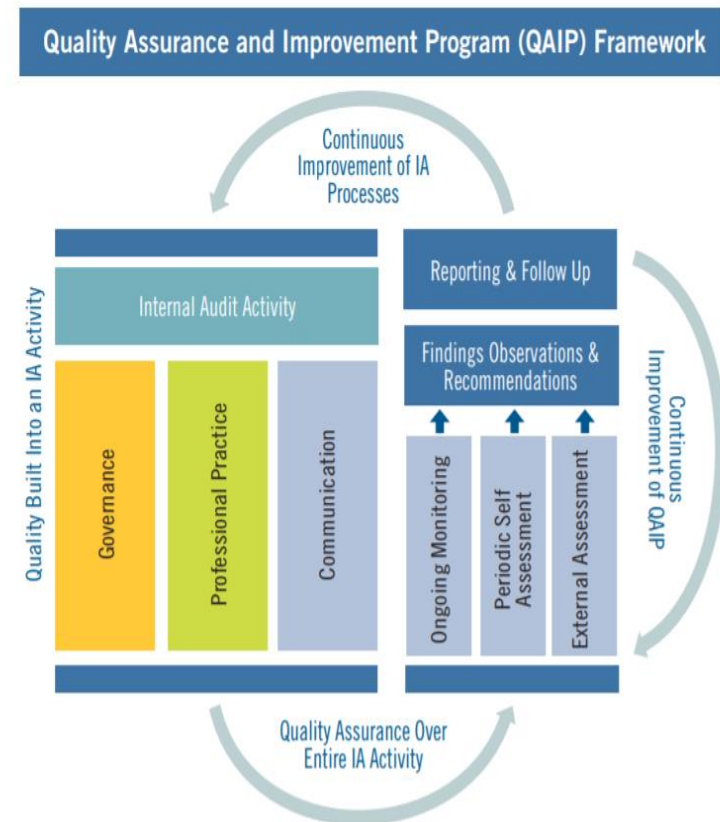


Quality Assurance and Improvement Programme & KPIs

Quality Assurance and Improvement Programme

In order to comply with the PSIAS the Head of Audit is required to develop and maintain an ongoing Quality Assurance and Improvement Programme (QAIP), to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit Committee along with any areas of non-conformance. The QAIP consists of various elements, and Audit Services have policies and procedures in place which are designed to ensure that the Unit carries out its work in compliance with its approved QAIP. These include:

- The Audit Services' Manual contains procedures and professional standards, the requirements of professional best practice and guidance relevant to the work of the Unit;
- Ongoing monitoring of the performance and quality control of the work of Audit Services is achieved through day to day supervision, review and measurement of internal audit activity;
- Agreed key performance indicators that are linked to the Audit Plan and defined deliverables;
- All Audit staff are required to complete an annual declaration of interests form, participate in the MyPlan process and undertake core training including information governance, health and safety, customer service and employee wellbeing.



Key Performance Indicators (KPIs)

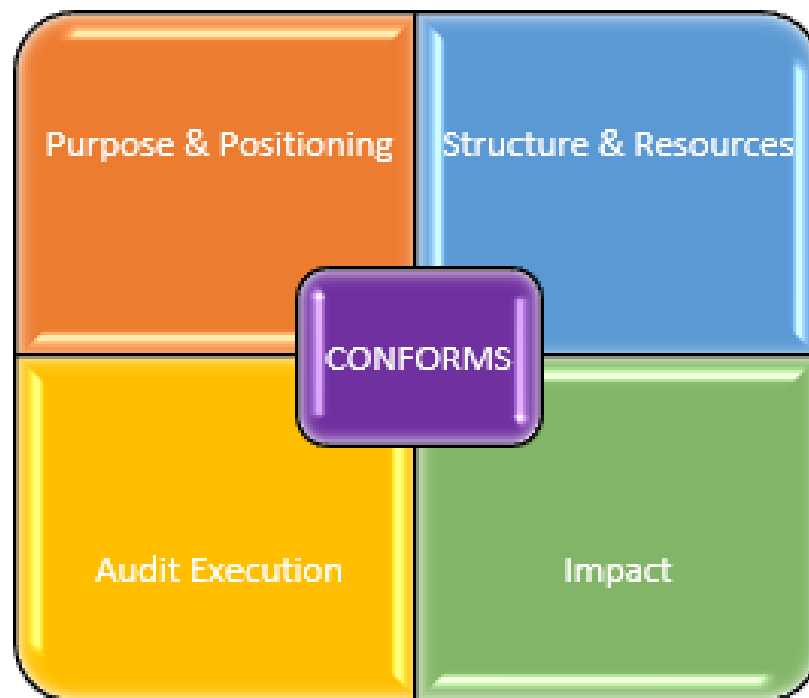
Following the external review of Audit Services in 2019 by Cipfa C.Co the Key Performance Indicators (KPIs) for the Unit were refreshed, updated and approved by Audit Committee on 27 May 2020. The Unit's current and previous years' progress against the KPIs is summarised in **Appendix 2**.

External Assessment

In line with the requirements of the PSIAS, external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The detailed results of this external review were reported to the Audit Committee on 10 December 2019.

In the most recent external assessment of the Unit by Cipfa C.Co in 2019, the final report confirmed full compliance with the PSIAS adding *'The Internal Audit team is made up of officers with a wide range of skills and experience able to cover a broad range of audit assignments without the need to bring in additional, specialist support to deliver the Plan*

A detailed review of the Internal Audit team's core audit management system, MK Insight, and associated working papers has identified a good standard of documentation to support audit findings with clear evidence of review and challenge of findings and assumptions where appropriate'.

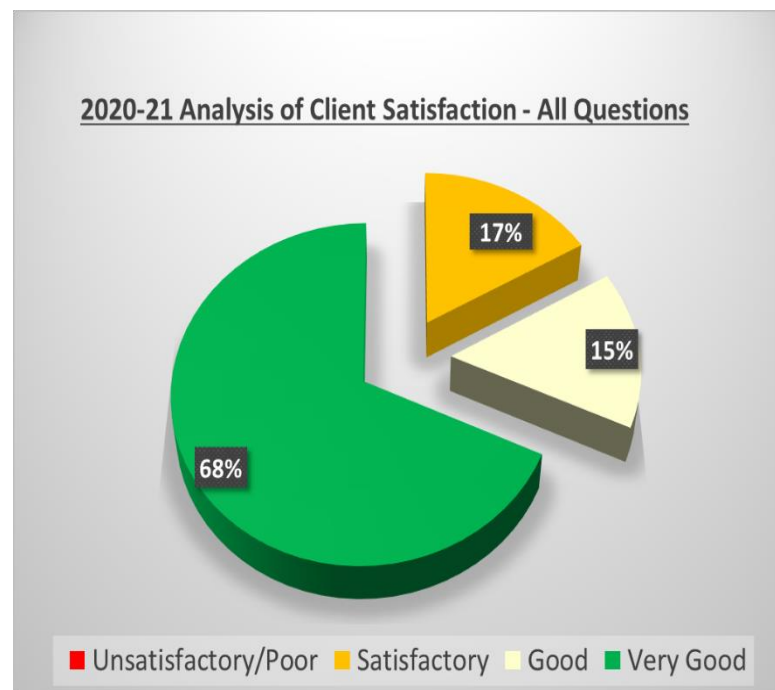


Satisfaction Questionnaires

Questionnaires allow Audit Services to gather valuable information to enable us to monitor and improve our service. The questionnaire seeks auditees' views on a number of areas including the preparation for an Audit, professionalism of the Audit staff, and overall value added from the Audit outcome. A summary of the responses are detailed below:

	2019-20	2020-21
Questionnaires Issued	54	34
Questionnaires Returned	13	8
Percentage Return	24%	24%

Detailed responses received from these questionnaires for the last three years are set out at **Appendix 3** and provide an independent assurance that clients value the service being delivered and the Audit product. Based on these responses it is reassuring to note that the vast majority rate the service as good or very good, and that overall the high level of client satisfaction is being maintained.



Questionnaires were issued to Executive Directors and Directors within CCP as key stakeholders to obtain their feedback on the Audit service. The responses received strongly agreed or agreed that:

- they had appropriate levels of input to the preparation of the Audit Plan and planning process;
- Audit had adequate profile and influence within the Council in order that it can work effectively and add value;
- Audit consistently undertakes quality Audit work which provides the Council and Senior Managers with effective levels of assurance;
- Audit engages with key stakeholders effectively throughout the Audit process;
- Audit demonstrate a professional, constructive and objective approach.

An area for development related to the timely issuing of Audit Memoranda at the completion of the review. Whilst this is part of regular and ongoing monitoring, the impact of Covid-19 and reduced level of Audit staff resources have impacted on the opportunity to make sustained improvements in this area.

Acknowledgement

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the 2020-21 Audits.

We also wish to record our appreciation to the Audit staff for their professionalism and commitment throughout a very difficult year without which, we would not have been able to achieve the outcomes detailed within this Report.

Daniel Ashcroft
Audit Manager

Philip Spencer
Audit Manager

Appendix 1 - Progress Against the 2020-21 Audit Plan

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Corporate Activities – The 2020-21 Audit Plan included an allocation of 1,060 days over the following areas												
Corporate Projects												
VP018 East Midlands Broadband (emPSN)	5	-	2									
VP037 Workforce Development/ Succession Planning	30	1	3									Unable to schedule Audit due to staff resources
VP044 D2N2 LEP	50	-	59	Qualified	1 x Qualified 1 x Letter	↔	0	2	2	0	1 (1M)	Audit of the LEP administration and grant certification work including - Growth Hub Funding Grant and Peer Network Grant
VP047 Supply Chain Failure	20	-	29	Qualified	Qualified	↔	-	4	2	1	1 (1H)	
VP053 Cyber Security Review	30	-	-									Although it was reported to Audit Committee that a Cyber Security Group had been established, this has not happened, but will be progressed in 2021-22.
VP055 Corporate Culture	30	-	-									Note 1
VP056 Health & Safety	20	-	5									Note 1
VP058 Serious & Organised Crime	10	-	4	N/A	Letter	N/A	0	0	0	0	-	
VP062 Data Protection Compliance	20	-	32	-	-	-	-	-	-	-		Outcome of the review reported to the Council's Information Governance Group
VP064 New Delivery & Commissioning Models/Partnership Working	30	-	-									Unable to schedule Audit due to staff resources
VP065 Financial Resilience and ABC	-	2	-	Qualified	Qualified	↔	0	3	12	6	9 (1H, 5M, 3L)	Memo relates to 2019-20
VP066 Maintenance of Council Properties	30	-	44	N/A	Limited	↔	0	3	6	2	-	
VP067 Climate Change	30	-	12									Work ongoing at the year end
VP068 Major Incident Response	30	-	-									Unable to schedule Audit due to staff resources
VP069 Fraud Awareness	-	-	24									Additional unplanned work.
Total	335	3	214	-	-	-	0	12	22	9	11	
Corporate Governance												
CO002 Business Continuity Planning	20	-	3	Limited	Limited	↔	1	2	1	0	7 (5H, 1M, 1L)	Memo relates to 2019-20 Note 1
CO004 Community Safety	-	13	-	Qualified	Qualified	↔	0	1	9	1	5 (4M, 1L)	Memo relates to 2019-20
CR001 Embedding Corporate Governance	40	12	62	N/A	Qualified	↔	0	0	0	0	-	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
CR005 Services to Members	-	17	-	Qualified	Qualified	↔	0	12	11	5	9 (2H, 5M, 2L)	Memo relates to 2019-20
CR006 Corporate Health Check	20	-	-									Note 1
CR007 Information Governance Group & Support	20	-	50									Supporting the work of the Council's Information Governance Group and related queries.
Total	100	42	115	-	-	-	1	15	21	6	21	
Corporate Fraud Prevention												
CZ100 External Audit Liaison	5	-	4									
CZ200 National Fraud Initiative	20	-	49									
CZ300 National Anti-Fraud Network	10	-	13									
CZ400 RIPA Management & Admin	5	-	2									
ZZ000 Internal Audit-Special Investigations General	385	27	77	N/A	Letter	N/A	0	11	0	0	-	
Total	425	27	145	-	-	-	0	11	0	0	-	
Audit Planning Contingency												
XX000 Audit Planning Contingency	200	-	-	-	-	-	-	-	-	-	-	-
Total	200	-	-									
Corporate Activities Total	1,060	72	474	-	6 x Qualified 2 x Limited 3 x Letter		1	38	43	15	32 (9H, 16M, 7L)	

Note 1 - As reported to Audit Committee on 2 February 2021 - Unable to progress due to the Covid-19 pandemic.

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Commissioning, Communities and Policy Department - The 2020-21 Audit Plan included an allocation of 705 days over the following areas												
Departmental Review - Management & Administration (CCP)												
CA100 Commissioning, Communities and Policy Departmental Review	60	8	86	Qualified	Qualified	↔	0	6	12	8	15 (2H, 5M, 8L)	Memo relates to 2019-20. Time includes general support to the Department
CA102 External Grants and Certifications	10	-	9	N/A	Letter	N/A	0	0	0	0		
CA104 Information Security and Follow Up Reviews	45	9	119	N/A	5 x Qualified 1 x Letter	↔	0	5	8	7	9 (6H, 3M)	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on 17 different projects throughout the year including: <ul style="list-style-type: none"> • Channel Shift IT solution • Corporate Helpdesk IT solution • AVC Wise IT solution • Insurance Claims IT solution • Core Systems Interfaces – Follow-up
Total	115	17	214	-	-	-	0	11	20	15	24	
CCP Operational Reviews												
CO006 Public Library Service	5	-	-									Note 1
CO007 Democratic Services	25	-	5									Work ongoing at the year end
CO008 Communications and Call Derbyshire	25	-	-									Note 1
CO009 Implementation of ICT Strategy	25	-	-									Unable to schedule Audit due to staff resources
Total	80	-	5	-	-	-	-	-	-	-	-	
Divisional Activity – Major Systems												
MA100 Core Financial Systems – General Queries	5	-	11									
MB100 Human Resources Management	40	11	40	Qualified	Substantial	↑	0	0	5	4	2 (2M)	Memo relates to 2019-20
MC100 Accounts Payable (2019-20)	-	3	-	Qualified	Substantial	↑	0	0	7	4	3 (2M, 1L)	Memo relates to 2019-20
MC100 Accounts Payable	40	-	44	Substantial	Substantial	↔	0	0	7	1	2 (2L)	
MD100 Corporate Purchasing	40	9	23	Qualified	Qualified	↔	0	5	10	4	7 (5H, 2M)	Memo relates to 2019-20
ME100 Accounts Receivable	35	-	35	Substantial	Substantial	↔	0	0	2	5	-	
MG100 Accountancy, Budgetary Control and Financial Resilience	45	-	54									
MK100 Asset Management System	30	-	42	Qualified	Limited	↓	0	11	17	1	7 (3H, 3M, 1L)	
ML100 Funds Management	50	3	24	Qualified	Substantial	↑	0	0	1	8	-	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
MM100 Treasury Management		2	-	Substantial	Qualified	↓	0	1	2	5	2 (1M, 1L)	Memo relates to 2019-20
Total	285	28	273				0	17	51	32	25	
Divisional Activity – Probity and Compliance												
DC200 HM Revenue & Customs Compliance	20	22	-	Qualified	Qualified	↔	0	2	6	3	3 (1H, 2M)	Memo relates to 2019-20
DE101 Cash Audit & ISO 27001 Visits	20	-	-									Note 1
DE400 Pensions Administration	25	40	-	Qualified	Qualified	↔	0	1	6	3	-	
DE500 Insurance & Risk Management	30	-	-									Unable to schedule Audit due to staff resources
Total	95	62	-								3	
Divisional Activity – Corporate/ Departmental IT Systems												
DK100 Systems Development Controls (CCP)	20	-	28	N/A	Qualified	↔	0	12	6	1	-	
DK500 Network Infrastructure Review (CCP)	15	-	8									Unable to schedule Audit due to staff resources
DK823 Server Infrastructure Review (CCP)	20	-	-									Note 1
DK888 Bacs Payment System Review (CCP)	15	25	-	Limited	Limited	↔	0	13	5	0	8 (5H, 3M)	Memo relates to 2019-20
DK923 Corporate Database Review (CCP)	20	-	19	Qualified	Qualified	↔	0	3	9	1	3 (1H, 2M)	
Total	90	25	55				0	28	20	2	11	
Divisional Activity – County Property Division												
DV100 Property Services Review	20	-	-									Note 1
Total	20	-	-									
Regulatory												
QE100 Registration Service Audit Review	20	-	-									Note 1
Total	20	-	-									
Departmental Total	705	132	547		5 Substantial 12 x Qualified 2 x Limited 2 x Letter		0	59	103	55	61 (23H, 25M, 13L)	

Note 1 - As reported to Audit Committee on 2 February 2021 - Unable to progress due to the Covid-19 pandemic.

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Children's Services Department – The 2020-21 Audit Plan included an allocation of 650 days over the following areas												
Departmental Review – Management & Administration (CS)												
AA001 Children's Services – Departmental Review	45	7	72	Qualified	Qualified	↔	0	7	11	9	15 (6H, 6M, 3L)	Memo relates to 2019-20. Time includes general support to the Department
AA004 Information Security and Follow Up Reviews	35	1	3	N/A	Qualified	↔	0	0	3	0	-	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on 4 different projects throughout the year including: <ul style="list-style-type: none"> • S4S Traded Services IT solution • Live On-Line Lessons IT Solution • Children at Risk of Exploitation Memo relates to 2019-20
Total	80	8	75				0	7	14	9	15	
Primary, Nursery & Special Schools												
Imprest Budget	348	-	56.5									Includes school administration support
AC021 Castleton	-	-	13	Qualified	Qualified	↔	0	8	10	7	4 (2H, 1M, 1L)	Virtual Audit
AC032 Doveridge	-	-	7	Qualified	Qualified	↔	0	3	6	5	5 (1H, 3M, 1L)	Virtual Audit
AC034 Elton	-	-	6	Qualified	Qualified	↔	0	1	12	7	6 (2H, 2M, 2L)	Virtual Audit
AC055 Biggin Primary	-	-	9	Qualified	Qualified	↔	0	8	8	6	6 (5H, 1M)	Virtual Audit
AC088 Osmaston Primary School	-	-	8	Qualified	Qualified	↔	0	4	8	6	6 (2H, 1M, 3L)	Virtual Audit
AC103 Wirksworth Junior School	-	-	5	Qualified	Qualified	↔	0	10	13	2	3 (2H, 1M)	Virtual Audit
AC105 Middleton	-	-	7.5	Qualified	Qualified	↔	0	3	12	5	8 (1H, 5M, 2L)	Virtual Audit
AC170 Rigdeway Primary School	-	-	7	Qualified	Qualified	↔	0	4	10	9	2 (1H, 1M)	Virtual Audit
AC219 Tibshelf Infant & Nursery	-	-	8	Qualified	Qualified	↔	0	3	2	4	2 (2H)	Virtual Audit
AC233 Woodbridge	-	-	7	Qualified	Qualified	↔	0	7	3	7	3 (3H)	Virtual Audit
AC298 Parklands Infant School	-	-	7	Qualified	Qualified	↔	0	6	4	4	3 (2M, 1L)	Virtual Audit
AC447 Weston on Trent	-	-	4	Qualified	Qualified	↔	0	4	1	1	2 (1H, 1L)	Virtual Audit
AE012 Brackenfield	-	-	9	Qualified	Limited	↓	1	5	6	8	4 (2H, 2M)	Virtual Audit
Total	348	-	154				1	66	95	71	54	
Secondary Schools												

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Secondary Schools	56	-	-									Note 1
Total	56	-	-									
School - Information Security Reviews												
Information Security Reviews	35	5	8	N/A	2 x Qualified	↔	0	0	0	0	-	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on 4 different projects throughout the year including: <ul style="list-style-type: none"> School Library IT solution Mathletics School IT solution
Total	35	5	8				0	0	0	0	-	
Children's Homes												
Children's Homes	16	-	-									Note 1
Total	16	-	-									
Derbyshire Outdoors												
AM001 Derbyshire Outdoors Lea Green	10	-	-									Note 1
Total	10	-	-									
Themed and Operational												
AO013 Troubled Families Programme	30	-	42									
AO015 Adult Community Education	25	-	33	Qualified	Substantial	↑	0	0	2	6	2 (1H, 1L)	
AO020 Derbyshire Music Partnership	25	-	-									Note 1
AO026 Use of Personal Budgets for Children with SEND	25	-	50	N/A	Qualified	↔	0	7	5	5	-	
AO016 Starting Point	-	2	-	Qualified	Qualified	↔	0	8	6	2	6 (3H, 1M, 2L)	Memo relates to 2019-20
AO021 Review of Commissioning & Partnership Working	-	-	7	Qualified	Qualified	↔	0	2	2	0	4 (2H, 2M)	
AO022 Impact of Children in Care	-	-	6	Qualified	N/A	↔	0	1	0	1	2 (1M, 1L)	No opinion provided due to limited scope of a follow-up review
Total	105	2	138				0	18	15	14	14	
Departmental Total	650	15	375		1 x Substantial 19 x Qualified 1 x Limited 1 x N/A		1	84	113	85	83 (36H, 29M, 18L)	

Note 1 - As reported to Audit Committee on 2 February 2021 - Unable to progress due to the Covid-19 pandemic.

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Adult Social Care and Health Department – The 2020-21 Audit Plan included an allocation of 299 days over the following areas												
Departmental Management and Administration Review												
BA001 Departmental Review Management and Administration	45	-	69	Qualified	Qualified	↔	0	7	7	9	12 (5H, 4M, 3L)	Memo relates to 2019-20. Time includes general support to the Department
Total	45	-	69				0	7	7	9	12	
Public Health												
Public Health	25	-	-									Note 1
Total	25	-	-									
Information Security and Follow Up Reviews												
Information Security and Follow Up Reviews	70	1	54		3 x Limited	↔	0	9	3	0	-	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on 7 different projects throughout the year including: <ul style="list-style-type: none"> • Activity and Recording IT solution • Autism Support Service • Welfare Rights IT solution • Lateral Flow Testing IT solution
Total	70	1	54				0	9	3	0	-	
Social Care – Elderly Residential												
Elderly Residential	24	-	-									Note 1
Total	24	-	-									
Social Care - Day Care - Physical/Mental Disability												
Day Care - Physical/Mental Disability	24	-	-									Note 1
Total	24	-	-									
Social Care - Day Care & Hostels												
Day Care & Hostels	20	-	-									Note 1
Total	20	-	-									
Social Care - Community Care Centres												
Community Care Centres	16	-	-									Note 1
Total	16	-	-									

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Themed and Operational												
BO022 Direct Payments	25	-	35	Limited	Qualified	↑	0	3	3	3	2 (1H, 1M)	
BO026 Review of Quality Assurance Framework	25	-	3									
BO027 Delayed Transfers of Care and Data Accuracy	25	-	30	N/A	Qualified	↔	0	5	5	1		
BO002 Domiciliary Care	-	-	7	Qualified	Qualified	↔	0	2	4	1	8 (2H, 5M, 1L)	
BO018 Emergency Response and Service Continuity	-	-	9									
BO008 Private Residential Care	-	7	-	Limited	N/A	↔	0	0	1	0		Memo relates to 2019-20 No opinion provided due to limited scope of a follow-up review
BO012 Deputyship Review	-	17	-	Limited	Qualified	↑	0	4	7	4	5 (4H, 1M)	Memo relates to 2019-20
BO017 Major Housing Adaptations	-	-	13									
Total	75	25	97				0	14	20	9	15	
Departmental Total	299	25	220		5 x Qualified 3 x Limited 1 x N/A		0	30	30	18	27 (12H, 11M, 4L)	

Note 1 - As reported to Audit Committee on 2 February 2021 - Unable to progress due to the Covid-19 pandemic.

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Economy, Transport and Environment Department – The 2020-21 Audit Plan included an allocation of 170 days over the following areas												
Departmental Management & Administration Review												
HA100 Economy, Transport and Environment – Departmental Review	45	29	55	Qualified	Qualified	↔	0	5	13	9	11 (4H, 6M, 1L)	Memo relates to 2019-20. Time includes general support to the Department.
Total	45	29	55				0	5	13	9	11	
Information Security and Follow Up Reviews												
HA103 Information Security and Follow Up Reviews	15	2	11		2 x Qualified	↔	0	0	6	0	-	
Total	15	2	11				0	0	6	0	-	
Themed and Operational												
HO001 Review of Waste Management	25	-	13									
HO006 Concessionary Fares	20	-	-									Note 1
HO021 Public Transport & Taxi Contracts	25	-	-									Note 1
HO029 ETE Grants	15	-	-									Time allocated to other Audit codes
HO030 Inspection and Control of Highway Assets	25	-	4									
HO024 Regeneration	-	-	3									
HO026 Local Transport Capital Funding Grant	-	-	15		Letter	N/A						
Total	110	-	35				0					
Departmental Total	170	31	101		3 x Qualified 1 x Letter		0	5	19	9	11 (4H, 6M, 1L)	

Note 1 - As reported to Audit Committee on 2 February 2021 - Unable to progress due to the Covid-19 pandemic.

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
Additional Unplanned Work (As reported to Audit Committee on 27 May 2020)												
Audit Management Support												
Audit Management Support	-	-	78									
Total	-	-	78									
Departmental Audit Support												
Departmental Audit Support	-	-	20									
Total	-	-	20									
Individual Unplanned Projects relating to the Council's Activities												
VR001 Duplicate Payments Review	-	-	20	N/A	Substantial	↔	0	0	0	0		539,000 Council invoices analysed. No duplicates identified based on criteria including supplier, amount and date of invoice. 174,000 School invoices analysed. Potential duplicate payments identified £16,943.59.
VR002 Photocopier Charges Review	-	-	12	N/A	Qualified	↔	0	2	0	1		Review of photocopier charges in accordance with the Council's current contract provisions.
VR008 Gas and Electricity Review	-	-	2									Verify the Council's energy usage is registered with the correct supplier and billed in accordance with contract rates.
VR009 Agency Staff Review	-	-	8									Review the level and usage of agency staff. Assess governance arrangements in place with individual suppliers.
VR012 Director Checks (CCP)	-	-	18	N/A	Qualified	↔	0	1	0	1		Utilising the publicly available Companies House data match the information against staff declarations of personal interests
VR012 Director Checks (ASC&H)	-	-	17	N/A	Qualified	↔	0	1	0	1		As above
VR012 Director Checks (ETE)	-	-	16	N/A	Qualified	↔	0	1	0	1		As above
VR012 Director Checks (CS)	-	-	16	N/A	Qualified	↔	0	1	0	1		As above
VR014 Network Access to Absence	-	-	8									Review of staff network access against periods of leave to identify potential instances of user account compromise.
VR015 CCTV Expenditure	-	-	3									Following the review of the Council's Surveillance Camera procedures (2019-20), assess CCTV charges across the Authority.
VR017 Hospitality	-	-	18	N/A	Qualified	↔	0	1	3	1		Assess the level of costs in accordance with the Council's procedures.
VR018 Subs & Memberships	-	-	20									Review the nature and extent of costs relating to external memberships and

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		19-20	20-21				Critical	High	Medium	Low		
												subscriptions to professional bodies and other organisations etc.
VR019 Schools Review of Payments	-	-	150	N/A	N/A	N/A	0	0	0	0		The scope of the School reviews was similar to the work undertaken above in relation to activities and transactions processed by the Council.
VR028 Mosaic User Access	-	-	6									Review of staff access (Mosaic) against periods of leave to identify potential instances of user account compromise.
VR029 Provisions for Suppliers and Contractors	-	-	15									Review of payments to suppliers and contractors to ensure continuity of income and maintain further services.
VR030 DfE Digital Devices for Disadvantaged Groups	-	-	4									Assist Children's Services colleagues to implement robust controls for the management of the Department for Education (DfE) IT devices project.
VR031 Covid 19 Returns & Executive Director Decisions	-	-	48									Review of returns to MCHLG in respect of additional expenditure incurred by the Council due to Covid-19 and lost sales/income.
VR032 DCC Suppliers - Registered with ICO	-	-	17									Compare the publicly available register of organisations from the Information Commissioner's Office (ICO) against the Council's Accounts Payable records to assess whether organisations that have been paid by the Authority are registered with the ICO where appropriate.
VR033 Home to School Transport Grant	-	-	5									Grant certification work
VR034 Covid Winter Grant Scheme	-	-	1									Grant certification work
VR035 Community Testing Funding Grant	-	-	6									Grant certification work
Total	-	-	410				0	7	3	6		
Additional Unplanned Work Total	-	-	508				0	7	3	6		
Grand Total - Audit Plan 2020-21	2,884	275	2,226				2	223	311	178		

Audit Opinions	Substantial	Qualified	Limited	No
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Audit Opinions are categorized based upon the assurance that Management may draw on the adequacy and effectiveness of the overall control framework in operation as follows:

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

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

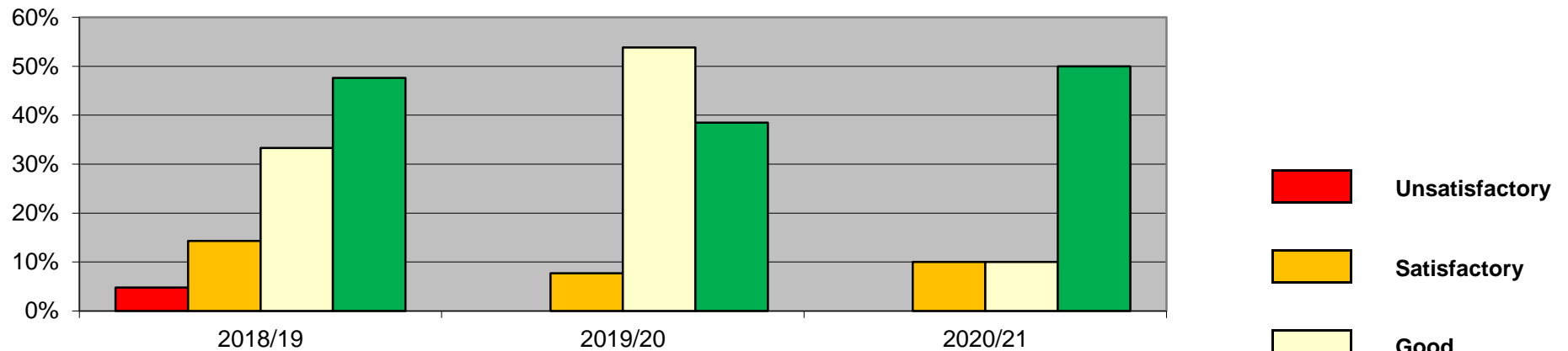
Level	Category	Explanation and significance
1	Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	High	The absence of, significant weakness in, or inadequate internal controls over the operation of key systems or processes which compromise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

Appendix 2 - Key Performance Indicators 2020-21

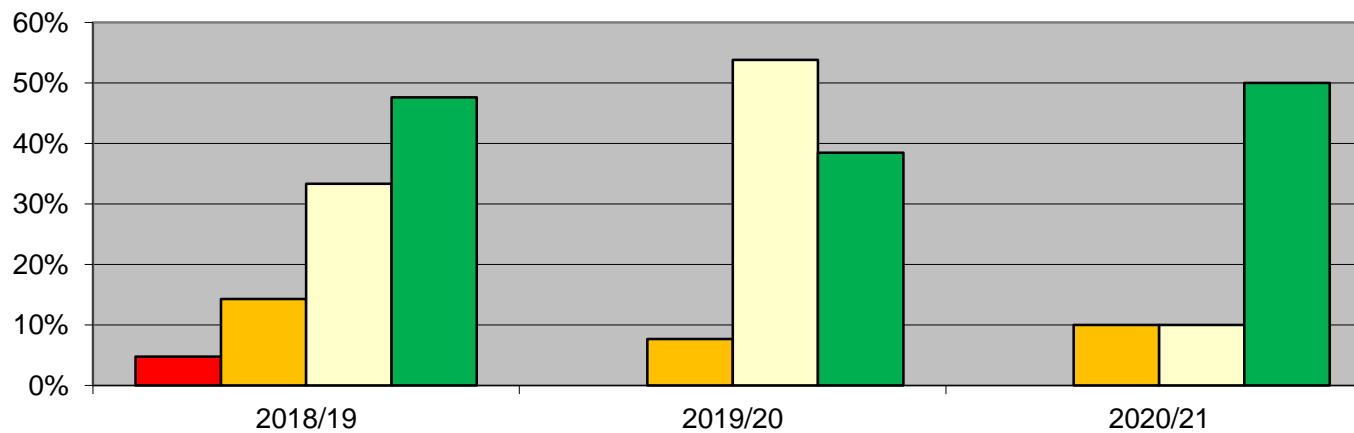
Indicator	Target	2018-19	2019-20	2020-21	Comments
Audit Plan – Achievement of planned Audit days	95%	84.6%	84.4%	86.7%	
Staff Productivity – Achievement of target Audit days	95%	104%	95%	104%	
Completion of Audit staff MyPlan reviews and training identified	100%	100%	100%	100%	
Undertake a risk based Annual Audit Plan formulation exercise	N/A	✓	✓	✓	
Undertake quality assurance reviews of Audits (1 for each Principal Auditor per year)	100%			100%	KPI target agreed for 2020-21 following external review of Audit Services
Limited Audit Opinions reviewed by Assistant Director of Finance (Audit) within 10 days of completion of Draft Memorandum	100%			57%	KPI target agreed for 2020-21 following external review of Audit Services
Percentage of Draft Audit Memoranda issued within 15 working days of fieldwork completion	95%			48.68%	KPI target agreed for 2020-21 following external review of Audit Services
Percentage of Final Audit Memoranda issued within 28 working days of issue of Draft Audit Memorandum	95%			47.37%	KPI target agreed for 2020-21 following external review of Audit Services
Percentage of Recommendations made which are implemented at the time of follow up Audit	90%			71.0%	KPI target agreed for 2020-21 following external review of Audit Services
Audit Assurance – To provide an assurance to the Authority on the adequacy and effectiveness of risk management, control and governance processes	N/A	✓	✓	✓	Annual Report
Client Satisfaction – Percentage of questionnaire responses rating the Audit Product as good or very good	90%	80.95%	92.31%	87.50%	
Annual Survey of Key Stakeholders	N/A	✓	✓	✓	
Delivery of Audit Opinion to Management and Audit Committee in time to inform AGS	N/A	✓	✓	✓	

Appendix 3 - Satisfaction Questionnaires 2020-21

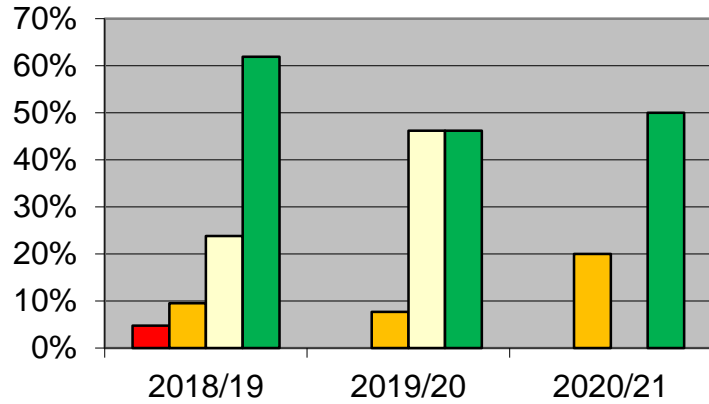
Comparison of repondents' ratings of the value of the pre-audit meeting in respect of providing a brief overview of the Audit and its expected outcomes.



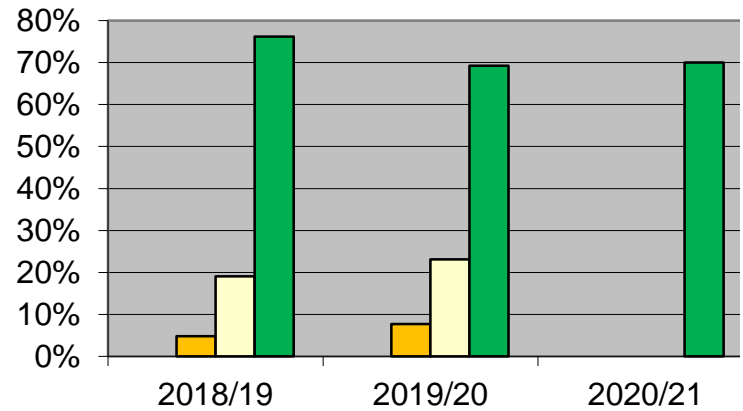
Comparison of repondents' ratings of the value of the pre-audit meeting in respect of providing a brief overview of the Audit and its expected outcomes.



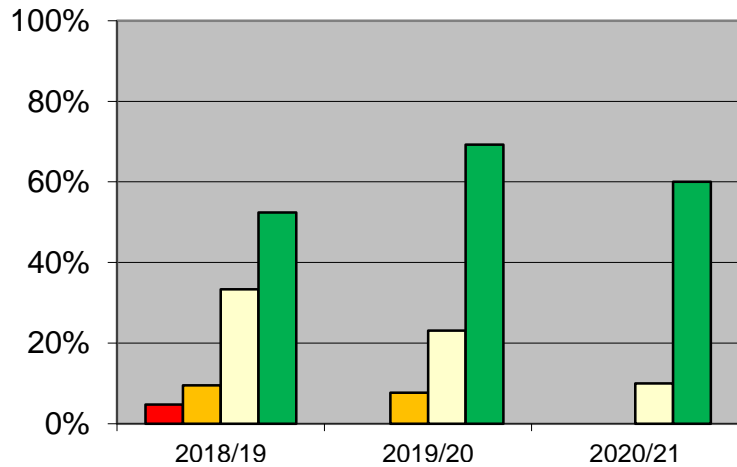
Comparison of respondents' ratings of auditors' understanding and knowledge of the systems, procedures and key risks of the Audit areas



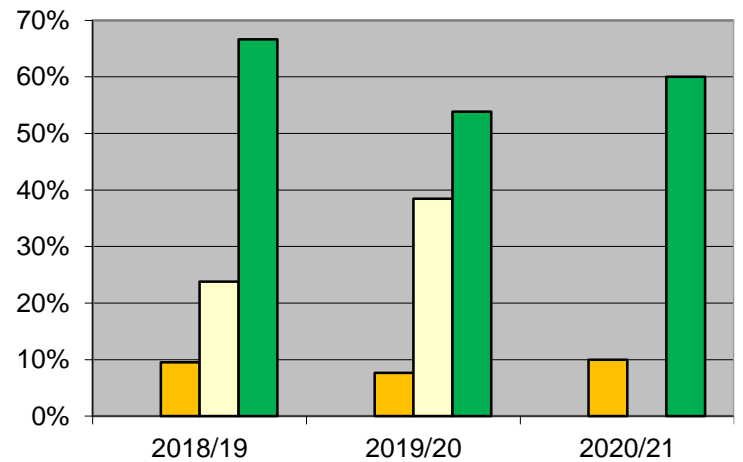
Comparison of respondents' ratings of auditor professional conduct and manner.



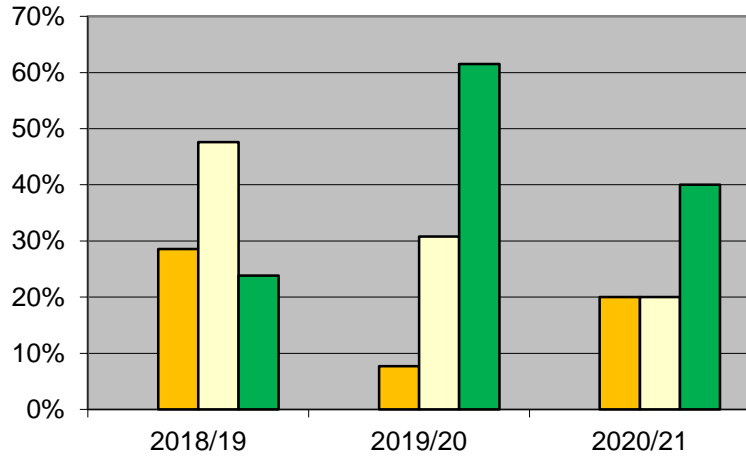
Comparison of respondents' ratings of auditor conduct in terms of minimisation of disruption



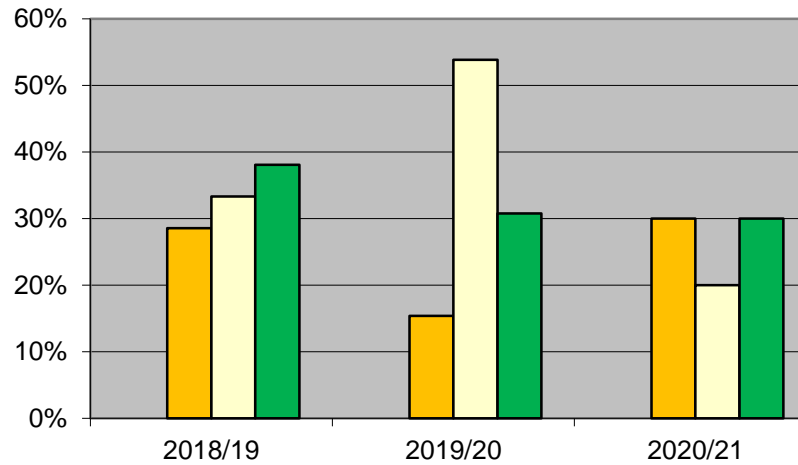
Comparison of respondents' rating of auditors' communication skills.



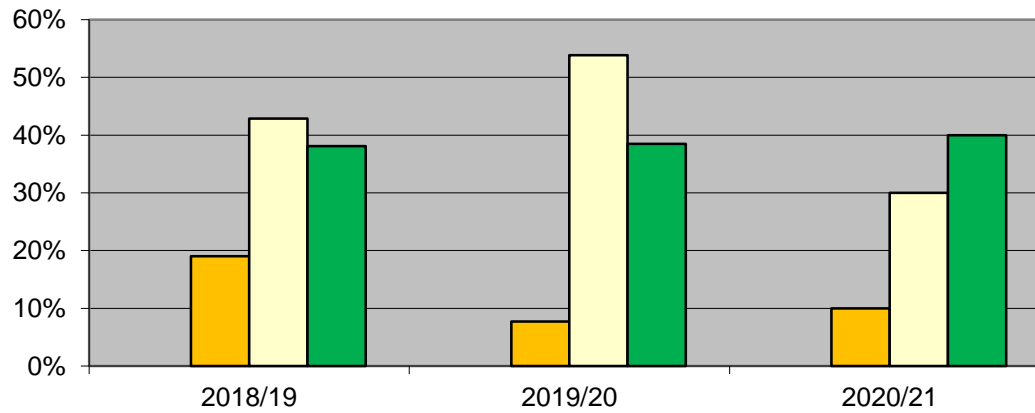
Comparison of respondents' ratings of the memorandum in terms of its clarity and factual accuracy.



Comparison of respondents' ratings of the value, significance and practicality of findings in the Audit Memorandum.



Comparison of respondents' ratings of the audit Memorandum in providing assurance of the overall level / adequacy fo controls in operation and the proper administration of the areas reviewed by the Audit.



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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 July 2021

Report of the Audit Managers

Audit Services Annual Report 2020-21

1. Purpose

- 1.1 To inform Members of the Annual Report for 2020-21 and Audit Managers opinion on the adequacy of the County Council's arrangements for governance, risk management and control.

2. Information and Analysis

- 2.1 The Annual Report provides Members with the outcome of Audit activity relating to the County Council's operations throughout the financial year. The Report highlights the achievement of the 2020-21 Audit Plan which was approved by the Audit Committee on 27 May 2020, key issues identified within the year and actions arising from our work.
- 2.2 The Annual Report is a requirement of the Public Sector Internal Audit Standards (PSIAS) in which the Chief Audit Executive (Head of Audit) must provide:
- An opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
 - Detail of the Audit Plan delivered throughout the year and overall outcomes to support for the Audit Opinion;
 - An opinion that can be used by the Council to inform its governance statement;
 - A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

- 2.3 Reports have been presented to the Audit Committee throughout 2020-21 as part of regular updates detailing progress against the approved Audit Plan. These reports have informed Members of the Unit's staffing resources which have been subject to a prolonged period of unexpected pressure due to vacancies and sickness; Members have been supportive of action taken throughout this challenging period.
- 2.4 The response to the pandemic has continued to impact on the work of Audit Services during 2020-21, prompting a refocusing of the plan on areas of greatest priority and more targeted reviews that could be delivered without impacting significantly on departmental staff resources. These more detailed pieces of work were targeted to support our overall assessment of governance and control systems, in addition to providing a different perspective to the Audit Opinion.
- 2.5 Throughout this period Audit Services have continued to support Senior Management where changes are required or being considered to operational processes or new systems requiring accelerated implementation. As the restrictions continued throughout the year, the ongoing pressure on the Council's staff reduced opportunities to undertake Audit activities agreed within the 2020-21 Audit Plan. In certain instances, Audits could not be undertaken due to the availability of staff, closure of schools and establishments.

Head of Audit - Audit Opinion

- 2.6 Overall, based on the work undertaken during 2020-21 and our experience from previous years' Audit, our opinion is of a "Qualified Assurance" on the adequacy and effectiveness of the internal control framework, risk management and governance procedures within the County Council. Whilst the arrangements were generally found to be satisfactory, some enhancements have been recommended for senior management to action and improve the control framework.
- 2.7 As of this date, we are satisfied that there are no matters which would cause the External Auditor to consider any qualification of the Council's Statement of Accounts.
- 2.8 All work undertaken by Audit Services' is conducted in accordance with the standards required by the PSIAS and in conformance with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council's Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

3. Alternative Options Considered

- 3.1 The Council has a duty under the PSIAS to provide an annual Internal Audit Report and Opinion on its governance arrangements. Therefore, no alternative options have been considered.

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 Audit working papers held by Audit Services, Finance & ICT Services, County Hall Complex.

7. Appendices

- 7.1 Appendix 1 – Implications.
7.2 Appendix 2 – Audit Services Annual Report 2020-21

8. Recommendation(s)

- 8.1 That Audit Committee are asked to:
- a) consider the detailed Annual Audit Report for 2020-21 and overall assurance opinion,
 - b) consider the outcomes of the Audit work completed, and
 - b) note the performance of the Audit Services Unit during this period.

Report Authors:

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Implications

Financial

1.1 None.

Legal

2.1 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control, together with a duty to prepare an Annual Governance Statement.

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

2.3 The Annual Report is also a requirement of the Public Sector Internal Audit Standards (PSIAS).

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

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

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

7.1 None.



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 July 2021

Report of the Director of Finance & ICT

Annual Governance Statement and System of Internal Control

1. Purpose

- 1.1 To inform Members of progress on the review of the County Council's compliance with Best Practice requirements in respect of the annual review of the system of internal control and the production of the Draft Annual Governance Statement (AGS).
- 1.2 To request that Members consider the Draft Annual Governance Statement and recommend its inclusion in the Council's Statement of Accounts for 2020-21.

2. Information and Analysis

- 2.1 Regulation 6 of the Accounts and Audit Regulations 2015 requires a relevant body to "conduct a review of the effectiveness of the system of internal control" and "prepare an annual governance statement in accordance with proper practices". CIPFA/Solace have produced a framework Delivering Good Governance in Local Government which is supplemented by an Application Note specifically developed to advise on CIPFA's Statement on the Role of the Chief Financial Officer.
- 2.2 The CIPFA/Solace framework outlines the approach which should be taken to review existing governance arrangements and produce an Annual Governance Statement. The Draft Annual Governance Statement for 2020-21 is attached as Appendix 2 to this report.

2.3 Members will recall that a Governance Group is established to conduct an ongoing review of key systems and processes operated within the County Council to ensure that they deliver effective Corporate Governance. This is undertaken utilising an objective assessment process prescribed by the CIPFA/Solace Framework, which provides a checklist of best practice standards against which compliance can be assessed.

2.4 The Annual Governance Statement once approved will be included in the Council's Pre Audit Statement of Accounts for 2020-21.

3. Alternative Options Considered

3.1 Not applicable – the Council is required to produce an Annual Governance Statement under Regulation 6 of the Accounts and Audit Regulations 2015.

4. Implications

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

5. Consultation

5.1 None.

6. Background Papers

6.1 None

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Annual Governance Statement.

8. Recommendation(s)

That Audit Committee:

- a) consider the information provided in this report as evidence of the Authority's effective compliance with the statutory requirement to produce an Annual Governance Statement and recommend it for inclusion in the Council's Statement of Accounts 2020-21.

9. Reasons for Recommendation(s)

9.1 The Council is required to produce an Annual Governance Statement (AGS) as set out in the Accounts and Audit Regulations 2015. The AGS will subsequently be included in the Council's Statement of Accounts.

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This report has been approved by the following officers:

<p>On behalf of:</p> <p>Director of Legal Services and Monitoring Officer Director of Finance and ICT Managing Executive Director Executive Director(s)</p>	
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Implications

Financial

1.1 None.

Legal

2.1 The Council is required to produce an Annual Governance Statement as set out in the Accounts and Audit Regulations 2015.

2.2 The CIPFA Practical Guidance for Local Authorities and Police sets out a suggested terms of reference for Audit Committees which included the following:

“To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit’s opinion on the overall adequacy and effectiveness of the council’s framework of governance, risk management and control.”

2.3 The Constitution makes it clear that the Audit Committee is responsible for considering the Annual Governance Statement and monitoring any necessary actions.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 Not applicable.

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

7.1 None.

Annual Governance Statement 2020/21

History			
Version	Date	Detail	Author
1.1	04/06/2021	First Draft	Audit Services
1.2	16/06/2021	Second Draft – Align to Performance	Audit Services
1.3	05/07/2021	Third Draft – Update from Director of Finance & ICT	Audit Services

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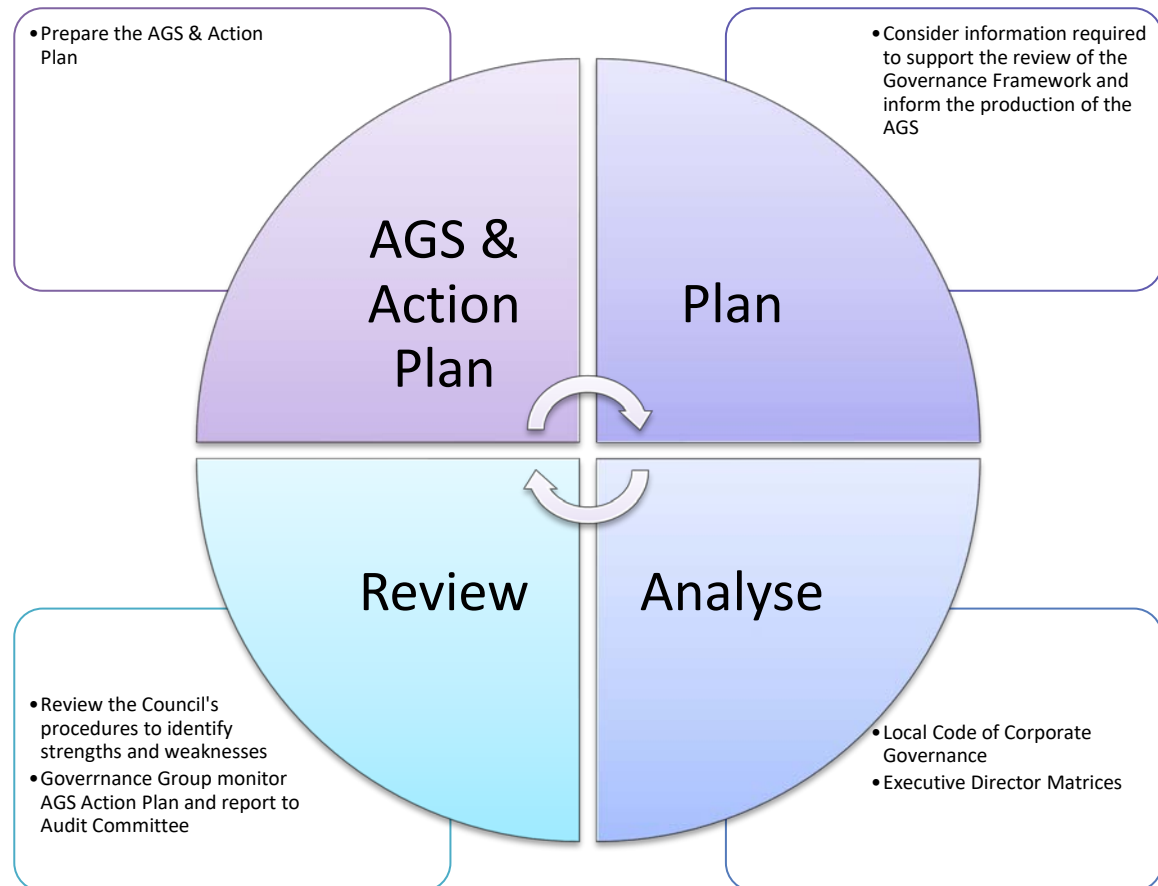
Introduction and the Purpose of the Governance Framework

Defining Corporate Governance

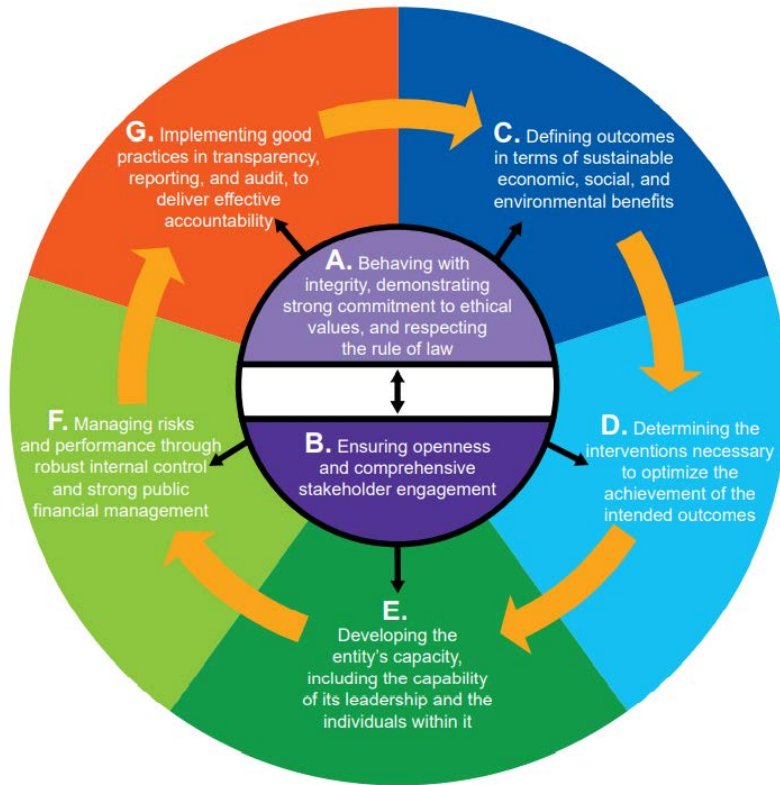
Corporate governance includes the systems, processes and values by which councils operate and through which they engage with, and are held accountable to, their communities and stakeholders. Good corporate governance underpins credibility and confidence in public services.

Derbyshire County Council is committed to effective corporate governance and has prepared the Annual Governance Statement by:-

- Reviewing the Council's Governance Arrangements against the CIPFA / SOLACE Delivering Good Governance in Local Government Framework;
- Assessed the effectiveness of the Governance Arrangements against the Local Code of Corporate Governance;
- Obtaining Executive Director Assurance Matrices;
- Considering the impact of External Assessments; and
- Monitoring the progress against the recommendations in the 2019-20 AGS Action Plan.



Scope of Responsibility



Source: International Framework: Good Governance in the Public Sector (CIPFA)

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised and is responsible for ensuring that its business is conducted in accordance with the law and relevant standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

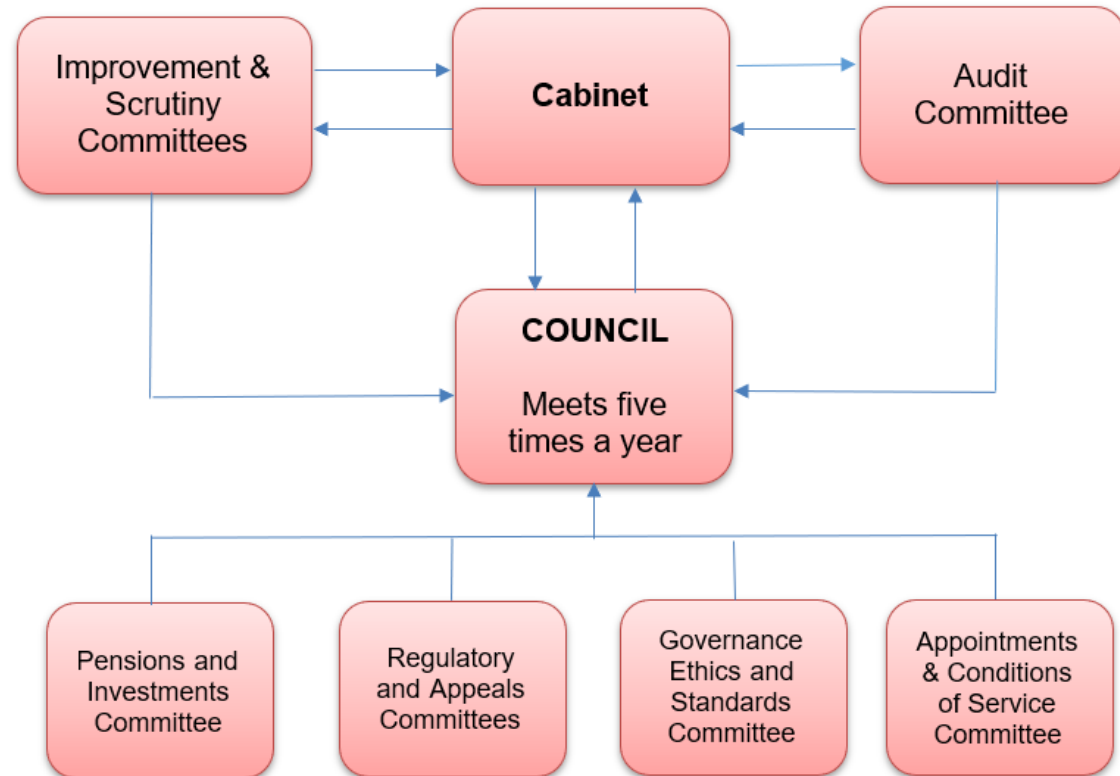
In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has developed an approach to corporate governance to ensure that it is consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and demonstrates its commitment to corporate governance as “good corporate governance underpins credibility and confidence in our public services”.

This Statement explains how the Council demonstrates compliance with the Framework and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

Derbyshire County Council's Governance Framework and Structure

The governance framework comprises the systems, processes and values by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The governance framework has been in place at the County Council for the year ended 31 March 2021 and up to the date of the Statement of Accounts being certified by the Director of Finance & ICT.



ANNUAL GOVERNANCE STATEMENT

Council

- 64 Elected Members who are democratically accountable to residents of their electoral division
- Members follow a Code of Conduct to ensure high standards in the way they undertake their duties
- Meetings are generally open for the public to attend except where confidential matters are being discussed
- Decides the overall policy framework and sets the budget each year and major plans

Cabinet

- Consists of the Leader of the Council and eight Members
- Responsible for guiding the Council in the formulation of its corporate plan of objectives and key priorities
- Has executive responsibility for the implementation of the Council's key goals and objectives

Governance, Ethics and Standards Committee

- Promotes and maintains high standards,
- Assists Members in observing the Code of Conduct
- Advises the Council on matters relating to the Code

Appointments & Conditions of Service Committee

- Approves corporate employment policies
- Determines terms and conditions of service
- Specific role in the appointment and disciplinary procedure for certain officers

Improvement and Scrutiny Committees

- Five Committees which support the work of the Cabinet and the Council as a whole
- Allow citizens to have a greater say in Council matters by holding inquiries in public into matters of local concern
- Lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery, and other public bodies
- Monitor the decisions of the Cabinet
- They can 'call-in' a decision which has been made by the Executive but not yet implemented

Audit Committee

- Independently contributes to the Council's process of ensuring internal control systems are maintained
- Responsible for approving and monitoring progress of the annual Audit Plan
- Considers matters referred to the Committee by the Council's external auditor
- Approves the Annual Statement of Accounts and the Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement 2020/21

During the 2020/21 financial year, events noted in the previous AGS came into effect as the Council had undertaken significant reviews of its Constitution including the Financial Regulations and Standing Orders relating to Contracts. As a result revised Financial Regulations and Standing Orders were implemented from 1 April 2019, with the remainder of the Constitution becoming operational from 27 May 2019. These updates were considered to significantly strengthen the overall robustness and integrity of the governance framework.

There has also been some progress in respect of the Council's Corporate Governance Group which is now chaired by the Head of Paid Service, with representatives from each Department as well as the Director of Legal & Democratic Services, Director of Finance & ICT, Director of Organisation Development & Policy and Assistant Director of Finance (Audit). A number of meetings were held during 2020-21 and the Group has been developing a Local Code of Corporate Governance. In addition, the Group has looked to schedule reviews of key governance policies, procedures and documents to coincide with Committee Meetings as well as considering lessons learnt from other public bodies.

The Risk Management Strategy was approved by Cabinet on 16 March 2020. This is intended to assist the Council in demonstrating good corporate governance by reducing risk, stimulating performance throughout the Council, enhancing services, promoting Value for Money and improving leadership, transparency and accountability. This is another significant step towards improving governance and the Strategy includes an implementation plan to ensure that risk management is embedded across the Council.

During 2019, the Council's Audit Services Unit was deemed to conform in all material aspects to the Public Sector Internal Audit Standards (PSIAS) following the five-yearly independent review by external consultants Cipfa C.Co. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance.

The Corporate Peer Challenge of the Council took place in October 2018 which identified that its approach to governance appeared to be sound. The resulting report was considered and approved by Cabinet on 31 January 2019 before it was published. At this meeting Cabinet approved plans to develop a clear action plan, to address recommendations set out in the report alongside priority actions identified in the Enterprising Council Strategy and to receive future reports on progress on a six-monthly basis. Progress against performance related actions are being reported to Corporate Management Team in

ANNUAL GOVERNANCE STATEMENT

respect of the Council Plan and most recommendations have been implemented. However, reports on progress have not been taken to Cabinet on a six-monthly basis. A follow up peer review visit is due to take place in the latter half of 2021.

Coronavirus (Covid-19)

Possibly the most significant risk to the Council and its governance arrangements was not realised until March 2020 when the impact of Covid-19 became apparent. This was a significant issue during the whole of the year under review, the effect of the virus has radically changed the approach the Council has had to take in order to maintain an effective control framework around the way it makes decisions and delivers services. It has also created new challenges for both management supervision and internal audit oversight of activities. At the same time it has acted as an impetus for change and speeded up the delivery of new ways of working and strategic transformation.

Immediate Impacts

Page 70 There was an immediate impact on decision making processes in March 2020, which saw many meetings cancelled as the Council was not able to hold these in accordance with regulations, and technology needed to be deployed in order that meetings could be facilitated. This had been resolved by May 2020 and virtual meetings have been held since that time. From May 2021 formal member meetings have now reverted back to being held in-person. The existence of an adequate governance framework ensured that the decision-making processes were robust and the Council could continue its core functions.

Despite the impact of Covid-19 (particularly around the timing of property valuations), the Council submitted the certified pre-audit Statement of Accounts before the statutory deadline of the end of July. The majority of staff were working at home during the period when the accounts were being prepared. This demonstrates that the Council has a robust and embedded framework which enables the production of the Statement of Accounts in challenging circumstances. The Council's systems and IT infrastructure have proved to be effective to ensure that staff were able, and can continue, to work solely from home in the short to medium term.

Prior to Covid-19, the Council was in a sound financial position effectively planning and managing its resources and investments, therefore, it had the capacity and capability to deal with the crisis, subject to appropriate support from Government towards meeting new spending commitments that arose as a result of the pandemic. However, it has been recognised that the Council has had to make its processes more agile and as part of that how to adapt its financial planning process. A financial forecasting model was used to help support financial stability during the outbreak.

ANNUAL GOVERNANCE STATEMENT

As the Council reacted to the developing situation, it had to adapt quickly which consumed time and resources that otherwise would have been deployed elsewhere. The Council has provided support to individuals, businesses and organisations within the community across Derbyshire to help them through the crisis. During this time, although efforts were made to ensure that changes to systems were reviewed to maintain effective control, an assumption has to be made that all proposed changes were notified through the correct channels and were considered. This may present a future risk and will be monitored.

The longer-term outlook remains a little clearer than at this time in 2020. Whilst an initial surge of Covid-19 cases passed and the severe restrictions imposed by the first lockdown have been eased and lifted, England has been subject to further periods of restrictions as further waves of Covid-19 cases emerged. The successful roll out of vaccines since December 2020 is providing real hope that there can be a return to a way of living with the virus that offers many of the same freedoms that were enjoyed before March 2020, however, in the short to medium term protective measures will need to continue to be in place to limit transmission of the virus. This will, in turn, continue to impact on the Council's frontline services and office working environments, the impact of which on vulnerable and/or isolated service users may not be apparent for some time in the future. Inevitably there is likely to be an impact on the Council's performance/increase in pressure for services as a result of Covid-19, and therefore it will be essential that as the Council moves into the recovery phase it looks at those services which have been adversely affected and how to support their effective recovery.

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The Council has recognised the impact that the virus has had on staff and has undertaken periodic surveys to gauge opinion and determine employee wellbeing. These surveys have tended to confirm that the majority of respondents were able to work effectively from home and had adapted to the circumstances. The Council's IT systems have proved themselves to be robust and effective throughout the past year, many improvements have continued to be made and whilst there was a pause on the pace of transformation in early 2020 this hasn't affected change programmes as much over the rest of the year. In the medium to long term, the impact of Covid-19 on staff either as a result of actually having caught the virus and being extremely unwell, losing a relative or close friend, feeling isolated, or from having unsuitable working arrangements will have an impact. Similarly, as staff return to offices when they reopen, this may also affect wellbeing, especially where individuals have become accustomed to the flexibility of working from home with less structure and no commuting required.

The recovery phase will undoubtedly be a difficult period of transition, but the council is taking sound measures through its Modern Ways of Working programme and Wellbeing approach to mitigate these effects and to positively take advantage of opportunities that have emerged.

ANNUAL GOVERNANCE STATEMENT

The Effectiveness of the Council's Governance Arrangements

As part of this process, an assessment has been made of the Council's performance against each of the seven core principles using the following criteria:-

Category	Definition
Strong	The governance framework is effective and fit for purpose, although some minor weaknesses and improvements may have been identified.
Good	Whilst the governance arrangements are generally effective, there are gaps within the framework which need to be addressed. Should these issues remain unaddressed, there is an increased risk that the Council may be exposed to reputational risk.
Review	Significant weaknesses have been identified in the governance arrangements which expose the Council to reputational risk.
Action	The governance arrangements are considered to be deficient as weaknesses have been identified in a number of key areas rendering the overall framework ineffective and leaving the Council open to a high risk of error/abuse and significant reputational risk/damage.

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Arising from this assessment of governance arrangements an Action Plan has been developed and is attached. Detailed actions and dates for completion will be determined to address each area for improvement which will be reported to the Audit Committee who will, in turn, monitor progress.

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The Annual Governance Statement summarises the findings of the review of the Council’s existing governance arrangements.

The review examined the Council’s position against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government which defines the seven core principles, each supported by sub-principles which underpin the governance framework of the Council.

What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	Review	<ul style="list-style-type: none"> ➤ The Council Plan sets out the Authority’s key priorities; ➤ The Constitution details the roles of the Cabinet, Committees, full Council, Executive Directors and Statutory Officers and continues to be reviewed and updated; ➤ Codes of Conduct define the standards of behaviour for Members and officers; ➤ The Authority operates an Equality and Diversity Policy, Whistleblowing Policy and Complaints Procedures; ➤ An Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and Anti-Money Laundering Policy demonstrate the Council’s stance against fraud; ➤ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Council, Cabinet, Committees and officers; ➤ Embedded arrangements for the delivery of Improvement and Scrutiny; ➤ Financial Management Arrangements conform to the Cipfa Statement on the Role of the Chief Financial Officer in Local Government (2016); ➤ The Governance, Ethics and Standards Committee monitors and reviews the operation of the Constitution and the 	<ul style="list-style-type: none"> ➤ The Employee Code of Conduct was last updated in 2015. The requirements of the Code should be reflected in other policies and not be seen in isolation It is anticipated that this will be completed by December 2021; ➤ Officers’ declarations of interests and gifts and hospitality are not consistently made and recorded. An officer group has been established to review this; ➤ The Whistleblowing Policy is currently being updated and will be communicated widely This is scheduled for November 2021; ➤ Implement the good practice recommendations following receipt of recent report from the Committee on Standards in Public Life. A target date has been set for December 2021; ➤ The Anti-Fraud arrangements could be more widely communicated and supported by training. A training module has been developed using the Online Learning Platform with the 	

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
		<p>ethical framework and has conducted a major review during the previous year;</p> <ul style="list-style-type: none"> ➤ Role profiles have been agreed for Members and together with Personal Development Plans inform Member Development programmes; ➤ Clear channels of communication are in place for all sections of the community and stakeholders; ➤ Embedded Financial Regulations and Standing Orders, Procurement policies and practices. ➤ The Council's Corporate Governance Group is chaired by the Managing Executive Director and attended by Departmental Representatives and the Section 151 and Monitoring Officers. ➤ The Council reviews how it best protects its vulnerable residents and takes on board learning from all relevant reviews whether they are Derbyshire focussed or not. 	<p>intention of delivering this by December 2021.</p> <ul style="list-style-type: none"> ➤ Review of the Derbyshire Partnership Toolkit should be completed by end September 2021. 	
<p>Principle B</p> <p>Ensuring openness and comprehensive stakeholder engagement</p>	Good	<ul style="list-style-type: none"> ➤ The Assistant Director of Finance (Audit) produces an Annual Report which is considered by Audit Committee, highlights both significant areas of good practice and those where improvements can be made. This Report includes the annual internal audit opinion which concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; ➤ The Authority operates a partnership protocol, toolkit and database with specific requirements of partnership working defined in Financial Regulations; 	<ul style="list-style-type: none"> ➤ More active use of parish/town councils and community groups has been considered and actions are required to achieve this; ➤ Partnership working arrangements are redesigned using the Thriving Communities approach to create strategic partnership engagement to deliver shared outcomes. The Thriving Communities governance arrangements have been reviewed and Terms of Reference refreshed. Representation from the Vision 	

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<ul style="list-style-type: none"> ➤ Certain partnership arrangements are subject to annual review by Audit Services; ➤ The Council publishes Member decisions on the website; ➤ The Council engages with the citizens of Derbyshire; ➤ The Council consults stakeholders as part of the decision making process where appropriate; ➤ The Council fulfils its responsibilities on the Duty to Cooperate; ➤ Equality Impact Assessments are undertaken and considered in decision making; ➤ A Communications Strategy is in place; ➤ The Council consults with citizens, trade unions and business ratepayers when setting its budget; ➤ The Council has an “Enterprising Council” Strategy and approach designed to ensure services meet the needs of users, utilising the best delivery vehicle in each circumstance; ➤ The Council has an online Committee Management System to improve access to councillors and democracy. 	<p>Derbyshire Communities Chief Executive Lead on the Board has been secured which should lead to a greater understanding by September 2021.</p>
<p>Principle C</p> <p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	Review	<ul style="list-style-type: none"> ➤ The Council Plan outlines the Council's strategy and vision; ➤ Departmental and Service Plans are developed which are consistent with the overarching Council Plan and incorporate a range of performance measures; ➤ Progress against a range of targets is monitored; ➤ The Authority has in place an effective risk management framework; 	<ul style="list-style-type: none"> ➤ Ensure that decisions are taken with regard to, or based on the longer term view. The new report templates implemented in May 2021 should meet this requirement; ➤ More emphasis could be placed on measuring and monitoring longer term outcomes as opposed to outputs. This should

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<ul style="list-style-type: none"> ➤ The Strategic Risk Register is subject to regular review; ➤ Capital investment is structured and in line with the Investment Strategy. 	<ul style="list-style-type: none"> ➤ be met using the revised report templates; ➤ Ensure key equipment and processes to support business continuity planning are effectively maintained; ➤ A social value approach is in place. The Council has continued to develop and embed social value to ensure that the economic, environmental and social benefits are realised and captured consistently for Derbyshire when procuring services; ➤ Work has been ongoing to develop a comprehensive Asset Management Strategy. The final document will be considered by the Governance Group in 2021.
<p>Principle D</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	Review	<ul style="list-style-type: none"> ➤ Financial Regulations and Standing Orders in relation to Contracts are subject to periodic review by officers and the Audit Committee; ➤ Decision making protocols are in place; ➤ Social value considerations are included in decisions where appropriate; ➤ Financial, Procurement and ICT Strategies are in place; ➤ Member Report considerations include financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, social value, property and transport considerations; ➤ The Council has Improvement and Scrutiny Committees in place. 	<ul style="list-style-type: none"> ➤ Development of consistent and effective business cases; ➤ The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data. This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence by March 2022; ➤ Revised People Strategy will be useful to ensure consistent council wide approach and guide future investment in skills is due

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
			<ul style="list-style-type: none"> to be approved in July 2021. This needs to be fully embedded; ➤ Development of a robust post implementation review process for major projects. CMT approved the approach to review existing change projects and programmes and embed robust project management across the Council; ➤ Review of officer scheme of delegation to optimise achievement of outcomes. The use of Modern.Gov to assist the recording of decision making is expected to be completed by December 2021. 	
Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	Review	<ul style="list-style-type: none"> ➤ Members and officers work together to deliver a common purpose with clearly defined functions and roles; ➤ The arrangements for Member training and development are reviewed through the Member Development Working Group; ➤ Staff development is supported through the provision of generic and specific skills training including supporting the maintenance of professional standards and qualification training including use of the apprenticeship levy; ➤ Senior Leadership and Leadership Forums are embedded; ➤ The Council is implementing its Performance and Development Review (PDR) process to identify training and development opportunities. 	<ul style="list-style-type: none"> ➤ Whilst there are areas of good practice relating to staff inductions and MyPlans there are opportunities to develop these processes. The launch of the new performance management process (PDR) will be rolled out across the Council by March 2022; ➤ Workforce planning support has commenced in service areas that have high agency spend and recruitment and retention charges. Succession Planning has been identified as a priority within the People Strategy. Workforce planning proposals are expected by March 2022; ➤ Consistent training of new staff in the IT systems they are expected to use, alongside refresher 	

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
			training for existing staff to ensure effective use of systems. This is to be developed as part of the ICT restructure and new systems by December 2021.	
Principle F Managing risks and performance through robust internal control and strong public financial management	Good	<ul style="list-style-type: none"> ➤ The Audit Committee operates in accordance with prescribed terms of reference and holds Statutory Officers to account. The Committee receives, approves and monitors the Audit Plans for internal and external audit; ➤ The Audit Committee monitors the effectiveness of the Authority's risk management arrangements; ➤ Audit Committee Members are provided with relevant training; ➤ The effectiveness of the governance framework including the system of internal control is reviewed annually; ➤ Audit Services review the effectiveness of the Authority's internal controls; ➤ The Council has a Risk Management Strategy; ➤ The Strategic Risk Register is subject to regular review and project specific risk logs are in place for major projects and partnerships which are subject to ongoing review; ➤ Emerging risks are identified by the reviews and from ongoing Audit work; ➤ Departmental risk registers are in place and regularly reviewed by management teams; ➤ Strong and effective information governance arrangements; ➤ The Council has been proactive in its approach to the General Data Protection 	<ul style="list-style-type: none"> ➤ Cyber security threats will require ongoing monitoring and development of appropriate responses which is a key work stream for the cyber security working group that was established in April 2021; ➤ The APEX performance system requires further development to utilise it to its full capacity to integrate performance and financial reporting. Further integration of risk is underway. 	<ul style="list-style-type: none"> ➤ Develop the process for lessons learnt from internal incidents and external Public Interest Reports.

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
		<p>Regulation (GDPR) and dealing with data breaches.</p> <ul style="list-style-type: none"> ➤ Data Protection arrangements are continually monitored by the GDPR Group; ➤ The Council has a Medium Term Financial Plan and effective Budget Monitoring Procedures endorsed in the recent Corporate Peer Review by the Local Government Association; ➤ The Scrutiny Committees scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions; ➤ The standards of behaviour and conduct are detailed in the Protocol for Elected Member Behaviour and Conduct; ➤ Whistleblowing The Confidential Reporting Code enables individuals or organisations to disclose information about malpractice whilst offering protection; ➤ Performance management is well embedded at a Departmental level; ➤ The Council has established a working group to consider cyber security risks; ➤ Independence of Internal Audit and unrestricted access to all Members and officers as appropriate; ➤ Ensuring compliance with the principles set out in the Cipfa guidance on the Role of the Chief Financial Officer in public service organisations. 		
<p>Principle G</p> <p>Implementing good practices in transparency,</p>	<p>Review</p>	<ul style="list-style-type: none"> ➤ The Constitution defines how the Council operates and the decision making processes to ensure the Council is efficient, transparent and accountable to local people; 	<ul style="list-style-type: none"> ➤ Continue to improve robust systems for property valuations building on the enhancements completed during recent years; ➤ Continue to action the recommendations of LGA Peer 	

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
reporting and audit to deliver effective accountability		<ul style="list-style-type: none"> ➤ Council, Departmental and Service Plans set out objectives and include performance targets; ➤ Council, Cabinet and Member meetings are open to the public and minutes are published on the website through the online Committee Management System to aid transparency of the democratic process; ➤ Financial Statements are produced and published on a consistent and timely basis; ➤ Departmental Financial Schemes of Delegation supplement the Council's Financial Regulations and Standing Orders relating to Contracts; ➤ The Assistant Director of Finance (Audit) produces their Annual Report which is considered by Audit Committee and highlights both significant areas of good practice and those where improvements can be made; ➤ Partnership working arrangements are established; ➤ The Council routinely publishes data and meets the requirements of the Local Government Transparency Code; ➤ Schemes of Delegation were reviewed during 2020/21. 	<p>Review to aid future improvement. The follow-up visit has been rescheduled for September 2021 with a new draft position statement considered by CMT on 1 June 2021 and working group meetings taking place fortnightly;</p> <ul style="list-style-type: none"> ➤ Continue to review the Constitution to ensure it remains fit for purpose to deliver effective accountability. This has identified areas for review in 2021/22. ➤ Continue to develop systems and protocols to support and monitor partnership working. The initial focus has been to review the Partnership Protocol and approach as overall context for the work plan and future actions. ➤ Embed the process for the production of the AGS in a timely manner.

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement & Opinion

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and it is our opinion that the Council's corporate governance framework is generally fit for purpose and can be considered to be adequate. However, it is recognised that there are areas which could be improved and the Council has a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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Councillor Barry Lewis
Leader of the Council

Date

On behalf of Derbyshire County Council

Emma Alexander
Managing Executive Director

Date

Action Plan - Areas for Improvement

Principle	Area for Improvement	Responsible Officer
Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	➤ The Employee Code of Conduct was last updated in 2015. The requirements of the Code should be reflected in other policies and not be seen in isolation It is anticipated that this will completed by December 2021;	Director of Organisation, Development & Policy
	➤ Officers' declarations of interests and gifts and hospitality are not consistently made and recorded. An officer group has been established to review this;	Director of Legal & Democratic Services
	➤ The Whistleblowing Policy is currently being updated and will be communicated widely This is scheduled for November 2021;	Director of Legal & Democratic Services
	➤ Implement the good practice recommendations following receipt of recent report from the Committee on Standards in Public Life. A target date has been set for December 2021;	Director of Legal & Democratic Services
	➤ The Anti-Fraud arrangements could be more widely communicated and supported by training. A training module has been developed using the Online Learning Platform with the intention of delivering this by December 2021.	Director of Finance & ICT
	➤ Review of the Derbyshire Partnership Toolkit should be completed by end September 2021.	Director of Organisation, Development & Policy
Principle B Ensuring openness and	➤ More active use of parish/town councils and community groups has been considered and actions are required to achieve this;	Performance and Engagement Manager (Place)

Principle	Area for Improvement	Responsible Officer
comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ Partnership working arrangements are redesigned using the Thriving Communities approach to create strategic partnership engagement to deliver shared outcomes. The Thriving Communities governance arrangements have been reviewed and Terms of Reference refreshed. Representation from the Vision Derbyshire Communities Chief Executive Lead on the Board has been secured which should lead to a greater understanding by September 2021. 	Director of Organisation, Development & Policy
Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Ensure that decisions are taken with regard to, or based on the longer term view. The new report templates implemented in May 2021 should meet this requirement; 	Director of Legal & Democratic Services
	<ul style="list-style-type: none"> ➤ More emphasis could be placed on measuring and monitoring longer term outcomes as opposed to outputs. This should be met using the revised report templates; 	Director of Legal & Democratic Services
	<ul style="list-style-type: none"> ➤ Ensure key equipment and processes to support business continuity planning are effectively maintained; 	Director of Organisation, Development & Policy
	<ul style="list-style-type: none"> ➤ A social value approach is in place. The Council has continued to develop and embed social value to ensure that the economic, environmental and social benefits are realised and captured consistently for Derbyshire when procuring services; 	Director of Finance & ICT
	<ul style="list-style-type: none"> ➤ Work has been ongoing to develop a comprehensive Asset Management Strategy. The final document will be considered by the Governance Group in 2021. 	Director of Finance & ICT / Performance and Engagement Manager (Place)
Principle D	<ul style="list-style-type: none"> ➤ Development of consistent and effective business cases; 	Director of Finance & ICT

Principle	Area for Improvement	Responsible Officer
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> ➤ The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data. This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence by March 2022; 	Director of Finance & ICT
	<ul style="list-style-type: none"> ➤ Revised People Strategy will be useful to ensure consistent council wide approach and guide future investment in skills is due to be approved in July 2021. This needs to be fully embedded; 	Director of Organisation, Development & Policy
	<ul style="list-style-type: none"> ➤ Development of a robust post implementation review process for major projects. CMT approved the approach to review existing change projects and programmes and embed robust project management across the Council; 	Performance and Engagement Manager (Place)
	<ul style="list-style-type: none"> ➤ Review of officer scheme of delegation to optimise achievement of outcomes. The use of Modern.Gov to assist the recording of decision making is expected to be completed by December 2021. 	Director of Legal & Democratic Services
Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> ➤ Whilst there are areas of good practice relating to staff inductions and MyPlans there are opportunities to develop these processes. The launch of the new performance management process (PDR) will be rolled out across the Council by March 2022; 	Director of Organisation, Development & Policy
	<ul style="list-style-type: none"> ➤ Workforce planning support has commenced in service areas that have high agency spend and recruitment and retention charges. Succession Planning has been identified as a priority within the People Strategy. 	Director of Organisation, Development & Policy

Principle	Area for Improvement	Responsible Officer
	Workforce planning proposals are expected by March 2022;	
	<ul style="list-style-type: none"> ➤ Consistent training of new staff in the IT systems they are expected to use, alongside refresher training for existing staff to ensure effective use of systems. This is to be developed as part of the ICT restructure and new systems by December 2021. 	Director of Finance & ICT
Principle F Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ➤ Cyber security threats will require ongoing monitoring and development of appropriate responses which is a key work stream for the cyber security working group that was established in April 2021; 	Director of Finance & ICT
	<ul style="list-style-type: none"> ➤ The APEX performance system requires further development to utilise it to its full capacity to integrate performance and financial reporting. Further integration of risk is underway. 	Director of Organisation, Development & Policy
	<ul style="list-style-type: none"> ➤ Develop the process for lessons learnt from internal incidents and external Public Interest Reports. 	
Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> ➤ Continue to improve robust systems for property valuations building on the enhancements completed during recent years; 	Director of Corporate Property
	<ul style="list-style-type: none"> ➤ Continue to action the recommendations of LGA Peer Review to aid future improvement. The follow-up visit has been rescheduled for September 2021 with a new draft position statement considered by CMT on 1 June 2021 and working group meetings taking place fortnightly; 	Director of Organisation, Development & Policy

Principle	Area for Improvement	Responsible Officer
	<ul style="list-style-type: none"> ➤ Continue to review the Constitution to ensure it remains fit for purpose to deliver effective accountability. This has identified areas for review in 2021/22. 	Director of Legal & Democratic Services
	<ul style="list-style-type: none"> ➤ Continue to develop systems and protocols to support and monitor partnership working. The initial focus has been to review the Partnership Protocol and approach as overall context for the work plan and future actions. 	Director of Organisation, Development & Policy
	<ul style="list-style-type: none"> ➤ Embed the process for the production of the AGS in a timely manner. 	



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

20 July 2021

Report of the Director of Finance & ICT

Corporate Risk Management Strategy 2021-2025

1. Purpose

- 1.1 To agree the Corporate Risk Management Strategy 2021-2025 and refer it to Cabinet for formal approval.

2. Information and Analysis

- 2.1 The Corporate Risk Management Strategy describes the context, policy and process for risk management in the Council. The Strategy is thoroughly reviewed every four years to support delivery of the new Council Plan. Interim updates are made in the intervening years as necessary.
- 2.2 The proposed Corporate Risk Management Strategy for 2021-2025 is shown in Appendix 2. This builds on the previous Strategy, with an emphasis on improving performance so that the Council is among the best performing local authorities for risk management by December 2024.
- 2.3 The proposed Corporate Risk Management Strategy uses national and international standards, builds on the principles and aspirations in the existing strategy and uses recognised risk management practices. Risk management practice is kept under constant review. Best practice is shared between local authorities, ALARM and insurance companies on

a regular basis and learning incorporated into the Council's business processes as appropriate

2.4 Effective risk management is vital for delivering the Council's strategic and operational objectives. Risk management reduces the uncertainties involved with delivery and increases the likelihood of achieving the intended outcomes described in the Council Plan and subsidiary service delivery plans.

2.5 The revised Strategy strengthens existing arrangements and sets out clearer expectations about risk management. Key changes are proposed in the following areas:

- Clearer definitions of strategic and operational (process and resources) risks, and introduction of the term 'major risk' to refer to risks assessed as 'Red' or 'Amber' requiring the most active management attention and regular oversight.
- The adoption of national and international standards for organisational resilience (BS6500:2014 and ISO 22301:2019), supplementing existing use of the risk management standard (BS ISO 31000:2018), to strengthen business continuity practices required to meet the Council's obligations under the Civil Contingencies Act 2004.
- Clearer steps to embed 'enterprise risk management' to improve understanding of corporate risk exposure, a focus on identifying and managing portfolios of risk related to specific areas of delivery, and consistency of practice across the Council.
- Improved support for corporate decision making, with business cases and Council papers clearly identifying major risks and corporate exposure for informed and balanced decisions about risk acceptability ('risk appetite').
- Deepening and strengthening the culture and governance of risk management at all levels of the Council to improve performance.
- Publication of a corporate risk register alongside the Council Plan and updated each year, beginning in 2022-23, setting out for the public the Council's strategic and operational risk environment and its approach to risk acceptance and management as an Enterprising Council.
- Improved service planning to identify, assess and manage portfolios of risk related to all services and deliverables described in service delivery plans.
- A greater focus on the potential impact when assessing the severity of risks and scoring reputational risk separately to provide greater visibility of this aspect for management and decision making.
- A clear process for risk management, based on the national and international standards, to provide a more systematic approach in

identifying, assessing and actively managing risk throughout the delivery lifecycle, including a consistent and robust approach to business continuity planning and management, and a more systematic review and incorporation of lessons learned to improve performance.

- Improved recording of corporate risks by expanding the Council's performance information system (APEX) to record risk data and allow improved analysis, monitoring and reporting.

2.6 An outline implementation plan is shown in Appendix 3. Leadership and oversight of the Strategy and progress in meeting performance targets will be provided by the Council's Corporate Management Team and Corporate Risk Management Group (CRMG). Progress will be reported regularly to the Audit Committee each quarter.

2.7 The Council's capability in risk management will be assessed using the CIPFA/ALARM¹ risk management maturity framework shown in Appendix 4. A self-assessment is currently being undertaken in all parts of the Council to set the baseline for measuring progress towards the December 2024 performance target. Progress will be reviewed and reported quarterly, with an external independent assessment provided each year.

2.8 InPhase provides the software for the existing APEX performance information system. The Council has exercised its option in the existing contract to add the InPhase risk management module as a fully integrated enhancement to the system. The Council has the option to extend its contract with InPhase on an annual basis to end on 31 October 2025 at the latest. Future options for APEX will be considered prior to the contract expiry date.

3. Alternative Options Considered

3.1 The CIPFA/ALARM methodology is widely accepted across the public sector and provides a benchmarking facility across other Councils. The Council approved the methodology for use as part of the current risk management strategy. An alternative would be to adapt the CIPFA/ALARM risk maturity framework or devise our own scoring mechanism. This would require further development work and undermine the current baseline benchmarking work already underway. Doing nothing would mean the Council has no means to measure its performance in a consistent way. We therefore recommend that the council continues to use the CIPFA/ALARM risk maturity framework.

¹ Chartered Institute for Public Finance and Accountancy (CIPFA)/Association of Local Authority Risk Managers (ALARM)

- 3.2 The InPhase risk management module is designed to fully integrate with the existing software used for APEX and was available as an option under the existing InPhase contract. Rather than using the InPhase Risk Management module, the Council considered in-house development and procuring a stand-alone system to report on risk management. This would potentially have increased costs as that system would need to integrate with InPhase to link risk with performance data; would potentially be more expensive as a standalone purchase; increase the draw on ICT resources and extend the implementation timescales. We therefore exercised the option to purchase the InPhase risk management module under the existing contract. Future options will be fully considered when the existing contract comes up for renewal.

4. Implications

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

5. Consultation

- 5.1 Internal consultation in preparing the strategy has been conducted with the Director of Finance & ICT, Director of Legal and Democratic Services and other members of the CRMG.

6. Background Papers

- 6.1 Derbyshire County Council Risk Management Strategy & Implementation Plan 2019-2021 (Version 2.7)

7. Appendices

- 7.1 Appendix 1 – Implications
Appendix 2 – Draft Corporate Risk Management Strategy 2021-2025
Appendix 3 – Outline implementation plan
Appendix 4 – CIPFA/ALARM risk management maturity framework

8. Recommendation(s)

That the Audit Committee:

- a) Agrees the Corporate Risk Management Strategy 2021-2025 and refers it to Cabinet for formal approval; and
- b) Notes the outline implementation plan.

9. Reasons for Recommendation(s)

- 9.1 The revised Strategy strengthens existing arrangements and sets out clearer expectations about risk management.
- 9.2 To ensure that the Council has robust risk management arrangements in place which drive up performance, improve decision making, strengthen business continuity arrangements, and fully embed the principles of 'enterprise risk management' across the Council.

Report Author: Jane Morgan
 Risk and Insurance Manager, Finance & ICT Division
Contact details: jane.morgan@derbyshire.gov.uk

This report has been approved by the following officers:

<p>On behalf of:</p> <p>Corporate Risk Management Group Director of Legal Services and Monitoring Officer Director of Finance and ICT Managing Executive Director Executive Director(s)</p>	<p>Helen Barrington Helen Barrington Paul Stone Helen Barrington Helen Barrington</p>
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Appendix 1**Implications****Financial**

- 1.1 The cost of implementing the corporate risk management strategy and InPhase risk management module will be absorbed within existing budgets.
- 1.2 The Strategy is expected to deliver increased value for money through improvements to decision making, managing service delivery outcomes and contingency planning. Improved risk management is also expected to reduce financial liabilities arising from losses which are met from within the Council's insurance deductible (excess) and to help in controlling the authority's insurance premium.

Legal

- 2.1 The Strategy will help the Council to deliver its obligations as a Category 1 responder under the Civil Contingencies Act 2004 more effectively. Improved risk management is also expected to help to reduce the likelihood of legal claims against the Council and the number of occasions the Council would need to pursue legal action.

Human Resources

- 3.1 It is proposed to recruit a corporate business continuity management specialist to advise and support with development and updating of the Council's business continuity plans. The officer will be managed within the Council's Emergency Planning Team.
- 3.2 All other implementation of the Strategy will be met using existing human resources.

Information Technology

- 4.1 The risk management module is an extension to existing InPhase software already used to support APEX. The module is designed for full compatibility and integration with the other InPhase modules.
- 4.2 The InPhase software offers considerable user configuration to meet business needs, including bespoke dashboards and customised reporting formats.

Equalities Impact

- 5.1 An equality impact analysis has not been completed as there are no substantial proposals being made to alter a policy, service, or function in the delivery of risk management.
- 5.2 Implementation of the strategy will improve the identification and assessment of risks, including the impact on equality, reducing the potential for legal challenges under the Equality Act 2010.

Corporate objectives and priorities for change

- 6.1 CCP service plan 2021-2025 deliverable: Rolled out the revised Risk Management Strategy (April 2021-March 2022). Owner: Jane Morgan (Finance and Audit).
- 6.2 This also contributes to the CCP deliverable: Further developed and embedded the Council's performance management framework (April 2020-June 2021). Owner: Sarah Eaton (Strategy and Policy).
- 6.3 Implementation of the Corporate Risk Management Strategy will support the better delivery of all corporate aims and objectives.



**CORPORATE RISK MANAGEMENT STRATEGY
2021-2025**

Version History			
Version	Date	Detail	Author
3.01	10.05.2021	First draft	Tony Kearsy
3.02	04.06.2021	Second draft	Tony Kearsy
3.03	11.06.2021	Third draft	Tony Kearsy
3.04	29.06.2021	Fourth draft	Tony Kearsy
3.05	13.07.2021	Audit Committee approval	Tony Kearsy

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2. Definition of risk management
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8. Culture
9. Governance and management
10. Corporate planning and delivery
11. Risk management process
12. Data protection
13. Risk management training
14. Implementation
15. Further support

Appendices

- A. Risk assessment scoring tables
- B. Glossary

1. Introduction

The Council is committed to improving its risk management performance to deliver better outcomes and greater public value for Derbyshire residents and businesses.

The Council's ambition is to be among the best performing local authorities for risk management by December 2024. This strategy sets out how we will deliver this transformational ambition using a 'one council' framework to actively manage risk at all levels of the organisation, from elected members and senior officers to managers and all those on the frontline delivering services to the public.

Feedback

This strategy is kept under constant review and feedback is always welcome. Any comments, best practice ideas and suggestions on how the Council can improve its risk management should be sent to: riskandinsurance@derbyshire.gov.uk

2. Definition of risk management

The Council has adopted the following definitions of risk and risk management:

(a) Risk

A 'risk' is an internal or external opportunity, event, issue, relationship, process or resource which presents a degree of uncertainty in delivering a desired outcome.

A 'strategic risk' is a risk which has a fundamental impact on the Council's purpose, constitution, strategic aims and objectives and ability to carry out its statutory and other major obligations.

An 'operational risk' is either a 'process' or 'resource' risk:

- 'Process risk' - a risk which concerns the policies, procedures, plans, practices and related vulnerabilities in successfully delivering the Council's strategic and operational aims and objectives.
- 'Resource risk' - a risk which concerns the human, financial, physical, information and intellectual resources of the Council required to successfully deliver its strategic and operational aims and objectives.

A 'major risk' is a risk which has been assessed as 'Red' or 'Amber' using the Council's corporate risk assessment criteria.

(b) Risk management

'Risk management' is the proactive identification, assessment, acceptance and management of risks to successfully deliver the Council's vision, aims, objectives and statutory obligations.

3. The benefits of good risk management

Good risk management offers the Council many benefits, including:

- Creating greater public value by reducing uncertainty, leading to the delivery of better services and outcomes.
- Protecting and enhancing the Council's reputation as a local authority.
- Ensuring statutory and other obligations are met.
- Achieving greater organisational and community resilience.
- Protecting the Council's assets, including property and information.
- Better decision making, management control, and resource allocation.
- Increasing value for money from public funds and the Council's other resources.
- Minimising liabilities, including legal action and claims against the Council.
- Improving assurance and public accountability.

4. Policy statement

The Council is committed to being among the highest performing local authorities in England for risk management. To deliver this ambition, the Council has adopted relevant risk management standards and an enterprise risk management (ERM) operating framework.

The Council overall has a moderate tolerance of risk. Acceptance of specific risks will be exercised flexibly according to business needs, benefits and priorities.

The Council will exercise a proportionate approach, focussing management attention on those risks with the highest potential impact on delivery and greatest uncertainty.

5. Standards and performance

The Council's strategy is guided by the principles and aims of risk management, resilience and business continuity management set out in the following standards:

- BS ISO 31000:2018 - Risk management - Guidelines.
- BS 65000:2014 – Guidance on organizational resilience

- ISO 22301:2019 – Security and resilience – business continuity management systems - requirements

Progress will be measured using the CIPFA risk management capability framework. The Council aims to achieve the following levels of performance in all framework categories by the dates shown below:

- Level 3 (Working) – by March 2022
- Level 4 (Embedded and Working) – by March 2023
- Level 5 (Driving) – by December 2024

All Departments are collectively and individually responsible for delivering the Council's ambition and targets.

Departments are accountable for progress to the Corporate Management Team (CMT) and Audit Committee, with advice and support available from the governance and corporate risk management groups, corporate risk and insurance team and internal audit.

6. Enterprise risk management

The Council's strategy is based on the 'enterprise risk management' (ERM) approach. This means greater public value is delivered as:

- The Council takes a 'one council' view of risk, focussed on the risks associated with corporate objectives and deliverables rather than Departmental boundaries.
- Risk management is an integral part of good management and decision-making, embedded in the structure, operations, and processes of the Council at strategic, operational, programme and projects levels.

This approach offers many benefits, including:

- A consistent approach to risk management across the Council.
- An overview of risks related to a service and deliverable, and their importance.
- Ensuring statutory and other obligations are met.
- Protecting and enhancing the Council's reputation as a local authority.
- Protecting the Council's assets, including property and information.
- Better decision making, management control, and resource allocation.
- Increasing value for money from public funds and the Council's other resources.
- Minimising liabilities, including legal action and claims against the Council.
- Achieving greater organisational and community resilience.
- Improving assurance and public accountability.

The key elements in delivering this approach are:

Culture

- Creating a risk-aware culture – embedding risk awareness and management at all levels of the Council (described further in Section 8 below).

Strategy and decision making

- Horizon scanning – regular horizon scanning for external risks likely to have a strategic impact on the Council's purpose and activities.
- Critical decision making - informed risk assessment and recommendations for all critical decisions taken by Cabinet, CMT and departmental management teams, including how major risks will be managed.

Management

- Portfolio risk management - identifying and managing all strategic, process and resource risks in the context of specific services and objectives (i.e. deliverables).
- Managing combined risk exposure – assessing and managing the exposure of all related risks across the Council.
- Benefits management – ensuring that desired outcomes are achieved, by actively managing significant hazard risks and having effective contingency arrangements in place.
- Minimising disruption – ensuring that unexpected disruption to delivery of critical objectives, services and core processes is minimised through effective business continuity management and planning.

Reporting and assurance

- Integrated performance reporting - corporate performance reporting on the delivery of objectives to include all directly related major risks and combined risk exposure.
- Assurance - structured assurance arrangements for CMT, the Audit Committee and Cabinet, focussed on risk portfolios for Council objectives and core processes.

7. Acceptable levels of risk

The Council accepts that risk is an inherent part of innovation, pursuing new opportunities and delivering high quality services. It also accepts that it is not possible, practical, or desirable to eliminate all risk from its activities.

The Council therefore seeks to manage all risk within acceptable levels (its 'risk appetite' or 'tolerance'). While overall having a moderate tolerance of risk, the level of risk accepted will vary between the opportunities being sought, activities being delivered and the overall risk exposure from combined risk of a similar nature.

A flexible approach will be used, with balanced decisions made on a case-by-case basis to decide how much risk the Council will accept, taking account of the:

- General guide to the Council's risk appetite, shown in Table 1.
- Potential benefits and disbenefits of accepting each risk.
- Related portfolio of risk (e.g. property, financial investments, client groups etc.).
- Impact on the Council's aims, objectives, and reputation if the risk materialised.

Table 1 – Risk appetite guide

Acceptability (or 'tolerance')	Examples
Lower acceptability	<ul style="list-style-type: none"> • Statutory responsibilities. • Safeguarding of vulnerable adults and children. • Health and safety of the public and employees. • Community safety. • Safety critical maintenance. • Larger investments with smaller returns or limited public benefit.
Limited acceptability	<ul style="list-style-type: none"> • Unproven policy and service innovations with a significant risk of failure, but with the potential for substantial public or economic benefit (a limited number of such innovations will be pursued at any time).
Higher acceptability	<ul style="list-style-type: none"> • Smaller investments with higher returns or wider public benefit. • New opportunities, potentially with substantial public or economic benefit, which have an existing evidence base and offer more certainty of a successful outcome. • Organisation and service efficiency measures which offer significantly improved performance, including 'spend to save' measures, with a high likelihood of success.

8. Culture

Risk management is the responsibility of everyone in the Council. The Council therefore aims to promote a culture of active risk management at all levels of the organisation.

Building a strong risk-aware culture offers many benefits, including:

- A clear understanding by everyone that good risk management is fundamental in delivering the best outcomes.
- Much greater awareness of different types of risk, and how it impacts on the wider aims, objectives, and reputation of the Council.

- Routinely considering risk in all decision making, with more significant risks quickly identified and escalated for higher-level management attention as needed.
- Improved dynamic risk management, by developing an individual's judgement in routinely considering and managing risk in all day-to-day activities.
- Greater community satisfaction and fewer claims against the Council.

9. Governance and management

Responsibility and accountability for overseeing and delivering the risk management strategy, including promoting a risk-aware culture, are distributed throughout the Council. Specific roles and responsibilities are:

(a) Governance

Council Leader and Cabinet members

The Council Leader and Cabinet members have governance responsibility, including:

- Approving the Council's risk management strategy and framework.
- Receiving assurance from the Audit Committee on the Council's risk management strategy, performance and implementation
- Receiving the Managing Executive Director's annual risk management report.
- Receiving occasional reports on strategic risks affecting the Council.

Audit Committee

The Audit Committee has responsibility for detailed oversight and scrutiny of the Council's risk management arrangements and performance on behalf of the Council Leader and Cabinet members, including:

- Overseeing the corporate risk management strategy and framework and its implementation.
- Overseeing risk management by officers, including ensuring that risks are adequately considered when setting Council and departmental objectives and that only appropriate risks are accepted.
- Regularly reviewing the corporate risk register and progress with managing major risks.
- Monitoring the adequacy of the risk management arrangements and their implementation.
- Overseeing delivery of the Council's ambition to achieve Level 5 (Driving) on the CIPFA risk management capability framework, by December 2024.
- Providing assurance to the Council Leader and Cabinet members on all aspects of risk management.

(b) Management

Corporate Management Team

The Managing Executive Director is accountable to the Council Leader and Audit Committee for risk management in the Council. All members of the Corporate Management Team (CMT) have responsibility for:

- Promoting a strong risk management culture.
- Having a clear understanding of the external and internal risk environment, and the impact of this on the successful delivery of the Council and service delivery plans.
- Ensuring that major risks and overall risk exposure are fully assessed and reflected in advice and recommendations for the Cabinet to make informed decisions.
- Challenging risk management performance, including seeking assurance of satisfactory progress in managing all significant risks.
- Leading and driving delivery of the risk management strategy, including the Council's ambition to achieve Level 5 (Driving) on the CIPFA risk management capability framework, by December 2024.

Corporate Risk Champion - the Corporate Risk Champion is an Executive Director nominated by the CMT to actively promote the aims of the corporate risk management strategy in the Council.

Corporate Risk Management Group (CRMG)

The Corporate Risk Management Group (CRMG) has responsibility for:

- Providing oversight of corporate risk management issues, including delivery of the Council's corporate risk management strategy.
- Regularly reviewing strategic risks to the Council for the attention of CMT and Audit Committee, including those for potential inclusion in the annual update to the Council's corporate risk register.
- Promoting the principles of enterprise risk management in the Council.
- Maintaining an overview of the Council's business continuity and contingency planning arrangements, including its interface with the Derbyshire Local Resilience Forum.
- Considering corporate risk management training and development for Councillors and officers, including the development of specialist risk expertise.

Senior management teams

Each Executive Director is accountable to the Managing Executive Director for risk management in their department. All senior department, directorate and division management teams have responsibility for:

- Having a clear understanding of the external and internal risk environment, and the impact of this on the successful delivery of the service delivery plan.
- Ensuring that significant risks and overall risk exposure are fully assessed, regularly reviewed, and reflected in advice and recommendations for the CMT and Cabinet to make informed decisions.
- Regularly reviewing and challenging risk management performance, including seeking assurance of satisfactory progress in managing risks within the department and by each directorate and division.
- Conducting a periodic self-assessment of progress by their department and each directorate and division in meeting corporate risk management performance targets detailed in Section 5 above.

Managers

All managers have responsibility for:

- Understanding and implementing the corporate risk management strategy.
- Communicating and supporting good risk management practice in their teams.
- Keeping abreast of all risks related to their responsibilities.
- Ensuring that risks are actively managed, recorded and progress regularly updated on APEX and local risk action plans as necessary.
- Promptly escalating issues to senior managers as necessary.

All other employees

All employees have responsibility for:

- Managing risk effectively in their own jobs.
- Using risk assessments effectively and suggesting to a manager where an assessment would be beneficial.
- Reporting unassessed hazard risks to their manager.

10. Corporate planning and delivery

The consideration, understanding and informed acceptance of risks is an integral and vital part of corporate planning, delivery management and performance monitoring.

Sufficient time will be given for the CMT, Audit Committee and Cabinet to consider and agree their appetite for proposed activities and risks prior to publication of the Council plan, corporate risk register and service delivery plans.

Council plan

When preparing the four-year Council Plan, due consideration will be given to the risks to the Council in setting specific aims, objectives, and key deliverables. This will include, but is not limited to:

- The Council's vision, mission and values.
- The social, cultural, political, legal, regulatory, financial, technological, economic and environmental context at international, national, regional and local levels as appropriate.
- Key drivers and trends.
- External and internal stakeholders' relationships, perceptions, values, need and expectations.
- Statutory obligations, contractual relationships and commitments.
- The Council's strengths, weaknesses and capabilities, in terms of resources and knowledge.
- Any limits set by statute or government policy on what the Council can do.
- The overall portfolio of risk and risk exposure.

Corporate risk register

The corporate risk register will be compiled from the corporate planning process and published alongside the Council Plan from 2022-2023.

The corporate risk register will contain those strategic and operational risks that could materially threaten the Council's operating model, future performance, ability to deliver its statutory obligations and a balanced budget, may substantially affect its reputation, or which could prevent the Council pursuing and delivering its strategic objectives and significant new opportunities.

Both the Council Plan and corporate risk register are public documents. They are reviewed and updated annually.

Service delivery plans

Service delivery plans set out in greater detail how the aims, objectives and key deliverables described in the Council Plan will be delivered in each service area.

Following the principles of enterprise risk management, service delivery plans should refer to all major risks related to the delivery of core services, regardless of where responsibility for managing a risk rests within the Council.

The proposed core services and related resource requirements form the basis for risk identification and assessment. Many of the risk factors considered in preparing the Council Plan will be addressed in more detail, together with consideration of other factors. Risk factors will include, but are not limited to:

- The relative public value created by each activity in relation to the risk appetite.
- Relevant statutory requirements, standards, guidelines, and delivery models.
- Available data, information systems and information flows.
- Allocated capital and revenue budgets.
- Savings targets.

11. Risk management process

Risk management is a dynamic, collaborative, and structured process. The risk management process underpins decision making about service planning, including which new opportunities to pursue, through to the successful delivery and realisation of the intended outcomes and benefits.

Service delivery

All current services, programmes and deliverables should be supported by a full assessment of strategic, process and resource risks and a risk action plan.

New opportunities

The Council will pursue new opportunities where there is a justified benefit and the related risks are acceptable. All new proposals and business cases should include a full assessment of strategic, process and resource risks to support informed decision making by senior officers and members.

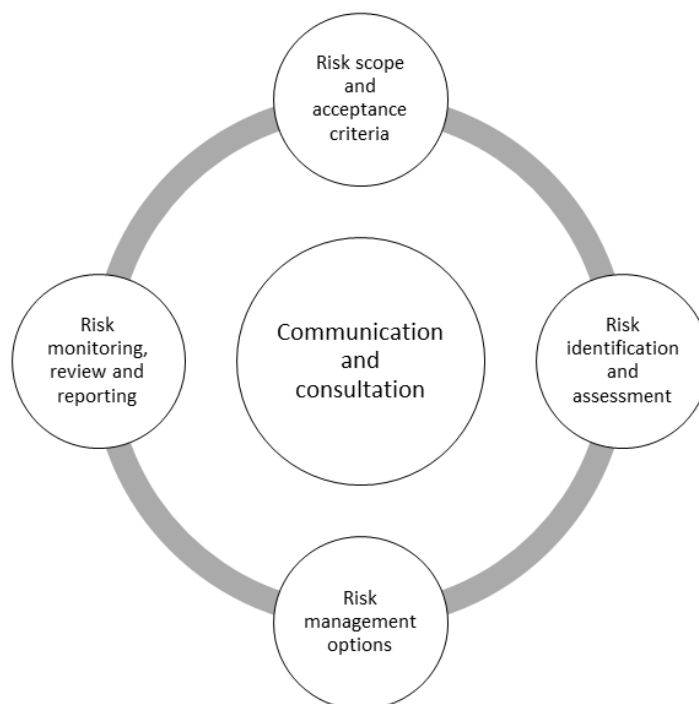
Risk management process

The key elements of the risk management process are:

- Communication and consultation.
- Risk scope and acceptance criteria.
- Risk identification and acceptance.
- Risk management options.
- Risk monitoring, review and reporting.

These are shown in Figure 1 and described further below.

Figure 1 – Risk management process



(a) Risk scope and acceptance criteria

New proposals, services, programmes, and key deliverables in service delivery plans will provide the focal point and context for risk identification and assessment.

The scope of risks covered will include:

- All relevant internal and external strategic, process and resource factors which contribute to the successful delivery of each outcome and deliverable.
- Wider considerations, including the potential overall exposure from related risks across the Council and significant impacts on the community, businesses, and partners.

The criteria for risk acceptance will include consideration of:

- The Council's risk appetite in relation to the new opportunity, service, programme or deliverable, weighing the intended benefits with hazard risks.
- The nature and type of uncertainties (both tangible and intangible) related to the intended outcome and deliverable.
- How wider impacts will be assessed.
- The Council's capacity to manage the risks during the period of delivery, including the robustness of management arrangements to deliver the intended benefits.

(b) Risk identification and assessment

All key risks which could prevent or disrupt achieving an objective or deliverable should be identified and assessed systematically. The best available information should be used, drawing on the knowledge and views of internal and external stakeholders as necessary.

Risk should be assessed using the scoring tables in Appendix A. The risk impact scoring criteria may be reworded for customised use within programmes and projects, provided the risk impact grading criteria remain consistent with Appendix A for corporate reporting purposes.

The complexity of the assessment needed will take account of the potential impact of a risk, both positive and negative, on the intended outcome and reputation of the Council.

Relevant quantitative and qualitative information should be used in assessing the severity of a risk, which may include:

- Tangible and intangible sources of risk.
- Potential changes in the internal and external context, including emerging risks.
- The potential for unintended, different or multiple impacts and outcomes.
- The actual and potential consequences for internal and external stakeholders, and their perception of the Council.
- The nature, value and availability of resources.
- Time-related factors.

Due care should be taken to understand the limitations in knowledge and information for decision making, including reliability, assumptions, biases, and beliefs.

Assessments will be documented and used in evaluating the acceptability of risks, obtaining approvals, managing the delivery of benefits, and for evaluating overall success in delivering the intended outcomes and organisational learning.

(c) Risk management options

Decisions to accept risks will depend on a range of factors, including the Council's overall risk appetite, obligations, discretionary goals and commitments, stakeholder views, financial and legal exposure, and reputational impact.

Risk acceptance

Risk appetite and acceptance will depend on how well a risk can be managed, considering:

- The balance of benefits and disbenefits of taking the risk, including the Council's overall exposure to similar risks.
- The benefits balanced with the cost, management effort, potential impact and likelihood of the risk occurring.
- Acceptability to stakeholders.
- Whether the risk has a higher or lower impact assessment.

- The severity of the risk, and if management action can contain the risk within the Council's risk appetite.

Management options

Four main options are available for managing risk (known as the '4T's').

Management action for risks with lower impact will tend towards:

- **Toleration** – accepting the risk with no active management action.
- **Treatment** – active management action to control or reduce the risk exposure to an acceptable level.

Action for risks with higher impact will tend towards:

- **Transfer** – transferring the risk to a third party, usually through a contract or insurance.
 - **Termination** – not accepting the risk if it is judged too high, even after mitigation.
- The most appropriate option or combination of management options will be used for each risk and recorded in APEX.

Risk management plans for major risks

More detailed risk management plans will be produced for major risks (assessed as Amber or Red). Plans will specify management action, how it will be implemented and used for communication and monitoring progress.

These plans should include the rationale for selecting risk management options, actions and intended impact, resources needed, any performance measures, constraints, when actions are expected to be undertaken and completed, and reporting and monitoring arrangements.

The risk management plans for major risks will be recorded in APEX.

Business continuity and contingency planning

A risk impact assessment should be completed for all core services, deliverables and supply chains, and appropriate business continuity and contingency arrangements put in place as necessary and maintained.

These arrangements should be effective in managing the potential impact of a risk and building organisational resilience for critical services and functions in both emergency and non-emergency situations.

The Civil Contingencies Act 2004

The Council's statutory responsibilities for business continuity are defined in The Civil Contingencies Act 2004. As a Category 1 responder, the Council must maintain plans to ensure it can continue to exercise its functions in the event of an emergency so far as is reasonably practicable.

The Council's duty under the Act relates to all the functions of a Category 1 responder, which include:

- Making provision for ensuring that ordinary functions can be continued to the extent required.

- Maintaining plans to deal with emergencies.
- Having arrangements to warn and inform the public in the event of an emergency.
- Having a training programme for those directly involved in the execution of the business continuity planning.
- Promoting business continuity management to businesses and voluntary organisations.

In developing business continuity and contingency plans, departments should work closely with the Council's emergency planning team as necessary, which is also responsible for co-ordinating with other Category 1 and 2 responders represented on the Derbyshire Local Resilience Forum.

(d) Monitoring, review and reporting

Management actions must be actively monitored and reviewed regularly to provide assurance that risks are being managed effectively. Changes should be made if actions are not working or have created new risks which need managing.

Risk recording

Corporate strategic and operational risks will be recorded and monitored using the Council's APEX performance reporting system being introduced during 2021-22.

The use of APEX for recording strategic and operational risks does not replace the need for specific local risk assessment, recording and monitoring arrangements where these are appropriate. This includes the safeguarding of individual vulnerable adults and children, legal cases, local health and safety assessments and similar examples.

The risk management component in APEX will be developed progressively during 2021-2024 to provide further analysis and management information as needed.

Management team risk reviews

Senior management teams should regularly review progress with risk management and identify any 'rising star' risks. Priority should be given to the most significant corporate risks, with reviews as follows:

- Red risks – at least every month
- Amber risks – at least every two months
- Green risks – at least every three months
- Blue risks – at least every six months

Corporate risk reviews and reports

The timetable for corporate risk reviews and reports to support formal governance and senior management oversight is published by the Corporate Risk and Insurance Team at the beginning of each financial year.

A summary of main reviews and reports, including their audience and frequency, is shown in Table 2.

Table 2 – Corporate risk reviews and reports

Report	Audience	By whom	Frequency
Corporate risk register (alongside Council Plan)	Public	Cabinet	Annually
Annual report on corporate risk management	Cabinet	Audit Committee and Managing Executive Director	Annually
Performance and Finance Reports (by Cabinet portfolio)	Cabinet Portfolio Holders	Lead Executive Director and Director of Finance & ICT	Quarterly
Service delivery plans (incorporating major service delivery risks)	Cabinet	Executive Directors	Annually
Review of corporate and major service delivery risks by department or service area	Audit Committee	Executive Director/Directors	Annually (each department or service area)
Corporate risks exception report	Audit Committee	Risk and Insurance Manager	Quarterly
Corporate risks review (APEX report)	CMT	Risk and Insurance Manager	Quarterly
Service delivery risk action plans (APEX report)	Senior management teams	Executive Directors, Directors, and heads of teams	Ongoing
Cabinet/CMT Papers (incorporating risk assessments)	Cabinet and CMT	Lead Executive Director/Director	As submitted
Corporate risk reports (specific topics)	Audit Committee and CMT	CRMG	As required

Lessons learned

Consideration of lessons learned should be included in regular management reviews to identify best practice, understand and learn from failures in all areas of activity, including projects, incidents, events, complaints, breaches, claims and accidents.

Lessons which may have relevance for the wider Council should be reported to the corporate risk and insurance team, which will also support significant post-incident lessons learned reviews as required.

12. Data protection

No personal data will be recorded in the corporate risk register or APEX.

Where personal data is required for risk management, this will be recorded locally in a confidential register maintained separately by the relevant department or team and

managed in compliance with the Council's information governance strategy and data protection legislation.

Other sensitive non-personal data can be recorded and protected within APEX.

13. Risk management training

The CRMG will consider and advise on risk management training and development for members (in consultation with the Governance Group), Directors, managers and other employees. This will include both general and specialist training and development needs and their delivery.

All managers should ensure that risk management performance, skills development and training is included in all employees' 'My Plan' and discussed during reviews.

14. Implementation

An implementation plan to deliver the Council's ambition and strategy will be approved and overseen by the CRMG, which will act as the programme board.

Regular reports on progress will be provided to the CMT and Audit Committee by the Director of Finance & ICT.

15. Further support

Further information, advice and support in implementing this strategy is available from the Corporate Risk and Insurance Team:

RiskandInsurance@derbyshire.gov.uk.

Appendix A – Risk assessment scoring tables

A risk is assessed by taking account of:

- Impact – the potential consequences if the risk materialised.
- Likelihood – the likely time period in which the risk could materialise.

Each risk is categorised according to its severity using the traffic light system shown in Table A1.

Greatest emphasis is given to impact scores to highlight those risks needing the most management attention.

Table A1 – Risk severity

Impact Score	Extremely high	4	Green	Amber	Red	Red	Red
	High	3	Green	Green	Amber	Red	Red
	Moderate	2	Blue	Green	Green	Amber	Amber
	Low	1	Blue	Blue	Green	Green	Green
	None	0	Blue	Blue	Blue	Blue	Blue
			1	2	3	4	5
			Rare	Unlikely	Possible	Probable	Almost certain
			Likelihood Score				

Tables A2 and A3 show the detailed criteria for assessing likelihood and impact.

Table A2 – Likelihood scoring

5	Almost certain	The event is expected to occur every year
4	Probable	The event could occur every year
3	Possible	The event could occur every two years
2	Unlikely	The event could occur every five years
1	Rare	The event could occur every 10 years or longer

Table A3 – Impact scoring

All relevant impact areas should be graded, with the highest scoring area (the ‘primary impact’) used to assess risk severity.

Note 1: Confidential risk assessment of specific individuals, legal action or claims should be undertaken separately and recorded locally by the relevant Division.

	Impact grading	Public and employee health, safety and wellbeing	Community	Economy	Environment	Service Disruption	Skills capability	Legal	Contracts and Partnerships	Information Security
4	Extremely high	Substantial level of harm to the health, safety and wellbeing of the community, members of the public or employees	Substantial disadvantage to large parts of the community and/or many vulnerable residents	Substantial negative impact on the County's economy, including hard infrastructure	International and/or national environmental damage	Substantial external or internal disruption and/or loss of service (more than seven days)	Substantial under-performance from skills gaps and/or shortages	Substantial legal action, claims and/or penalties against or by the Council	Substantial impact on service delivery from a contract and/or partnership failure	Substantial breach; Information Commissioner Office (ICO) fine; loss of ISO 27001 certification
3	High	Significant level of harm to the health, safety and wellbeing of the community, members of the public or employees	Significant disadvantage to large parts of the community and/or some vulnerable residents	Significant negative impact on the County's economy, including hard infrastructure	Significant regional environmental damage and/or failure to meet all or most internal climate change targets	Significant external or internal disruption and/or loss of service (between three to seven days)	Significant under-performance from skills gaps and/or shortages	Significant legal action, claims and/or penalties against or by the Council	Significant impact on service delivery from a contract and/or partnership failure	Significant external breach with no loss of sensitive data; or minor external breach with loss of sensitive data

	Impact grading	Public and employee health, safety and wellbeing	Community	Economy	Environment	Service Disruption	Skills capability	Legal	Contracts and Partnerships	Information Security
2	Moderate	Moderate level of harm to the health, safety and wellbeing of the community, members of the public or employees	Moderate disadvantage to large parts of the community and/or some vulnerable residents	Moderate negative impact on the County's economy, including hard infrastructure	Moderate regional and/or major local environmental damage and/or failure to meet many internal climate change targets	Moderate external or internal disruption and/or loss of service (between 24 to 48 hours)	Moderate under-performance from skills gaps and/or shortages	Moderate legal action, claims and/or penalties against or by the Council	Moderate impact on service delivery from a contract and/or partnership failure	Significant internal breach with no loss of sensitive data; or minor internal breach with loss of sensitive data
1	Low	Minimal level of harm to the health, safety and wellbeing of the community, members of the public or employees	Minimal disadvantage to the community and/or some vulnerable residents	Minimal negative impact on the County's economy, including hard infrastructure	Minimal regional and/or local environmental damage and/or failure to meet some internal climate change targets	Minimal external or internal disruption and/or loss of service (less than 24 hours)	Minimal under-performance from skills gaps and/or shortages	Minimal legal action, claims and/or penalties against or by the Council	Minimal impact on service delivery from a contract and/or partnership failure	Minor external or internal breach with no loss of sensitive data
0	None	No impact	No impact	No impact	No impact	No impact	No impact	No impact	No impact	No impact

All risks have the potential to impact on the Council's reputation. Each risk is given a separate reputation impact assessment, as shown in Table A4.

Table A4 – Reputation impact assessment

Extremely High	Lasting or permanent national/local brand damage resulting from adverse comments in national press and media. Members/Officers almost certainly forced to resign.
High	Temporary national/local brand damage lasting up to two years from coverage in national and/or regional press/media. Members/Officers potentially forced to resign.
Moderate	Temporary local brand damage lasting up to one year from extensive coverage in regional press/ media.
Low	Temporary local brand damage lasting up to a few weeks from minor adverse comments in regional press/social media.
Extremely Low	Negligible local brand damage from limited adverse comments with minimal press/social media.

Each risk is assessed for the potential range of capital and/or revenue loss to the Council if the risk materialised, as shown in Table A5.

Table A5 – Financial impact assessment

Band 8	Loss over £20 million
Band 7	Loss between £10 million and £20 million
Band 6	Loss between £5 million and £10 million
Band 5	Loss between £3 million and £5 million
Band 4	Loss between £1 million and £3 million
Band 3	Loss between £100,000 and £1 million
Band 2	Loss between £50,000 and £100,000
Band 1	Loss under £50,000
Band 0	No financial loss

The information from these assessments is recorded in APEX. An additional classification of risks is also included in APEX to enable analysis and reporting as required.

Appendix B – Glossary

4T's	The four management options to tolerate, treat, transfer or terminate a risk
APEX	The Council's performance management information system
BS	British Standard
Category 1 responder	Designation of corporate statutory obligations for business continuity and contingency planning under the Civil Contingencies Act 2004
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CRMG	Corporate Risk Management Group
DMT	Department Management Team
ERM	Enterprise risk management
Impact	The potential consequence of a risk if it occurred
ISO	International Organisation for Standardisation
Likelihood	The probability of a risk materialising
Major risk	A risk which has been assessed as 'red' or 'amber'
Operational risk	A process or resource risk
One Council	Collective and unified action by the whole Council focussed on delivering successful public service outcomes from the objectives stated in the Council and service delivery plans
Process risk	A risk which concerns the policies, procedures, practices and related vulnerabilities in delivering the Council's operational objectives
Resource risk	A risk which concerns the human, financial, physical, information and intellectual resources of the Council required to successfully deliver its strategic and operational aims and objectives
Risk	An internal or external event, issue, relationship, process or resource which presents a degree of uncertainty in delivering a desired outcome
Risk appetite	The acceptability or tolerance of a risk
Risk management	The proactive identification, assessment, acceptance and management of risks to successfully deliver the Council's vision, aims, objectives and statutory obligations
Strategic risk	An external or internal risk which could have a fundamental impact on the Council's purpose, constitution, strategic aims and objectives and ability to carry out its statutory and other major obligations
Terminate	Rejection of a risk if it is judged too high, even after management action is applied

Tolerance	The acceptability of a risk after necessary management actions are applied
Tolerate	Accept a risk with no further management action
Transfer	Passing a risk to third party, usually through a contract or insurance
Treat	Active management action to control or reduce the risk exposure to an acceptable level

Appendix 3

Outline implementation plan

Timescale	Action	Owner
Ongoing	Strategic Risk Register quarterly reviews by CMT and Audit Committee	Risk and Insurance
Ongoing	Departmental Risk Register monthly reviews by department management teams (prioritising major risks)	All Departments
Ongoing	Executive/Service Directors attend Audit Committee to discuss service delivery risk management (at least annually)	All Departments
May 2021 – ongoing	Council and committee reports requirements strengthened to include risk assessments as appropriate	
May 2021 – ongoing	Communicate with all Directors, managers and other staff	Risk and Insurance
June - July 2021	Risk management maturity baseline assessment (CIPFA/ALARM framework) – with quarterly progress updates and an independent annual review thereafter	All Departments/Risk and Insurance
July 2021	Agree Corporate Risk Management Strategy 2021-2025	Audit Committee
July 2021	Install APEX risk management module	Strategy and Policy/ICT/ InPhase
July – September 2021	DCC and ‘Our Derbyshire’ websites – update risk management information	Risk and Insurance
July – September 2021	Financial Regulations – update risk management sections as required	Risk and Insurance
July – September 2021	Procurement risk management framework developed and published for all significant procurement/commissioning	Risk and Insurance

Timescale	Action	Owner
July – October 2021	Departments identify and assess risk portfolios for all service delivery plan deliverables	All Departments
July 2021 – ongoing	Training sessions delivered to teams and Members as required	Risk and Insurance
July – November 2021	Online risk management induction and annual refresher training modules developed and published for all staff and Members	Risk and Insurance
December 2021	Q3 performance and risk reports – first reports using APEX data	Risk and Insurance
September 2021 – March 2022	Corporate Risk Register developed and published alongside Council Plan	Risk and Insurance
September 2021 – March 2022	Service delivery planning 2022-2023 – risk-based decision making about deliverables	Strategy and Policy/ All Departments
October 2021 – March 2022	All Council business continuity plans reviewed, gaps identified, and action plan produced (business continuity management specialist to be recruited to coordinate and support this work)	Emergency Planning/ All Departments
April-May 2022	Managing Executive Director’s annual report on risk management	Risk and Insurance

Appendix 4

CIPFA/ALARM risk management maturity framework

	Leadership & Management	Strategy & Policy	People	Partnership, Shared Risk & Resources Processes	Processes	Risk Handling & Assurance	Outcomes & Delivery
Level 5: Driving	Senior management uses consideration of risk to drive excellence through the business, with strong support and reward for well- managed risk-taking.	Risk management capability in policy and strategy making helps to drive organisational excellence.	All staff are empowered to be responsible for risk management. The organisation has a good record of innovation and well-managed risk-taking. Absence of a blame culture.	Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed.	Management of risk and uncertainty is well-integrated with all key business processes and shown to be a key driver in business success.	Clear evidence that risks are being effectively managed throughout the organisation. Considered risk-taking part of the organisational culture.	Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles.
Level 4: Embedded & working	Risk management is championed by the CEO. The Board and senior managers challenge the	Risk handling is an inherent feature of policy and strategy making processes. Risk management	People are encouraged and supported to take managed risks through innovation.	Sound governance arrangements are established. Partners support one another's risk management	A framework of risk management processes in place and used to support service delivery.	Evidence that risk management is being effective and useful for the organisation and producing clear benefits.	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive

	risks to the organisation and understand their risk appetite. Management leads risk management by example.	system is benchmarked and best practices identified and shared across the organisation.	Regular training and clear communication of risk is in place.	capability and capacity.	Robust business continuity management system in place.	Evidence of innovative risk-taking.	and sustained improvement.
Level 3: Working	Senior managers take the lead to apply risk management thoroughly across the organisation. They own and manage a register of key strategic risks and set the risk appetite.	Risk management principles are reflected in the organisation's strategies and policies. Risk framework is reviewed, developed, refined and communicated.	A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and responsibilities.	Risk with partners and suppliers is well managed across organisational boundaries. Appropriate resources in place to manage risk.	Risk management processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans.	Clear evidence that risk management is being effective in all key areas. Capability assessed within a formal assurance framework and against best practice standards.	Clear evidence that risk management is supporting delivery of key outcomes in all relevant areas.
Level 2: Happening	Board/ Councillors and senior managers take the lead to ensure that approaches for addressing risk are being	Risk management strategy and policies drawn up, communicated	Suitable guidance is available and a training programme has been implemented to	Approaches for addressing risk with partners are being developed and implemented.	Risk management processes are being implemented and reported upon in key areas.	Some evidence that risk management is being effective. Performance monitoring and assurance	Limited evidence that risk management is being effective in, at least, the most relevant areas.

	developed and implemented.	and being acted upon. Roles and responsibilities established; key stakeholders engaged.	develop risk capability.	Appropriate tools are developed and resources for risk identified.	Service continuity arrangements are being developed in key service areas.	reporting being developed.	
Level 1: Engaging	Senior management are aware of the need to manage uncertainty and risk and have made resources available to improve.	The need for a risk strategy and risk-related policies has been identified and accepted. The risk management system may be undocumented with few formal processes present.	Key people are aware of the need to understand risk principles and increase capacity and competency in risk management techniques through appropriate training.	Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk.	Some stand-alone risk processes have been identified and are being developed. The need for service continuity arrangements has been identified.	No clear evidence that risk management is being effective.	No clear evidence of improved outcomes.

