

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

22 September 2020

Report of the Assistant Director of Finance (Audit)

ANNUAL AUDIT REPORT 2019-20

1. Purpose of Report

To inform Members of the work undertaken by the Audit Services Unit for the financial year 2019-20 and to update Members on the overall performance against the Audit Plan.

2. Information & Analysis

The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015, and significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972. The Unit also works with the Council's appointed auditors Mazars in accordance with the External and Internal Audit Protocol which was reported to the Audit Committee on 27 March 2019.

The role and responsibilities of the Unit are further clarified and reinforced in the Council's Financial Regulations and Standing Orders relating to Contracts, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and the requirements of Whistleblowing The Confidential Reporting Code. The Council has approved an Audit Charter in compliance with the Public Sector Internal Audit Standards (PSIAS) revisions to which were last reported to the Audit Committee on 24 September 2019.

The Annual Audit Report contains:-

- an analysis of planned and actual audit activity for 2019-20,
- an analysis of reports issued, assurance levels and recommendations made and agreed,
- productivity statistics,
- areas of good practice identified and areas for improvement,
- client satisfaction indicators for the Unit,
- the Assistant Director of Finance (Audit)'s formal controls assurance statement and opinion which contributes to the Council's Annual Governance Statement.

The Unit still does not have its full complement of staff and the ongoing impact of Covid-19 on the work of the Unit cannot be fully evaluated. I consider that these factors will have an impact on the delivery of Audit work for some time.

The PSIAS requires that the “chief audit executive (Assistant Director of Finance (Audit)) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

The Opinion is as follows:

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the Council’s internal control framework.

In my opinion whilst some critical/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, the Council’s framework of governance, risk management and control is basically sound. Audit Services’ staff have worked with Senior Management to agree appropriate corrective actions and a timescale for improvement which are incorporated into relevant action plans. Should these weaknesses remain unaddressed they may result in continued, significant control failure which in turn could increase reputational risk, potential for financial loss and/or incur financial penalty.

The majority of the Audit work which informs my opinion was completed before the impact of the Covid-19 pandemic. Audit staff have worked with Senior Management to mitigate the impact on the Council’s governance, risk management and control framework. However the full effects may not be known or totally quantified for some time and may impact on future Audit Opinions.

As of this date I am satisfied that there are no matters which would cause the External Auditor to consider any qualification of his certification of the Council’s Statement of Accounts.

3. Considerations

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

4. Background Papers

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

5. Officer's Recommendation

That the Committee:-

- considers the detailed Annual Audit Report for 2019-20, and
- notes the overall quality of the performance of the Audit Services Unit during the period.

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE COUNTY COUNCIL

AUDIT SERVICES ANNUAL REPORT

2019-20



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

CARL HARDMAN
Assistant Director of Finance (Audit)

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Purpose of 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 2019-20 Plan, which was approved by the Audit Committee on 27 March 2019, key issues identified within the year and actions arising from our work.

The Public Sector Internal Audit Standards (PSIAS) requires that the '*chief audit executive*¹ (Assistant Director of Finance (Audit)) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.'

The updated Statement on the Role of the Head of Internal Audit issued by the Chartered Institute of Public Finance and Accountancy (Cipfa) in 2019 as a best practice requirement states '*The annual HIA opinion is the most important output from the HIA and is one of the main sources of objective assurance that chief executives and the leadership team have for their annual governance statement....This opinion must reflect the work done during the year and it must summarise the main findings and conclusions together with any specific concerns the HIA has*'. The Council produces an Annual Governance Statement as part of its Statement of Accounts.

The Statement also notes that the Head of Internal Audit '*plays a critical role in delivering the authority's strategic objectives by:*

- 1 *objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control*
- 2 *championing best practice in governance and commenting on responses to emerging risks and proposed developments*'.

Audit Services' Memoranda and Reports are issued throughout the year on completion of Audit work and are addressed to responsible Senior Managers

¹ The Assistant Director of Finance (Audit) is the Council's Chief Audit Executive and Head of Audit Services

including, as appropriate, Executive Directors and Directors in accordance with the requirements of the PSIAS. Follow up actions taken to implement our recommendations are routinely monitored as part of on-going Audit work.

Statement by the Head of Audit Services and Audit Opinion

The Council acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated in respect of the resources under its control. The Head of Audit Services is required by the PSIAS to produce an internal audit opinion and report on the Council's framework of governance, risk management and control which will inform the Annual Governance Statement.

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

The Three Lines Model detailed on page 11 clearly outlines the roles of various leaders within an organisation, including oversight by the board or governing body; management and operational leaders including risk and compliance (first and second-line roles); and independent assurance through internal audit (third line). It also addresses the position of external assurance providers. The model applies to all organisations, regardless of size or complexity.

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

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

The Council's Audit Services is an assurance function which operates in accordance with the Audit Charter that was reported to the Audit Committee on 24 September 2019 and approved by Cabinet on 13 February 2020. Audit Services provide an independent and objective opinion to the Council on its framework of governance, risk management and control. This framework is

subject to regular review by the Unit who, through a structured plan of operational and financial reviews, provide Management with assistance, advice and insight on systems, processes and risks and through this work form a view on the strength of individual aspects of control and the overall control environment.

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

- assist in formulating, promoting and maintaining sound governance arrangements;
- facilitate good practice in managing risks;
- contribute to ensuring effective and efficient resource management;
- recommend improvements in control, performance and productivity;
- provide reassurance and challenge to Managers;
- encourage development of consistent policies and high standards;
- ensure the impartial investigation of irregularities and policy breaches;
- support the achievement of statutory and best practice requirements.

Audit Services operates in compliance with the requirements of the Accounts and Audit Regulations 2015. This requires that the Council *‘must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’* These Regulations also require full assistance from officers and Members in the provision of access to documents and records, and the supply of information and explanations to enable the proper fulfilment of those Audit responsibilities.

The Unit’s work conforms with the requirements of the PSIAS and the findings of the external review undertaken by Cipfa C.Co in October 2019 note *‘following a detailed moderation process, C.Co has assessed Derbyshire County Council as follows:*

Area of Focus	Judgement
Purpose and Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Impact	Conforms
Overall Assessment	Conforms

The detailed results of this external review were reported to the Audit Committee on 10 December 2019; such assessment of the Unit’s conformance with these Standards must be conducted at least once every five years. In addition the Unit complies with the policies, procedures, rules and regulations established by the Council.

The Unit has an Internal Audit Strategy which was reported to the Audit Committee on 27 February 2019 and sets out how Audit Services will be delivered and developed in accordance with the Audit Charter. This is based upon an assessment of risks and a determination of critical areas for opinion and assurance purposes. The Audit Services Plan, which is approved by Audit Committee, is reported to Cabinet and Council and is managed throughout the year to ensure delivery of all key aspects of work. Where External Audit intends to rely on Audit Services' work, aspects of that work will be subject to their review.

The Unit has a Quality Assurance and Improvement Programme (QAIP) which was reported to Members on 27 May 2020 and covers all aspects of internal audit activity. This includes arrangements for internal quality assurance including on-going supervision and monitoring of Audit work, performance management and conducting external quality assurance assessments. I can confirm that those detailed arrangements relating to internal quality assurance have been met throughout the year.

The Director of Finance & ICT is the nominated Section 151 Officer and also has line management responsibility for the Head of Audit Services. The Head of Audit Services has direct access to the Audit Committee, Head of Paid Service, other Executive Directors, Monitoring Officer and other Directors and has well established reporting lines to 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 Services. Audit Services produce Annual Reports to the Audit Committee outlining future, planned work and reporting on delivery of the Audit outcomes. The Annual Report includes an opinion on the level of assurance which can be drawn from the work undertaken.

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

During the year Audit Services have reviewed all key systems and elements of their interfaces, both centrally and as part of Departmental, establishment and other reviews. Our work has led to the production of Memoranda, addressed to Senior Management, each of which includes an Audit Opinion and Assurance Statement. Audit Opinions are categorized and based on the level of assurance which Management may draw on the adequacy and effectiveness of the internal control framework in operation in the area under review based on Audit's work. These assurance levels are detailed later in this Report at pages 15 and 16.

The Unit has produced 29 Memoranda during the year which relate to reviews covering Corporate Governance, Departmental Audits, Major Systems, Corporate and Departmental projects and key areas of probity and compliance.

Of these areas 24 were assessed as *'qualified assurance'* with 2 exceeding that level of assurance and 3 others categorized as *'limited assurance'*. We have, throughout our work, identified key recommendations which, when implemented, should significantly improve the control environment and the consequent level of assurance which Management may draw from our work. In addition, in a significant number of areas reviewed Management had failed to fully implement previously agreed Audit recommendations.

The PSIAS requires that the *'chief audit executive (Assistant Director of Finance (Audit)) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.*

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.'

In giving this opinion, based on Audit work completed during 2019-20, it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. I have based my opinion on:-

- ongoing support and review of the design and operation of governance arrangements including supporting processes, the Code of Corporate Governance and the process for producing the Annual Governance Statement;
- an assessment of the range of individual opinions arising from risk based Audit assignments drawn from the approved Audit Plan which have been reported in Audit Services Memoranda completed during the year;
- the findings from Audit Reports issued during the year;
- the results of follow up work to ensure the effective implementation of recommendations in respect of previous years' internal audit work;
- an assessment of risk management arrangements and the framework of assurance;
- the results of work of other review bodies where appropriate;
- Management's response 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 quality and performance of Audit Services and the extent of compliance with the PSIAS;
- 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.

I can confirm that no limitations have been placed on the scope of Audit Services work during the year.

Audit Opinion

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the Council's internal control framework.

In my opinion whilst some critical/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, the Council's framework of governance, risk management and control is basically sound. Audit Services' staff have worked with Senior Management to agree appropriate corrective actions and a timescale for improvement which are incorporated into relevant action plans. Should these weaknesses remain unaddressed they may result in continued, significant control failure which in turn could increase reputational risk, potential for financial loss and/or incur financial penalty.

The majority of the Audit work which informs my opinion was completed before the impact of the Covid-19 pandemic. Audit staff have worked with Senior Management to mitigate the impact on the Council's governance, risk management and control framework. However the full effects may not be known or totally quantified for some time and may impact on future Audit Opinions.

As of this date I am satisfied that there are no matters which would cause the External Auditor to consider any qualification of his certification of the Council's Statement of Accounts.

C. HARDMAN

Assistant Director of Finance (Audit)

August 2020

Legislative/Regulatory Basis of Operation

The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and the requirement that it *'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'*. The Unit also fulfils significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972 which requires that *'each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'*.

Audit Services liaises with Mazars, the Council's appointed auditors, in accordance with the agreed External and Internal Audit Protocol which was reported to the Audit Committee on 27 March 2019. The role and responsibilities of the Unit are further clarified and reinforced in the Council's Financial Regulations and Standing Orders relating to Contracts, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and the requirements of Whistleblowing The Confidential Reporting Code. The Council has an approved Audit Charter in compliance with the requirements of the PSIAS, revisions to which were last reported to the Audit Committee on 24 September 2019.

The PSIAS define the nature of internal auditing within the UK public sector, set basic principles for carrying out internal audit, establish a framework for providing internal audit services and set out the basis for the evaluation of internal audit performance.

The PSIAS requires that external assessments of internal audit *'must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation'*. Following a procurement process Cipfa's consultancy service (C.Co) was selected to undertake the external assessment. This assessment was carried out on the basis of a self-assessment with independent external validation. The outcome confirmed that Audit Services are compliant with the PSIAS overall and in each of the four areas of focus assessed.

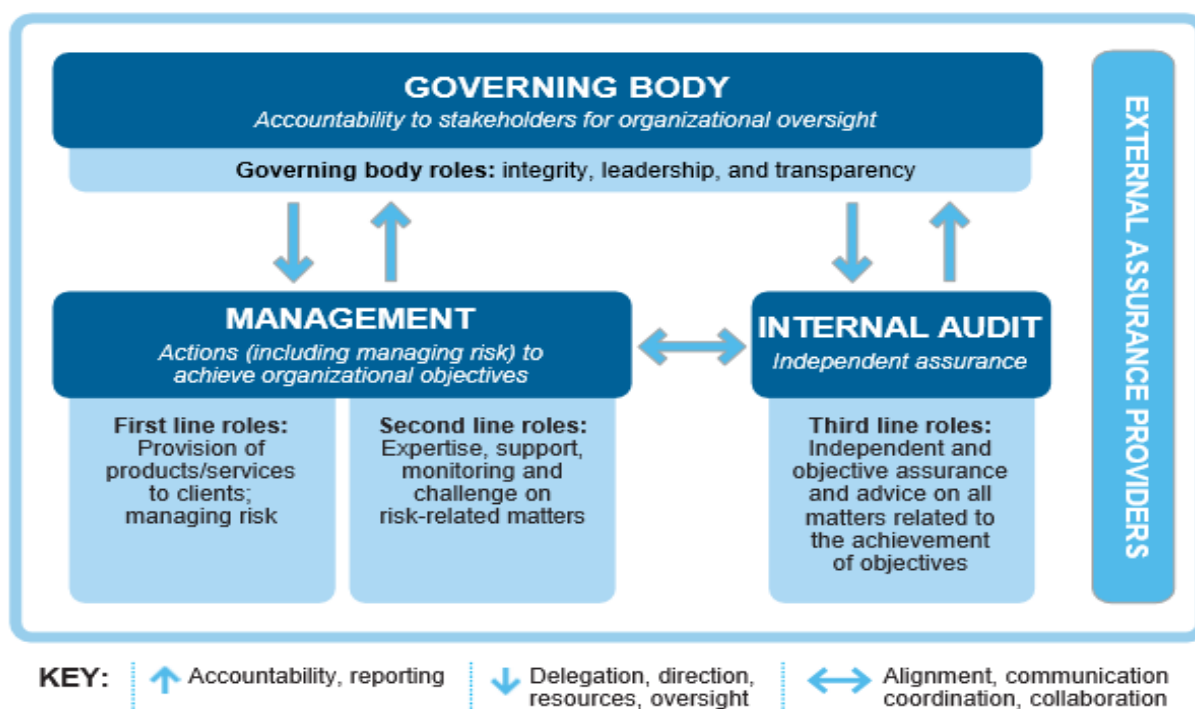
Scope of Audit Work

Audit Services' work is completed in accordance with the standards required by the PSIAS and conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, further guided by the Cipfa Local Government Application Note. The work of the Unit complies with the Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

Audit Services provides an independent and objective opinion on the Council's arrangements for risk management, control and governance by evaluating their effectiveness. Primarily the work of the Unit is based on the annual Audit Plan which is approved by the Audit Committee.

During 2020 the Institute of Internal Auditors updated the Three Lines of Defence, now known as the Three Lines Model, adopted by many organisations to assess governance and risk management procedures. The aim of the new model is to help organisations identify and structure interactions and responsibilities of key stakeholders in achieving more effective alignment, collaboration, accountability and, ultimately agreed objectives. During 2020-21 and beyond Audit Services will review the updates and align current procedures to the revised model.

The IIA's Three Lines Model



Source: <https://global.theiia.org/about/about-internal-auditing/Public%20Documents/Three-Lines-Model-Updated.pdf>

Planning Audit Activity

The Unit has established practices to formulate the Audit Plan and inform our risk assessment which is drawn from a wide range of sources including the Council Plan, Strategic and Departmental risk registers, service plans and other information, which are illustrated in the chart below. 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 provided to the Council's External Auditor prior to submission to, and approval by the Audit Committee.



The Audit Services Unit forms 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 regularly with the Corporate Management Team and individual Executive Directors to discuss progress against the Plan and any emerging issues. The Plan is subject to on-going 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 enabling people and communities to thrive. We support Management in formulating and implementing robust governance, risk management and control systems and ensuring on-going compliance. As part of this Audit staff continue to undertake IT security and data protection

assessments of external suppliers' systems, procedures, network security and operational controls.

In addition to our programme of Audits the Unit assists Management with the provision of on-going support, advice, attendance at various meetings including those with Departmental staff, project boards, governors and school based staff. This level of engagement is necessary to promote the principles of good governance and the necessity for robust controls. Audit Services continues to disseminate intelligence received from the National Anti-Fraud Network (NAFN) and other sources to Members, Executive Directors and Directors in order to ensure that the Council is aware of known fraud risks. The Unit acts as the central coordinator for data matches received from the Cabinet Office in respect of the National Fraud Initiative ensuring that matches are investigated, with the assistance of the Council's Departments and other participants as appropriate.

Key Results for Audit Services – 2019-20

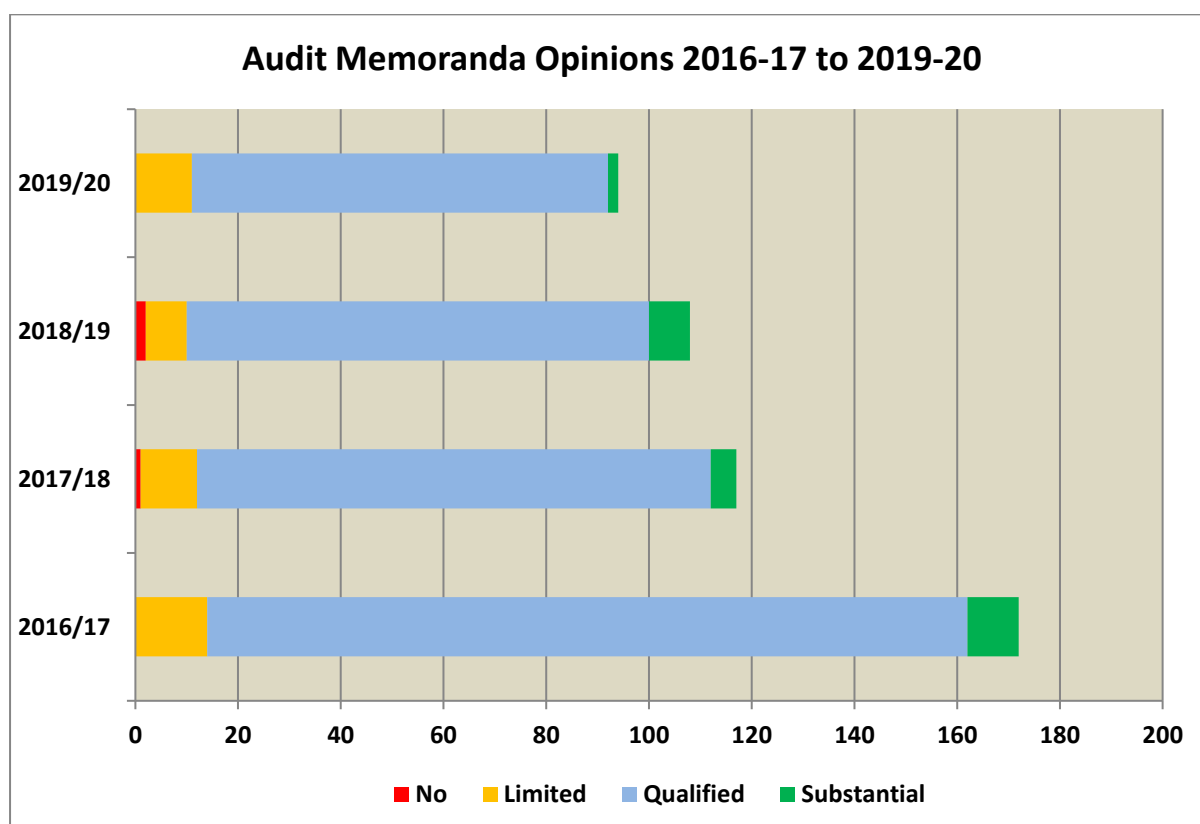
Detailed analysis of Audit work is given at **Appendix 1** to this Report. Detailed responses to questionnaires are provided at **Appendix 2** and a summary of Reports and Memoranda issued throughout the year by Audit Services is included at **Appendix 3**.

Performance (see Appendix 1)

	Days
Approved Audit Plan	2,684
Actual Productive Days	<u>2,265</u>
Shortfall in Productive Days Delivered	<u>419</u>

Analysis of Audit Assurance Levels

We provide an opinion giving the level of assurance which Management may draw from the adequacy and effectiveness of the overall control framework in operation in the area subject to Audit based on the results of that work. These levels of assurance are detailed in our Audit Opinion and the following graph summarises Audit Opinions resulting from Audit work undertaken in the past four years:-



A summary of Audit assurance levels across all areas of activity is detailed below based on our work for 2019-20 and compared with the previous year.

Audit Area	Level of Assurance							
	Substantial		Qualified		Limited		No Assurance	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
Corporate Activities	-	-	5	2	-	1	-	-
Commissioning, Communities and Policy	3	2	17	16	3	2	1	-
Children's Services (excluding schools)	1	-	7	11	-	-	-	-
Schools	2	-	38	31	3	3	1	-
Adult Social Care and Health	2	-	18	17	1	5	-	-
Economy, Transport and Environment	-	-	5	4	1	-	-	-
Total	8	2	90	81	8	11	2	-

94 Memoranda incorporating an assurance level were issued in 2019-20 (108 – 2018-19) of which 83% had qualified assurance or above (91% 2018-19). This included 29 Memoranda following reviews which cover Corporate Governance, Departmental Audits, major systems, Corporate and Departmental projects and key areas of probity and compliance. 24 of these areas were assessed as qualified assurance with 2 exceeding that level of assurance. No area of Audit activity was categorized as no assurance.

All Audit Memoranda assessed as limited or no assurance are subject to a detailed review by the Assistant Director of Finance (Audit) before issue.

Further information on assurance levels is given below:-

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.

Level of Assurance	Explanation and significance
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.

Analysis of Audit Recommendations Made

A key objective of our work is to support Management by producing recommendations based on our findings. If implemented these recommendations will improve governance and risk management arrangements, the effectiveness, efficiency and adequacy of the internal control framework and address any perceived weaknesses identified by the Audit review. These recommendations are discussed with appropriate Management, prioritized and incorporated into an Action Plan. A summary of the recommendations made by Audit Services for 2019-20 and the previous year across all areas of activity, excluding investigations, is given below. The table also details the number and percentage of recommendations which have been accepted or rejected by Management.

In total 95% of Audit recommendations made were accepted by Management which demonstrates a commitment to improvement. However, it is essential that agreed recommendations are promptly implemented to improve overall governance, control and reduce the level of risk.

Category	No of Recs Made		No of Recs Accepted		% Accepted		No of Recs Not Accepted		% Not Accepted	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
Critical	6	2	6	2	100	100	0	0	0	0
High	366	387	350	373	96	94	16	14	4	4
Medium	601	560	562	531	94	95	39	29	6	5
Low	425	387	404	360	95	93	21	27	5	7
Total	1,398	1,336	1,322	1,266	95	95	76	70	5	5

All accepted recommendations should be implemented within the timescale agreed between Management and Audit Services. These recommendations are then detailed in associated Action Plans issued on the completion of each project and are formally reviewed at the next Audit visit. The table below analyses those recommendations identified as having not been implemented.

Department	Critical	High	Medium	Low
Corporate Activities	-	4	4	1
Commissioning, Communities and Policy	1	10	20	14
Children's Services (excluding schools)	-	9	15	5
Schools	-	93	108	37
Adult Social Care and Health	-	13	14	15
Economy, Transport and Environment	-	4	6	3
Total	1	133	167	75

Whilst it is noted that a high level of recommendations made are agreed by Management, it is imperative that where agreed these are then promptly implemented. This will improve the overall governance and control environment, reduce the level of risk and implement opportunities for improvement. The above analysis shows that 63% of recommendations not implemented relate to schools; in the previous year this figure was 65%.

The Unit uses the Council's Electronic Document Retention Management (EDRM) system to distribute Audit Memoranda which do not relate to school and establishment reviews. This allows secure, electronic transmission of Audit Memoranda and return of associated, completed Action Plans. It also allows Departments to build up an accessible, electronic store of Audit Memoranda giving a history of Audit activity.

The Unit uses Pentana Audit, its established software support system, to facilitate recommendation tracking which allows regular reminders and follow up of outstanding Audit recommendations.

Further information on Audit recommendations and priority levels attached to them is given below:-

Category	Explanation and significance
Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
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.
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.
Low	General housekeeping issues which require consideration and a planned implementation date within the medium term.

Examples of Good Practice and Opportunities for Improvement Identified During the Year

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 those areas of good practice and improvements identified from our work:-

Good Practice Identified

- **The Council's IT Network and Infrastructure** was placed under immense strain during the initial period of the Covid-19 pandemic and emergency homeworking arrangements. In the first few weeks a number of logistical problems were encountered, including accessibility of key IT applications or equipment. ICT staff supported the functioning of the Council's key services during these difficult times and provided appropriate network access to home based staff, a number of whom had never worked from home previously.
- **Revised Working Arrangements** relating to the Covid-19 pandemic were forced upon all organisations including the Council, and it is important that the benefits of these changes are not lost by returning to the old ways of working. Whilst the pandemic has brought major disruption to how the Council operates, new working arrangements have provided an insight into efficiencies that can be achieved by implementing revised working practices. These include:-
 - reduced travel to and from work and on Council business;
 - ability to re-evaluate the Council's office accommodation;
 - reduction in Council buildings' running costs including heating and lighting;
 - operation of more flexible working arrangements;
 - increased receipts from the sale of Council assets no longer required.
- **The Planning Service** had a clear governance and administrative framework in place, which was recognised externally by the Council's Planning Team winning the Royal Town Planning Institute (RTPI) East Midlands Awards for Planning Excellence 2019. The judges were particularly impressed by the focus on career development, participation and leadership and maintaining professional standards. They felt that this had clearly made positive improvements to how the planning service operates and how staff progress through the leadership structure.
- **Core Financial Systems** continue to be well established across the Council with clear objectives approved by Senior Management. The Council's finance staff provide a reliable service across a range of activities including accounts payable, payroll, financial accounting and debt management. Experienced staff ensure that routine tasks are consistently undertaken in order that salaries are paid on time, suppliers are reimbursed promptly, debts are effectively managed and the Statement of Accounts meets statutory deadlines. This has been demonstrated in 2020-21 as the Council managed to submit the certified pre-audit Statement of Accounts on 8 June 2020, just eight days after the deadline in a normal year. This was achieved despite the ongoing Covid-

19 pandemic with the majority staff working at home during the period when the accounts were being prepared.

Opportunities for Improvement Identified and Key Risks

- **Information Security and Data Protection** continues to be a high risk area for the Council, its many partners and suppliers. The significant value of personal and financial data held within the Council's network and beyond, makes it a target for various individuals or groups. Earlier in the year the Government wrote to all local authorities to warn of the increase in cyber-attacks against public bodies, and the steps that should be taken to further strengthen current defences. The recently issued Interpol Cyber Crime – Covid 19 Impact Report further supports the Government's concerns stating *'the impact of COVID-19 on cybercrime has shown a significant target shift from individuals and small businesses to major corporations, governments and critical infrastructure'*.
- **Governance and Policy frameworks** have, in a number of cases, been re-written overnight to allow public bodies, including the Council, to function and deliver key services to vulnerable residents. Whilst it is accepted that the Covid-19 pandemic has forced all organisations to deal with unprecedented challenges, it is important that when life becomes normalised such changes are reviewed. The failure to properly consider the legality, efficiency or effectiveness of the changes could lead to complications or legal challenges in the future.
- **Poor or Inconsistent Staff Training and Awareness** continues to be a recurrent theme across Audits undertaken throughout 2019-20. Whilst the Council spends the majority of its income on staff there are significant gaps in the core training provided to maintain, develop and promote its employees. This will become more of an issue over the next twelve to eighteen months as the Council looks to further implement technological changes to support service delivery. Therefore it is essential that the Council and Senior Managers have a clear training strategy which supports new and existing staff to fully understand their role and utilise current and new solutions.
- **Further and Extended Local or National Covid-19 lockdowns** could have a serious impact on Derbyshire residents, the local economy and ultimately the services and budget of the Council. Whilst the Council's staff have worked tirelessly to maintain services and adapt to new ways of working, this has resulted in staff wellbeing issues due to increased stress and isolation. Although the Council has a number of employee welfare provisions, which have been enhanced during the pandemic, the move back to a more normalised working environment will need to be managed carefully.

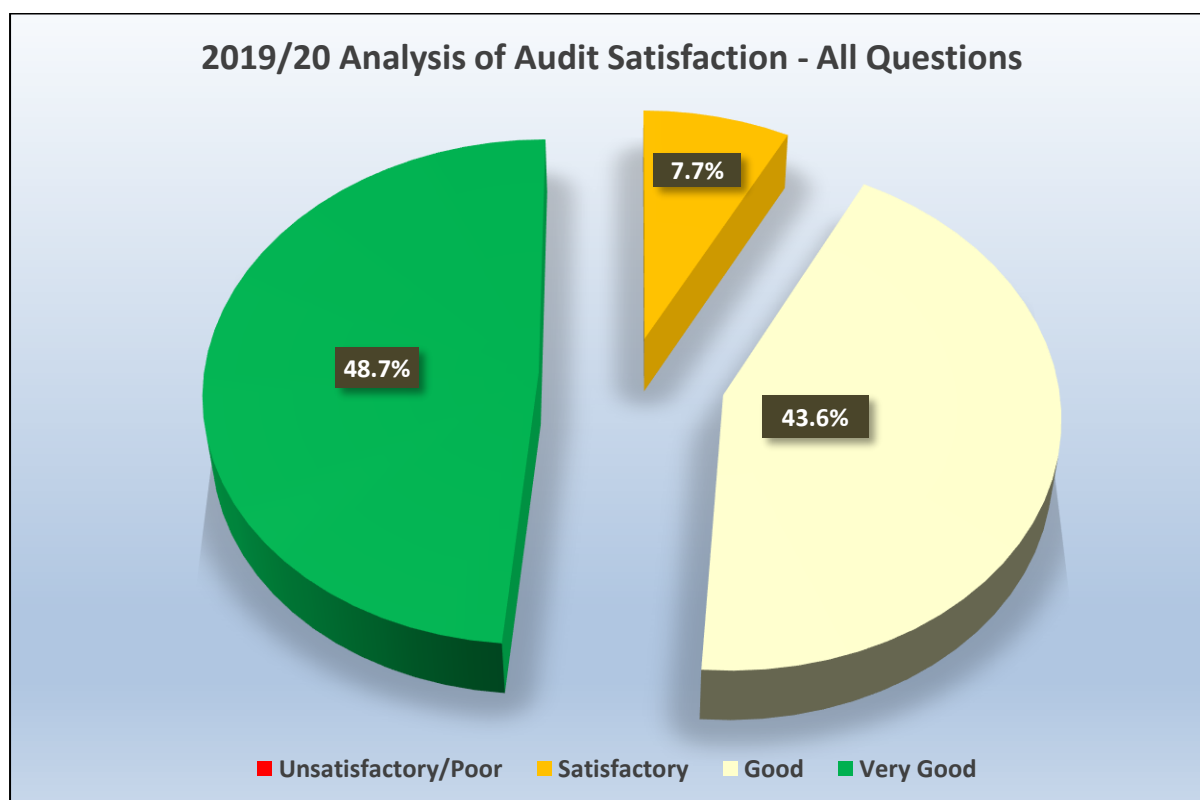
- **The impact of Climate Change** across all of the Council's services will continue to pose challenges for service delivery and place increasing pressures on budgets. Recent examples of local climate change impacts include the costs of the floods in late 2019, which not only caused significant disruption to the public but affected the Council's highways infrastructure and caused substantial damage to Rowsley C of E Primary School. There are likely to be additional costs moving forward as the Council's suppliers look to implement new procedures and technologies to reduce their carbon footprint.

Audit Satisfaction Questionnaires

Questionnaires are issued on completion of Audit work. These questionnaires allow Audit Services to gather valuable information to enable us to monitor and improve our service. The questionnaire seeks auditees' views on the following key aspects of service provision:-

- preparation for and administration of the Audit process;
- professionalism and relevance of the Audit product;
- overall perception of value added and assurance provided by the Audit outcome.

Overall Summary of Questionnaire Responses



The above analysis is based on 13 responses received from 54 questionnaires issued (24%).

Detailed responses received from these questionnaires for the last six years are set out at **Appendix 2** 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 of respondents rate the service as good or very good, and that overall the high level of client satisfaction is being maintained.

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

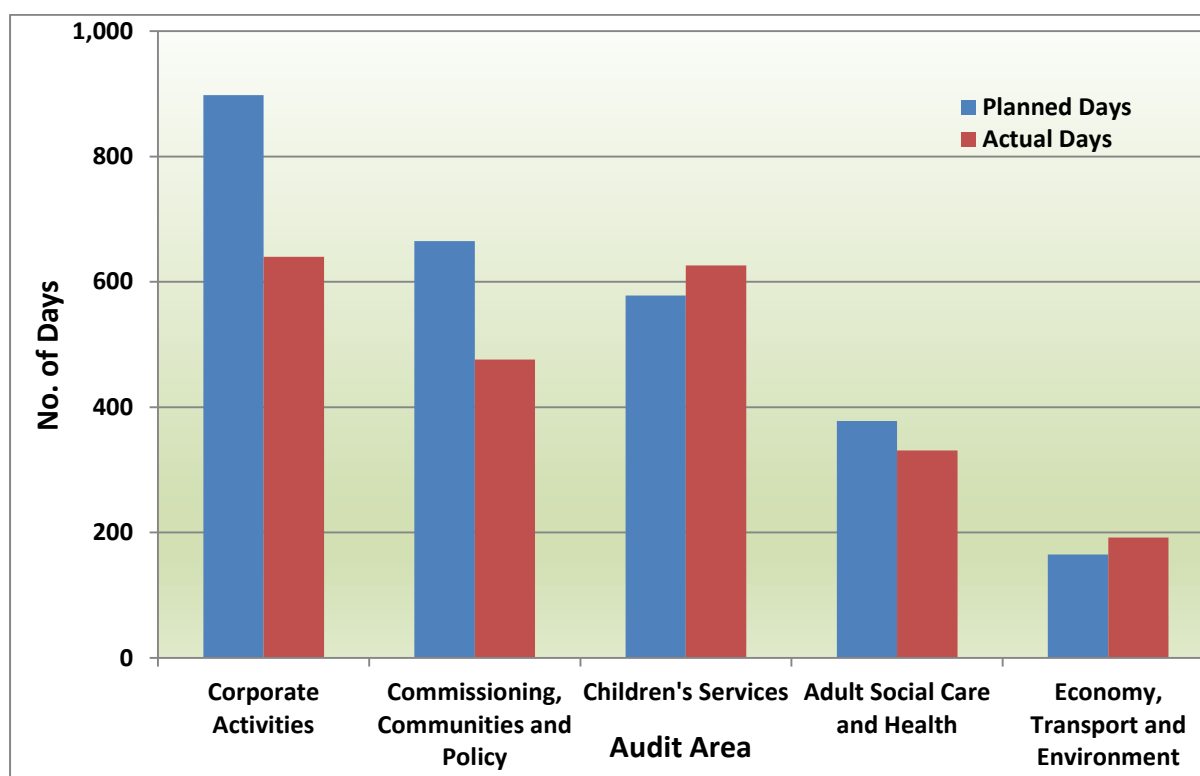
- they had appropriate levels of input to the preparation of the Audit Plan and planning process;
- Audit had adequate profile and influence within the Council in order that it can work effectively and add value;
- Audit consistently undertakes quality Audit work which provides the Council and Senior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

An area identified for possible development related to how the Council could improve its use of Audit staff to support the challenges it faces. This echoes a point raised by the external review undertaken by Cipfa C.Co which acknowledges the Unit's wide ranging skills, knowledge and experience.

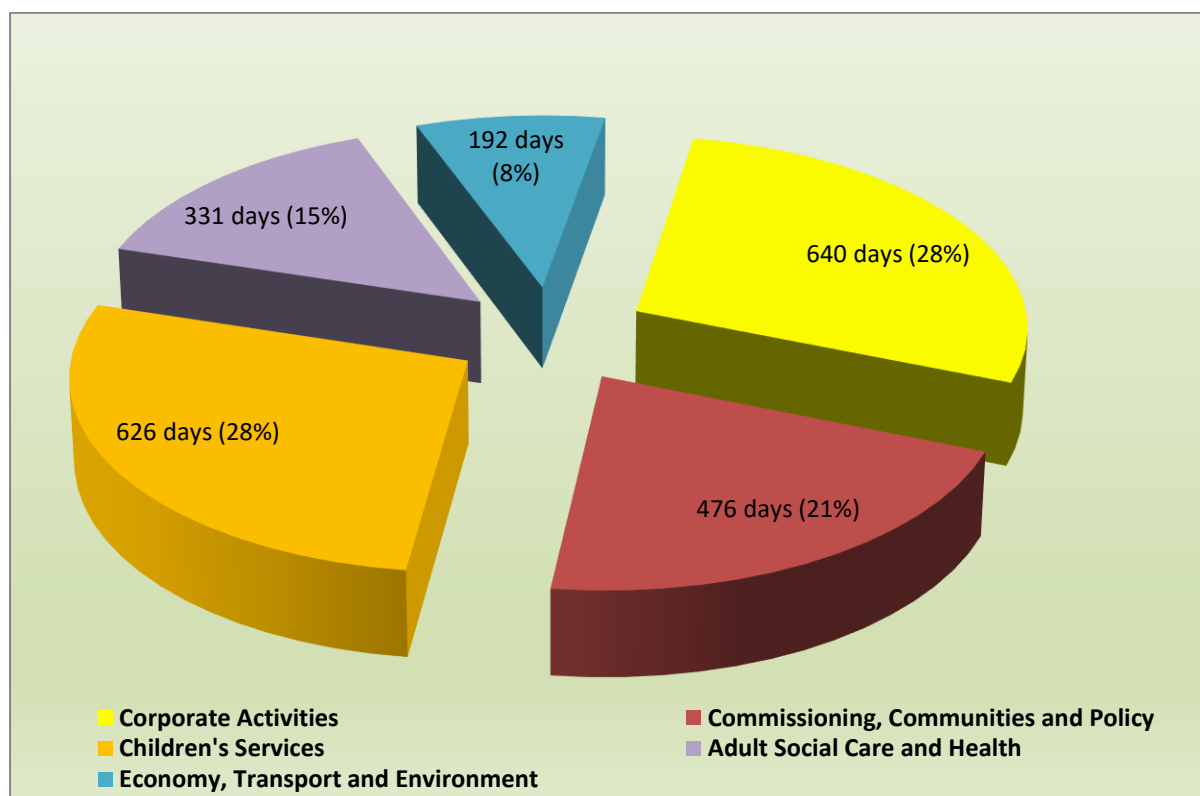
Achievement of the Annual Audit Services Plan

Members approved the Audit Services Plan for 2019-20 at the Audit Committee meeting on 27 March 2019. The Plan included wide ranging Audit work covering Corporate and Departmental projects, major systems, Departmental reviews, IT systems, information security assessments, school and establishment visits, probity and compliance reviews and fraud prevention. Regular reports on performance against the approved Audit Plan have been produced for Members throughout the year. The following charts summarise planned days against actual days, actual days delivered by Department/activity and the percentage of target days achieved by staff.

Planned Days against Actual Days for each Audit Area



Actual Days analysed by Service Area



Appendix 1 summarises actual performance against the approved Plan.

Audit Services' Methodology and Staffing

In assisting the Council to maintain and develop its governance, risk management and control environment Audit Services' staff appraise and review the:-

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

The Audit Services' Manual contains procedures and Professional Standards, the requirements of Professional Best Practice and guidance relevant to the work of the Unit. The Manual is held electronically and available to all of the Unit's staff. The Manual includes the Unit's QAIP and has been reviewed during the current year to ensure its continued relevance as a source of on-going professional and operational guidance.

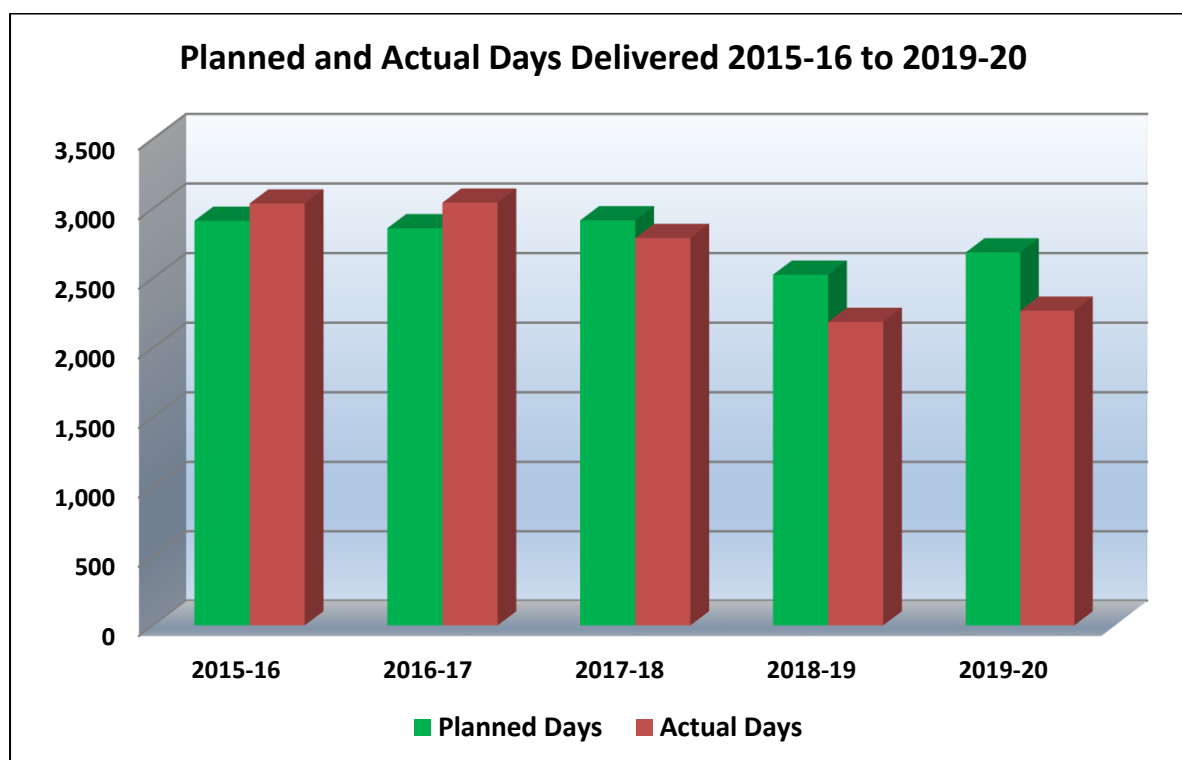
On-going monitoring of the performance and quality control of the work of Audit Services is achieved through day to day supervision, review and measurement of internal audit activity. This is undertaken in accordance with practices established by the Assistant Director of Finance (Audit) and contained in the Audit Services Manual and QAIP.

Staffing of the Audit Services Unit

Revisions have been made to the Audit Services' staffing structure during recent years to ensure that it has adequate skills and resources to remain fit for purpose. The Unit now has an establishment of approximately 17 full time equivalent posts and whilst I consider that this level of resource is adequate, it must be noted that the Unit currently has two vacancies. The full range of Audit services, including the specialist areas of investigative, information security, computer forensic and IT Audit work continue to be provided using only in-house staff which demonstrates the breadth of skills and knowledge currently available to the Council and its Senior Management.

The external review by Cipfa C.Co confirmed that 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. The continuing development of individuals within the team is evidently supported through the Council’s ‘MyPlan’ appraisal process with continuing professional development identified, supported, planned and recorded’*. With the increasing demands placed on the Unit to provide Members and Senior Management with an assurance that appropriate governance arrangements and control frameworks are in place, and offer related advice and insight, it is essential that the current staff skills base is maintained.

The Unit had been able to retain a particularly stable staffing base until the last three years. Since then it has experienced significant recruitment issues which have resulted in less productive days being delivered than detailed within the approved Audit Plan. This has been due to vacancies, higher than anticipated levels of sickness and staff performance issues. There remain ongoing difficulties in recruiting staff of the required calibre to deliver the service in times of increasing challenges for the Council. The following graph shows planned and actual days delivered over the past five years:-



Year	2015-16	2016-17	2017-18	2018-19	2019-20
Additional/Reduced Days Delivered	124	184	127	339	419
Percentage of Planned Days Delivered	104%	106%	96%	87%	84%

Green text shows an increase in days delivered. Red text shows a reduction in days delivered.

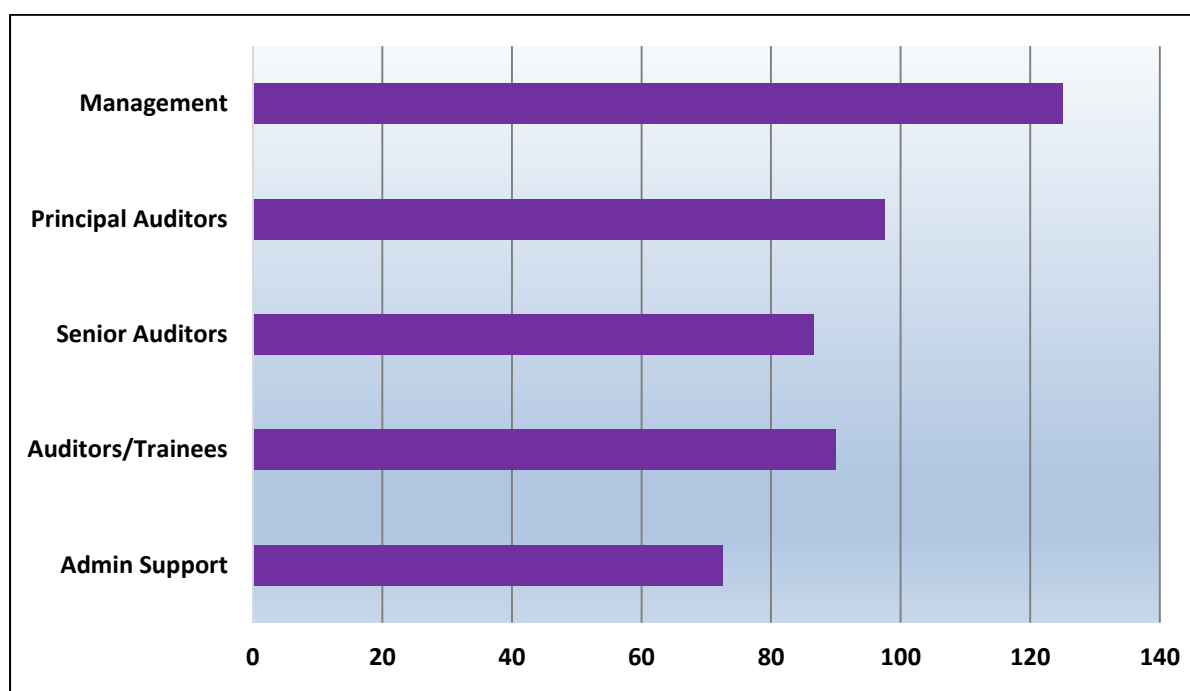
Although the Unit's establishment has been strengthened it is of concern that the percentage of planned days delivered has reduced and the current reduction equates to approximately two full time equivalent staff. It is essential that the Unit is able to recruit and retain appropriate staff to continue to deliver a full range of Audit services to the Council and its Senior Management.

On the 1 April 2019 the Unit had one Principal Auditor, one Senior Auditor, one Auditor and a Trainee Auditor post vacant which is equivalent to approximately 25% of its staffing resources. The following table summarises changes to Audit staffing during the year:-

Audit Post	Comment
Principal Auditors	<ul style="list-style-type: none"> • An appointment to the Principal Auditor post was made from 24 July 2019; • Another Principal Auditor who works three days per week commenced a period of maternity leave on 12 February 2020 and is not expected to return to work until February 2021.
Senior Auditors	<ul style="list-style-type: none"> • The vacant Senior Auditor post was filled through internal promotion from 16 September 2019 resulting in a vacancy at Auditor level; • Another Senior Auditor who commenced on 2 October 2018 left the Unit on 25 September 2019. Despite two candidates initially accepting this post they later withdrew leaving the position vacant.
Auditors	<ul style="list-style-type: none"> • During October 2018 an Auditor took up a two year fixed term post in the Adult Social Care and Health Department and an appointment to cover this vacancy commenced in January 2019. This officer now occupies a permanent Senior Auditor post; • Appointments were made to two vacant Auditor posts, with staff commencing on 20 January and 3 February 2020 respectively.
Trainee Auditor	<ul style="list-style-type: none"> • The Trainee Auditor post has been filled with an apprenticeship from 7 September 2020.

Reports have been presented to the Audit Committee throughout the year 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.

Average Percentage of Target Days Delivered by Staff Group



Despite these difficulties a number of staff have delivered productive days in excess of their target. I wish to record my thanks to all my staff for their professionalism and commitment throughout another demanding year and the ongoing challenges faced by the Council and the Unit.

The Unit is committed to developing its staff and continues to support both professional and internal, work based training. Audit Services is also represented on both the Local Authority Chief Auditors Network and Midland Counties Heads of Internal Audit Group, and is an active member of the Nottinghamshire and Derbyshire Audit Group.

Audit Services will 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 been impacted upon during the year. I have, and will continue to monitor this situation to minimize the effect.

External Review of Audit Services

Following a procurement process Cipfa' consultancy service (C.Co) was selected to undertake the external review of Audit Services. This assessment

was carried out on the basis of a self-assessment with independent external validation.

The main findings of the external review were that the Unit's work conforms with the requirements of the PSIAS, with the assessor's report stating *'following a detailed moderation process, C.Co has assessed Derbyshire County Council as follows:*

Area of Focus	Judgement
Purpose and Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Impact	Conforms
Overall Assessment	Conforms

The detailed results of the external review were presented to the Audit Committee on 10 December 2019 by Mr Ian Kirby (C.Co Programme Director). Such assessment of the Unit's conformance with these Standards must be conducted at least once every five years.

Based upon a combination of questionnaire responses, detailed document review and on-site interviews C.Co were *'able to identified a number of areas of positive practice that are highlighted below.*

- 4.2 *There is a clear perception, and evidence, that the performance and standing of Audit Services has improved since 2014 when the current Chief Audit Executive (Assistant Director of Finance (Audit)) was appointed to the role. Further, it is evident that the Chief Audit Executive engages regularly and openly with Executive Directors and the Council's senior managers to discuss the Audit Plan, its progress and any current risks and issues.*
- 4.3 *The Chief Audit Executive has a positive, but appropriate professional relationship with the Chair of Audit Committee. The Chair himself is a positive and enthusiastic advocate of Internal Audit, is clear about his own and the Committee's role and is keen that all opportunities to enhance the delivery of all aspects of governance within the Council are identified and taken.*
- 4.4 *Internal Audit is seen as independent and objective within the organisation and in its approach to the development of the Internal Audit Plan and its delivery. This is further supported and by the Chief Audit Executive's 'unfettered' access, when appropriate and usually by exception, to Executive Directors, the Chair of the Audit Committee and the Leader of the Council.*

- 4.5 *The work of Internal Audit is supported by a comprehensive and compliant Audit Manual that is regularly reviewed, updated where appropriate and outputs of the review presented to Audit Committee. The Manual was last reviewed in September of this year.*
- 4.6 *Our survey of a range of Internal Audit clients identifies and recognises a team who engage in the promotion of good governance and information security control frameworks for the benefit of the wider organisation.*
- 4.7 *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. There was also evidence of time recording and monitoring of the time expended on individual audits. Prior to the commencement of any audit assignment, a detailed to the (internal to the Service) project brief is prepared detailing the scope, timescales and testing strategy for the audit, the review team were keen to identify this brief as an example of positive practice.*
- 4.8 *The PSIAS defines internal audit as "an independent, objective assurance and consulting activity". It is clear that Internal Audit at the Council undertake a number of consulting activities, such as training, on behalf of the Council, its schools and partner organisations. This work is clearly valued across this review's consultees with its work on new ICT systems particularly valued by the Director of Finance & ICT.*
- 4.9 *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. The continuing development of individuals within the team is evidently supported through the Council's 'MyPlan' appraisal process with continuing professional development identified, supported, planned and recorded;*
- 4.10 *The team has an understanding of the Code of Ethics requirements within the PSIAS and annually complete a declaration of interests acknowledging the Audit Manual requirements incumbent upon them.'*

It is important to note that the external assessment team did not identify any formal recommendations for improvement, rather a number of advisory opportunities for service enhancement. These were the subject of a separate report considered by the Audit Committee on 27 May 2020 due to the meeting on 24 March 2020 being cancelled. The following points summarise action to be taken in response:-

- further development of assurance mapping where appropriate;

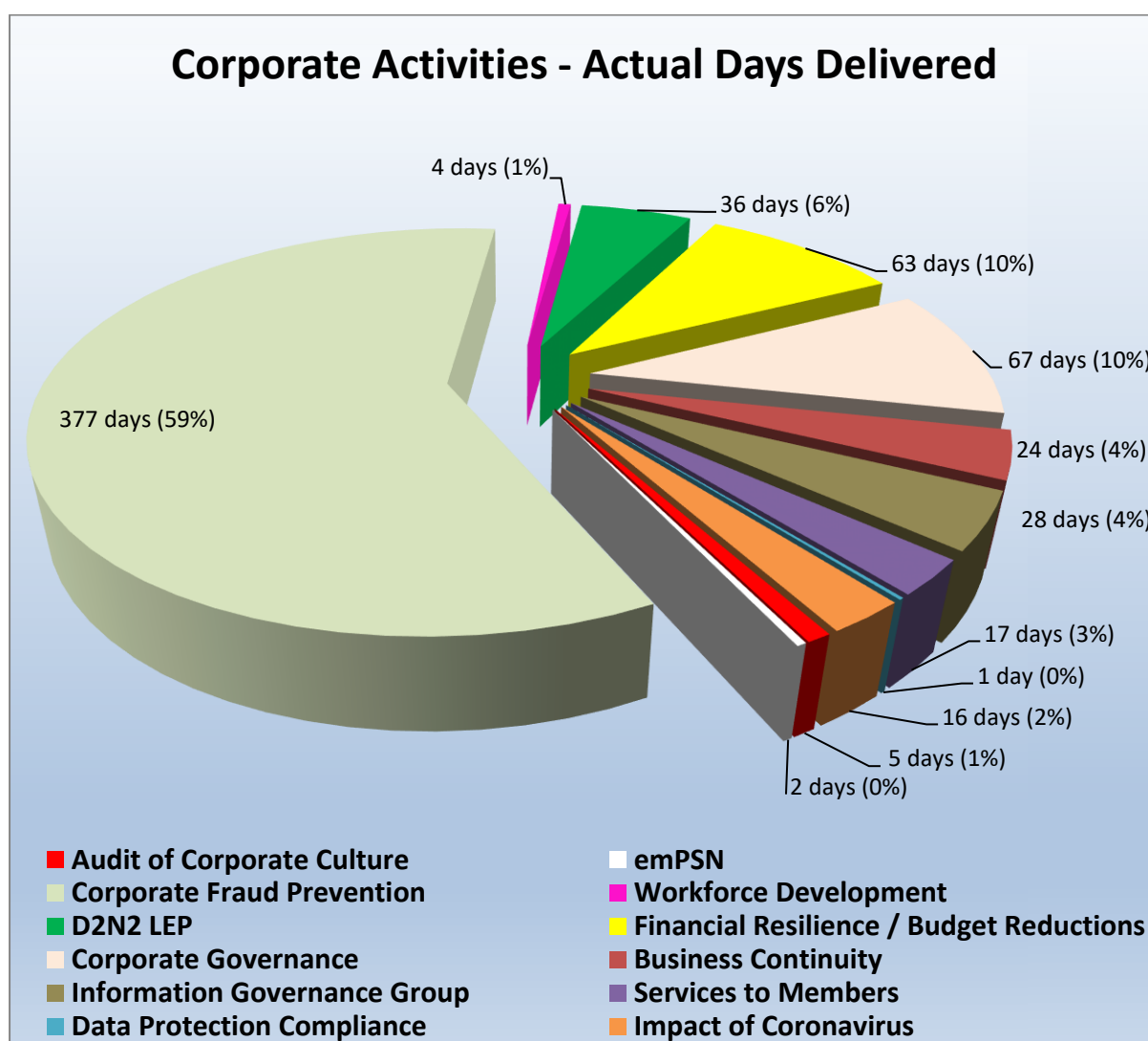
- increase level of contingency included in the Audit Plan in the short term;
- review opportunity to further develop dialogue with Senior Management using the Project Brief;
- consider further development of Key Performance Indicators (KPIs);
- revise declaration of interests form used by Audit staff.

This is an extremely pleasing result particularly in the challenging circumstances in which the Unit continues to operate.

Following the external review the Unit has revised its KPIs which were reported to Audit Committee on 27 May 2020; these KPIs will be used to report Audit activity from 1 April 2020.

Detailed Analysis of Audit Activity

Service Area	Corporate Activities									
Overall achievement of Productive Days against Plan									71%	
Number of Reports/ Memoranda Issued ²									12	
Assurance Levels ³										
Substantial	0	Qualified	2	Limited	1	No	0	Other	9	
Recommendations Made (items marked in red were rejected by Senior Management)										
Critical	0	High	17	Medium		8	Low		8	
Previous Recommendations Not Implemented										
Critical	0	High	4	Medium		4	Low		1	



² Includes 5 reports resulting from special investigations.

³ This area of activity includes special investigations where assurance levels and recommendations are treated differently and not categorized in the same way.

Strategic Provision

During the year, staff of the Unit worked on 12 key, Corporate areas which addressed significant risks facing the Council. I would wish to draw attention to the following:-

Governance Group

This Group is chaired by the Executive Director of Commissioning, Communities and Policy, and includes the Assistant Director of Finance (Audit) along with other senior officers including the Director of Finance & ICT, Director of Legal and Democratic Services, Director of Organisation Development and Policy and Departmental Managers. 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 Annual Governance Statement (AGS). The Group is currently developing a Local Code of Corporate Governance and Assurance Matrices to support the AGS. It is essential that this Group continues to receive the positive support of Members and Senior Managers in order to effectively fulfil its role.

Information Governance Group

Audit Services continues 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.

Corporate Fraud Prevention

The Council takes a robust stance in respect of counter fraud measures and has a culture which is resilient to the threat of fraud and corruption. A suite of policies has been developed which are intended to encourage the prevention of fraud, promote its detection and identify a clear protocol and methodology for undertaking investigations. The Council participates in the National Fraud Initiative (NFI) and subscribes to the National Anti Fraud Network (NAFN). During the current year is intended to review arrangements for the prevention and detection of fraud and corruption, including a review of Whistleblowing The Confidential Reporting Code and raising fraud awareness.

Threats posed by fraud remain a significant risk to all public authorities including the Council. Towards the end of 2019-20 the Covid-19 pandemic placed the country in lockdown and many workers, including those of the Council were forced to work from home. In some cases systems and processes had to be modified in order that service provision could continue. This presented

opportunities for both fraudsters and scammers to exploit potential vulnerabilities in governance, risk management and control systems.

Fraud threats are constantly changing with some being more complex and wide ranging whilst others operate at a more basic level and, in some cases, revive previous, similar fraudulent activities.

The involvement of organised crime is a continuing and growing threat which will impact on local authorities and their residents. Audit Services are seeking to build on work already undertaken in this area, and reported over two years ago, which will require the involvement of Derbyshire Constabulary and colleagues within the Council to analyse data and assist in protecting the Authority from this threat.

The Council continues to operate under financial constraints with reduced staffing levels and has responded by reviewing elements of its workforce. Whilst this streamlining of structures is essential 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 11.

The Unit continues its key role in protecting the Council and mitigating the risk of fraud. 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.

The Council should make those improvements which it can to strengthen the overall internal control and governance frameworks and mitigate risks by implementing Audit recommendations.

During the year the Unit's staff worked on 8 investigations of potential fraud, misconduct or irregularity, a number of which required the deployment of the Unit's specialist IT forensic resource. Staff also actively participated in 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 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.

Instances of suspected fraud and irregularity reported to, and investigated by Audit Services continues to form a vital part of the Unit's work.

The Unit maintains its positive working relationship with the Police and any Audit investigation which may result in criminal proceedings is discussed at an early

stage. This ensures that any potential action by the Police is not compromised whilst enabling the Council to proceed with its investigation.

Staff who are responsible for investigating fraud are appropriately qualified and experienced and have unrestricted access to Members, employees, information and resources to enable investigations to take place. 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.

The continuing pressures on the Council's reduced resources emphasize the importance of all Members and staff remaining vigilant to ensure that governance and control arrangements are not compromised.

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. The acquisition of communications data and provision of scrutiny regarding applications is provided by NAFN through their Single Point of Contact service. Local authorities may only exercise RIPA powers to prevent and detect crime. The level of activity relating to the exercise of RIPA powers has reduced significantly with no applications being processed in recent years.

The Council's procedures regarding RIPA were subject to a desktop inspection by Mrs Samantha Jones of the Investigatory Powers Commissioner's Office (IPCO) in April 2020. In summary the Commissioner confirms 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'.*

The outstanding recommendations relate to training for appropriate staff involved in RIPA related procedures and raising staff awareness of RIPA. Prior to the Covid-19 pandemic and subsequent lockdown it was intended to deliver internal and external training for relevant staff.

Financial Resilience and Achievement of Budget Savings

This Audit included the annual review of Accountancy and Budgetary Control (one of the Council's core financial systems) and a Corporate Project - Financial Resilience and Achievement of Budget Reductions. The review included procedures for monitoring, delivery and reporting of budget savings which are vital to the Council's financial stability and its ability to set and deliver a balanced budget.

The review gave consideration to the Cipfa Publication – *Building Financial Resilience (Managing Financial Stress in Local Authorities)* and how the Council currently performs against the identified symptoms of stress and the pillars of resilience. This Cipfa Insight report is intended to help chief financial officers and their authorities build financial resilience into all aspects of their planning and operations. The report identifies the warning signs of financial stress, and explains the pillars on which financial resilience depends.

The Council has established a framework to provide strong financial management which includes:-

- a robust annual budget setting process incorporating stakeholder consultation;
- a financial strategy which is reviewed and updated regularly;
- a five year financial plan which is reviewed and updated annually;
- a reserves policy and regular reporting of the reserves position;
- regular reporting of the budget position to Cabinet Portfolio Members with reporting of the Corporate position to Audit Committee and Cabinet;
- reporting of the revenue out-turn position promptly following the year end.

The challenge now is to move to integrated financial (both revenue and capital) and performance reporting. This should include the identification of key performance indicators / measures and use of benchmarking to show the Council's comparative position and performance in relation to other, similar and neighbouring authorities. Members should receive more transparent and timely reports on the Council's performance which should include progress reports on the delivery of key programmes and savings plans.

Business Continuity Planning

The business continuity planning work undertaken within the first part of 2019-20 related to the completion of the 2018-19 Audit review. The key findings and outcomes were reported in the previous year's Annual Report.

D2N2 Local Enterprise Partnership (LEP)

From 1 April 2019 the Council was appointed as Accountable Body for all funding streams associated with the LEP. As part of its responsibilities as Accountable Body to the Local Growth Fund (LGF) funding stream, Audit Services conducted an annual review of the 2018-19 Fund and certified the annual Growth Hub Funding grant declaration in accordance with requirements. The additional funding streams for which the Council now has responsibility will be subject to review as part of 2019/20 Audit review.

The D2N2 Local Enterprise Partnership continues to face significant challenges as a result of central Government plans for reform to ensure LEPs continue to drive growth and remain credible organisations locally and nationally. In response to these challenges, the D2N2 LEP is now registered as a Private Limited Company and governance arrangements, including the Strategic Economic Plan, have been reviewed and updated. Locally, the ongoing unspent LGF balances at the end of the financial year remain in part due to unavoidable delays and slippage in projects but as previously reported this trend cannot continue; clear plans and monitoring arrangements are required to spend the LGF allocation as well as previous years' underspends.

Consequently, close management, monitoring and reporting of project progress, output delivery, expenditure profiles and pipeline is vital in delivering projects on time and within budget. The submission of late returns by project promoters hinders the effectiveness of this process. Expenditure testing should be in accordance with, and at the level of, the agreed process.

Services to Members

This Audit included governance arrangements, Members' Community Leadership Scheme, allowance payments, Chairman's Fund, official cars and the Members' Bar.

Member inductions are provided and work is underway to improve the development of Members, but action is required to ensure Members are fully supported in their roles. The Health and Safety of Members should also be of paramount concern, especially given recent news headlines where Members have been assaulted whilst carrying out their official duties. The implementation of the Health and Safety guidance should therefore be seen as a priority area for review.

Ongoing training and development is also important to ensure Members keep up to date with changes in legislation and policy as well as refreshing their current knowledge. The finalisation of the Members' Development Programme will help achieve this. Action is necessary to review procedures relating to complaints against Members.

All Members are allocated a set annual allowance as part of the Members' Community Leadership Scheme. Members should complete the conflicts of interest section of supporting forms and subsequent checks on potential conflicts of interest carried out. Although evaluation forms are issued for completion by the recipient these have, on occasions, been returned before the funds have even been spent or not returned at all with no consequences of this from the Council.

Members' allowance payments reviewed during the Audit had been paid correctly with the details published on the Council's website. However, insufficient checks are undertaken on mileage claims made as no confirmation is obtained that the event attended was on behalf of the Council or that the number of miles claimed is accurate. In addition Members' driving licenses, insurance policies and MOT certificates should be verified on an annual basis to confirm that they are still able to drive on Council business.

It is important to ensure that the Members' Bar service does not negatively affect the Council's finances as it was identified that the Bar operated at a loss in the 2018/19 financial year. The review noted a number of fundamental issues in respect of the management of the Members' Bar and it is vital that this is subject to review to safeguard the Council's finances as far as possible.

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. Audit work focuses on the Departmental interfaces with major systems to ensure compliance with the Council's Policies, Procedures, Financial Regulations and Standing Orders relating to Contracts, and Professional Best Practice. Risk management arrangements and the requirements necessary to ensure compliance with ISO27001 and data protection obligations are also included in our work. Audit Services continues to evolve its programme of Departmental reviews to ensure that work covers key control requirements. Such work also 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. Departmental reviews are a vital component in demonstrating a continuous Audit presence.

IT Systems, Information Security and Data Protection Reviews

Throughout this period, Audit Services have continued to work with colleagues across the Council including ICT Services, Information Security and Procurement to improve and monitor current procedures. Audit have built upon the assurance work with third party suppliers to support and improve external organisations' awareness of their data protection obligations and cyber security risks. It is, however, disappointing to report that basic procedures to secure IT

networks, maintain data integrity and restrict unauthorised access are still relatively common findings. Despite the highly publicised changes to data protection legislation in 2018, some organisations appear slow in fully grasping their new responsibilities and the increased risk of a significant IT or data breach event occurring.

Whilst it is acknowledged that operational improvements have been identified during the Covid-19 lockdown, with the increased use of virtual meetings, the value of targeted 'on-site' visits cannot be underestimated. Despite completing a formal procurement process to deliver a variety of services, Audit reviews still identify a significant number of basic weaknesses in certain suppliers' information security procedures including:-

- organisations processing sensitive personal data without any independent information security accreditations e.g. Cyber Essentials;
- line managers maintaining lists of all users' password details;
- little, if any, disaster recovery planning or guidance being available;
- confidential data being secured in 'carrier bags' on open office shelves;
- IT equipment including laptops not being protected by encryption;
- no contracts in place for third party suppliers to the organisation under review e.g. IT support;
- accepted practice for staff to use shared/generic passwords in order to access sensitive IT systems;
- training on information security and data protection not provided to staff on a regular basis e.g. annually.

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.

The response to the pandemic has been moving at pace and has had an impact on the work of Audit Services during 2019-20 which will continue into the current year at least. Audit Services acted swiftly to respond to Senior Management requests for assistance where changes were being considered to processes or new systems were being considered. In some cases Audit staff were unable to progress planned work due to the lack of availability of Departmental staff who were progressing other priority work. Consequently Senior Audit Management identified a number of areas where Audit staff would be usefully deployed on "deep dives" or more detailed work to support our overall assessment of governance and control systems. This work will be a particular feature of future reports monitoring performance against the approved Audit Plan.

Nationally the number of frauds and scams increased significantly with Action Fraud reporting that coronavirus related frauds increased by 400% in March 2020. Audit Services acted swiftly to build on our established systems to distribute intelligence received relating to potential frauds and scams and will, of course, continue to assist in safeguarding the Council against such risks. It is intended that during the current year Audit staff will promote specific fraud awareness measures throughout the Council.

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 my original report proposing the Audit Services Plan for 2020-21 and a supplementary report detailing the areas which could impact on the original, proposed Plan.

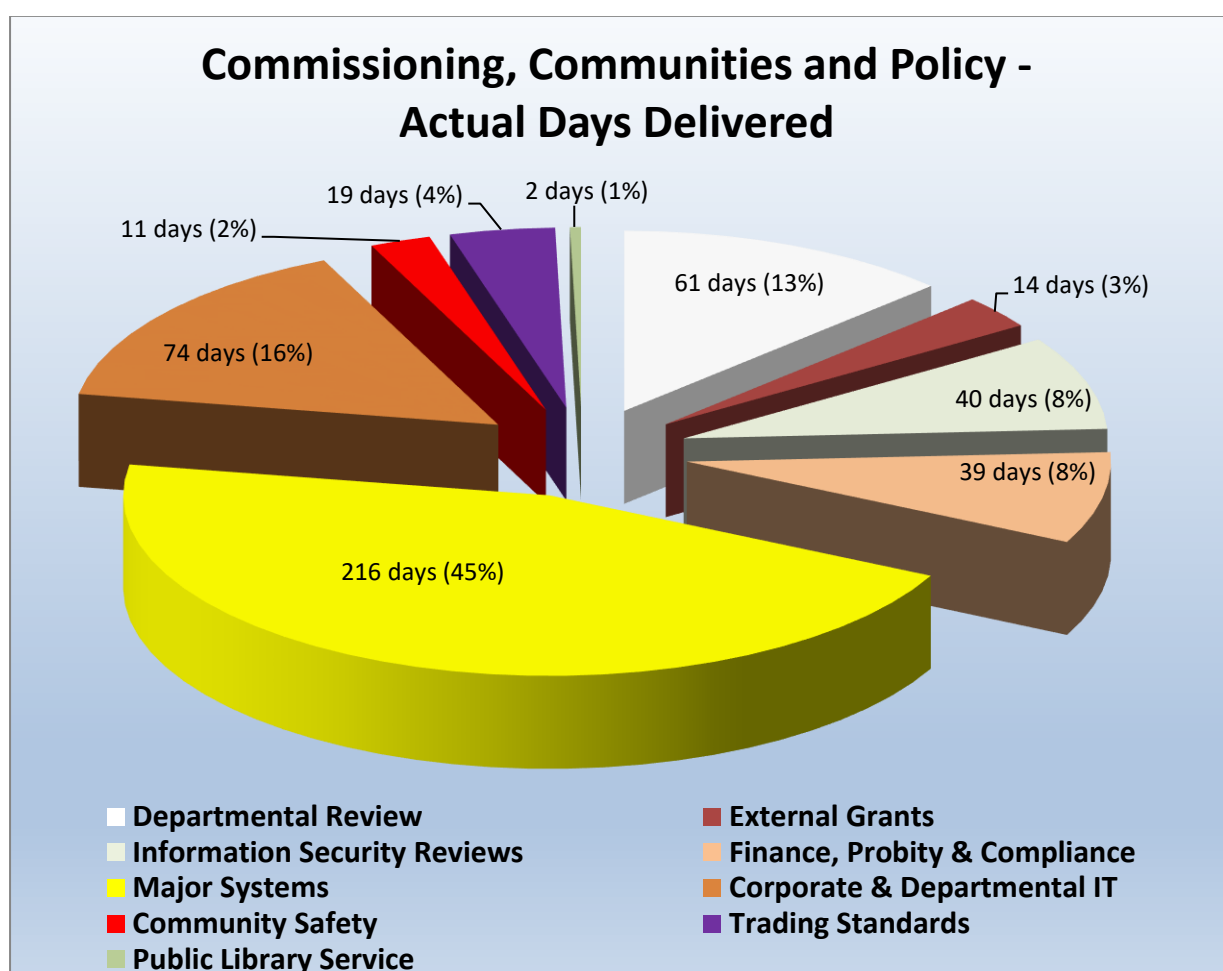
As the Council returns to business as usual it will be essential that the Audit Plan can be flexed to respond to changing and emerging threats to the Council's governance, control and risk management framework. The current situation is unparalleled and there are a significant number of factors which could impact on the proposed Audit Plan but these cannot be accurately estimated at the present time. In the absence of such detailed estimates it is considered that as the situation evolves and any implications for, or restrictions on the Audit Plan are identified and quantified, that these are included in the progress reports presented to the Audit Committee. Audit resources will be targeted at the highest levels of risk but also directed to achieve a broad range of coverage across the Council's activities.

Other Planned Reviews

Due to operational factors and particularly the Unit's reduced resources, planned reviews relating to Workforce Development and Succession Planning, Cyber Security, Audit of Corporate Culture, New Delivery and Commissioning Models/Partnership Working, SAP Utilisation, Data Protection Compliance, Supply Chain Failure and Corporate Health Check were deferred. All these reviews, with the exception of SAP Utilisation, are incorporated into the current Audit Plan.

During the year the Unit completed work and reported to Senior Management on Injury to Public or Employees and Business Continuity Planning planned in 2018-19.

Service Area	Commissioning, Communities and Policy									
Overall achievement of Productive Days against Plan								72%		
Number of Reports/ Memoranda Issued								25		
Assurance Levels										
Substantial	2	Qualified	16	Limited	2	No	0	Other	5	
Recommendations Made (items marked in red were rejected by Senior Management)										
Critical	1	High	44 (1)	Medium	93 (9)	Low	48 (7)			
Previous Recommendations Not Implemented										
Critical	1	High	10	Medium	20	Low	14			



Strategic Provision

Key/Core System Reviews

The Council continues to use SAP applications to support its key financial processes which are well established. Audit Services undertakes work on major systems and their interfaces operating in Departments and establishments as a key feature of our on-going assurance work. Audit staff

routinely, independently and confidentially interrogate system data to support our reviews by producing reports which assist in targeting Audit testing. Audit staff are also active in supporting key SAP developments through participation in project groups and software testing.

A significant amount of the Council's budget continues to be spent on staffing and related costs and Human Resources processes must be effective to manage such a large, diverse workforce. The Unit carries out a wide range of work in this area as part of the central Human Resources review and during Departmental, school and establishment Audits. This work includes detailed testing of starters, leavers, time recording, leave arrangements and attendance management.

Reductions in budgets continue to place significant pressures on the Council's resources. Local authorities face funding cuts and increased demands for services and consequently financial resilience has emerged as a key consideration, particularly following the highly publicised failures identified at Northamptonshire County Council. The National Audit Office described 2019 as a '*pivotal year for local government in England*'. Audit Services undertake testing on budgeting arrangements as part of the central Accountancy and Budgetary Control review and during Departmental, school and establishment Audits. During 2019-20 the Unit undertook a Corporate project to assess Financial Resilience and Achievement of Budget Savings (see page 34) and supplement our work on Accountancy and Budgetary Control.

During 2019-20 significant work was undertaken on the Council's key systems and Memoranda were issued on:-

- human resources;
- accountancy and budgetary control (includes financial resilience and achievement of budget savings);
- accounts payable;
- accounts receivable;
- treasury management.

The Unit issued five Memoranda following information security reviews undertaken relating to Departmental systems.

Finance Officers' Group

This Group comprises representatives of Corporate Finance, Departmental Finance Managers and Audit Services. The Group meets on a regular basis to discuss a range of budgetary and accounting issues and supports the Director of Finance & ICT. Its aim is to ensure consistent accounting and budgeting practices across the Council, and to contribute to the development and

enhancement of Financial Regulations and Standing Orders relating to Contracts, and related procedures.

Risk Management Group

Audit staff are represented on the Risk Management Group which meets quarterly. The group consists of Departmental Risk Champions together with officers from Health and Safety and Legal Services. The Group's core role is to monitor and support Corporate leadership of risk management across the Council. In addition the Assistant Director of Finance (Audit) meets regularly with the Risk and Insurance Manager to discuss current and emerging risks.

GDPR Working Group

The GDPR Working Group is scheduled to meet every two weeks and chaired by the Director of Legal and Democratic Services; the Group has representatives from Departments in addition to key post holders. The Group 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.

Information Implementation Group

This Group comprises representatives from across Departments and is chaired by a member of the Legal Services Division. The Group normally meets every two months and considers how changes to information management and elements of data protection will be implemented across the Council.

Probity and Compliance

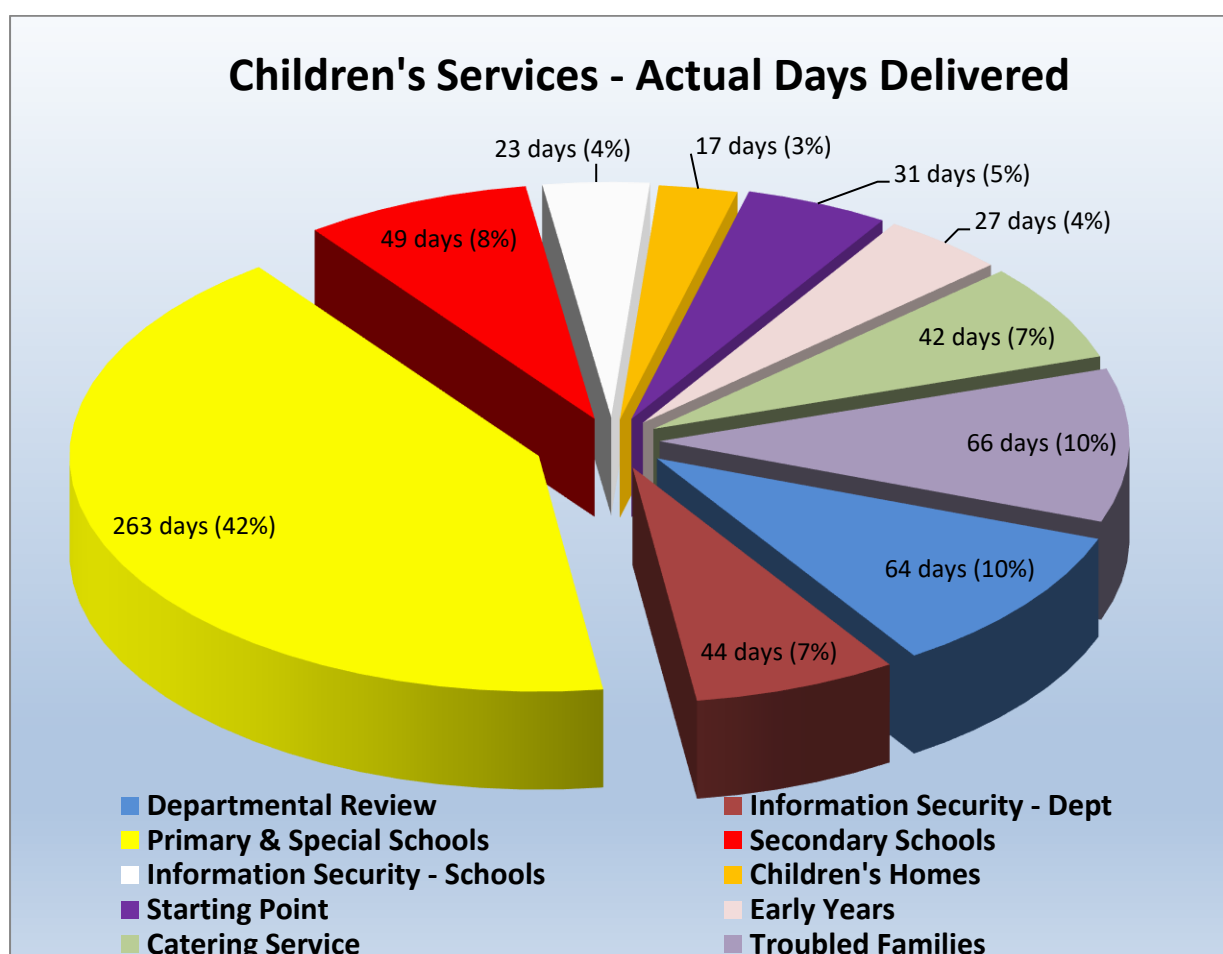
During the year Audit Services undertook probity and ISO27001 compliance visits and provided grant claim certifications.

The latest revisions to Financial Regulations and Standing Orders relating to Contracts were approved by Council on 6 February 2019. Compliance with these Regulations, Policies, Procedures and other elements of the Council's regulatory framework will continue to be assessed as a key component of ongoing Audit work.

Other Planned Reviews

A review of Corporate Property was deferred pending the establishment of a joint venture with Suffolk County Council. A review of the Registration Service was planned but not undertaken due to a lack of resources and is included in the current Audit Plan.

Service Area	Children's Services				
Overall achievement of Productive Days against Plan					108%
Number of Reports/ Memoranda Issued ⁴					55
Assurance Levels					
	Substantial	Qualified	Limited	No	Other
Non Schools	0	11	0	0	2
Schools	0	31	3	0	0
Total	0	42	3	0	2
Recommendations Made (items marked in red were rejected by Senior Management)					
	Critical	High	Medium	Low	
Non Schools	0	39 (2)	48	26	
Schools	1	209 (10)	305 (20)	256 (18)	
Total	1	248	353	282	
Previous Recommendations Not Implemented					
	Critical	High	Medium	Low	
Non Schools	0	9	15	5	
Schools	0	93	108	37	
Total	0	102	123	42	



⁴ 8 grant returns were reviewed in connection with the Troubled Families Initiative.

Strategic Provision

The Unit undertook work on Departmental systems and procedures and three Themed and Operational Projects including Starting Point, Early Years and the Catering Service. Audit Services issued five Memoranda following the completion of information security reviews relating to Departmental systems.

School and Establishment Visits

Audit Services continues its programme of school Audits and provision of support in respect of the Schools Financial Value Standard. This includes the promotion of good governance through discussions, training and meetings with governors, Children's Services and school based staff. Governing bodies and head teachers must work together in order to ensure that robust governance and control systems are operated and maintained within schools.

Our testing methodology is subject to ongoing review and refocussing to:-

- ensure its continued relevance in evaluating the adequacy and effectiveness of governance and control frameworks within schools;
- evaluate and incorporate, where appropriate, other sources of assurance eg Ofsted reports, work undertaken by School Support Finance;
- discharge the Section 151 Officer's responsibilities on behalf of the Director of Finance & ICT.

In the current year the Unit is developing a remote schools' Audit testing programme to mitigate the impact of the Covid-19 lockdown and the closure of schools. This should enable Audit work at schools to continue although with a restricted scope, and it is anticipated that some physical Audit reviews will be possible at schools and establishments prior to the end of the current financial year.

The Unit produced separate Memoranda following reviews of 32 primary and special schools and 3 children's homes during the year. Unfortunately our planned coverage of schools and establishments was not achieved due to reduced staffing resources.

The lack of staff and Covid-19 has had an impact on the planned frequency within which Audit reviews of schools and establishments can be undertaken and I will continue to keep this situation under review. At the end of each Audit visit recommendations are discussed at the exit meeting involving school and Audit staff. All schools and establishments are provided with an Action Plan following the visit which includes prioritized recommendations for improvement.

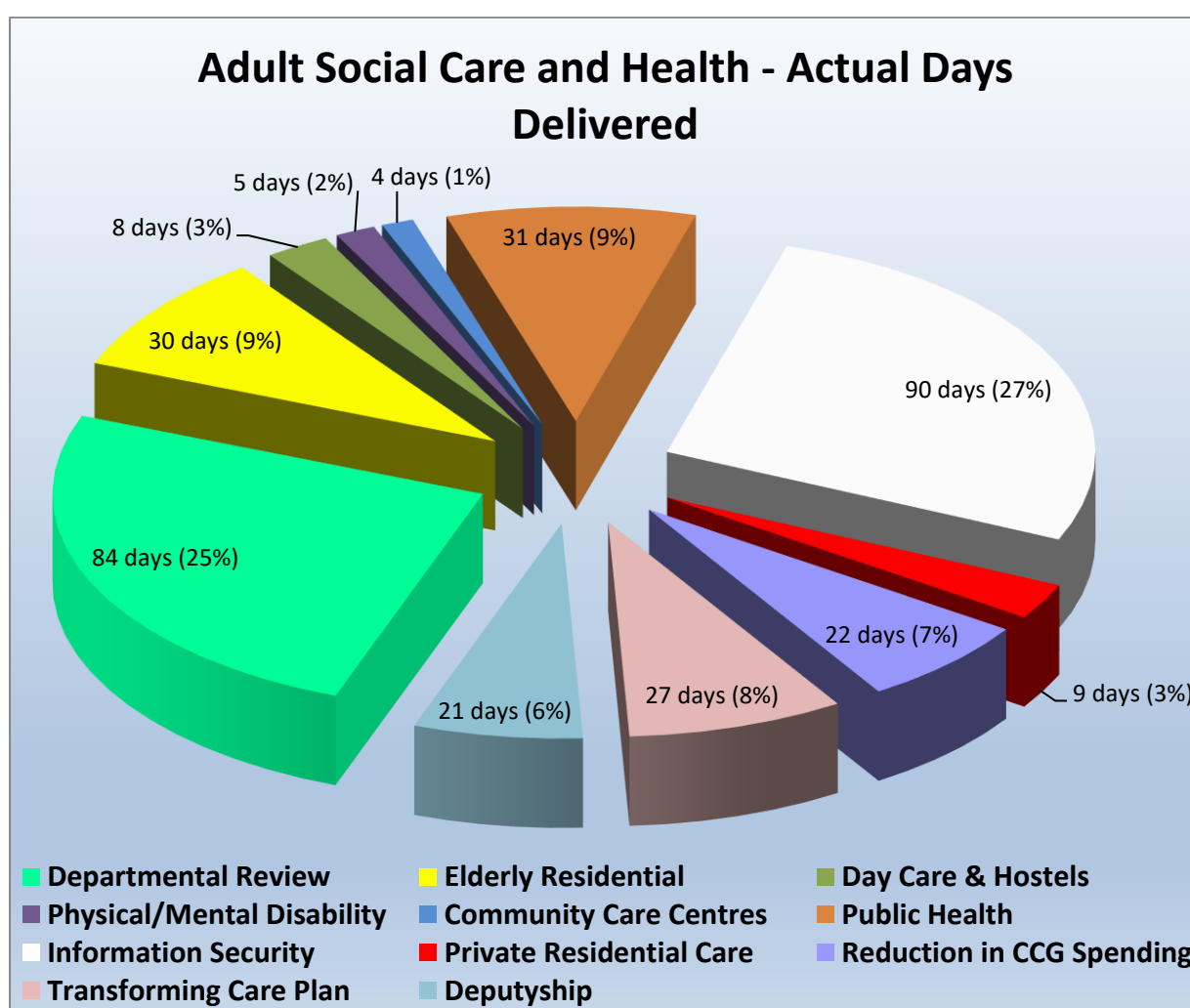
SAP continues to be used by the vast majority of schools and offers significant advantages from the use of common systems across the Council and all Audit staff routinely use SAP as part of school reviews.

The Unit continues to produce the 'Audit Matters' electronic newsletter specifically aimed at schools and uses the SchoolsNet website to provide information and best practice advice.

As part of the support provided to maintained schools the Unit has well developed links to the Council's Local Authority Designated Officer (LADO). In addition the Unit will undertake computer forensic and network reviews in relation to IT equipment used by school staff, particularly where there are potential child protection allegations.

Audit Services issued two Memoranda following information security reviews of systems relating to schools and eight grant claims were audited in respect of the Troubled Families Programme.

Service Area	Adult Social Care and Health						
Overall achievement of Productive Days against Plan							88%
Number of Reports/ Memoranda Issued							22
Assurance Levels							
Substantial	0	Qualified	17	Limited	5	No	0
Recommendations Made (items marked in red were rejected by Senior Management)							
Critical	0	High	70 (1)	Medium	80	Low	36 (1)
Previous Recommendations Not Implemented							
Critical	0	High	13	Medium	14	Low	15



Strategic Provision

During the year the Unit carried out work on Departmental systems and procedures together with four Themed and Operational Projects. These included Reduction in Clinical Commissioning Group Spending, Transforming Care Plan, Deputyship and Private Residential Care. A review of Public Health

was also completed. Eleven Memoranda were produced following completion of information security reviews relating to Departmental systems.

Establishment Visits

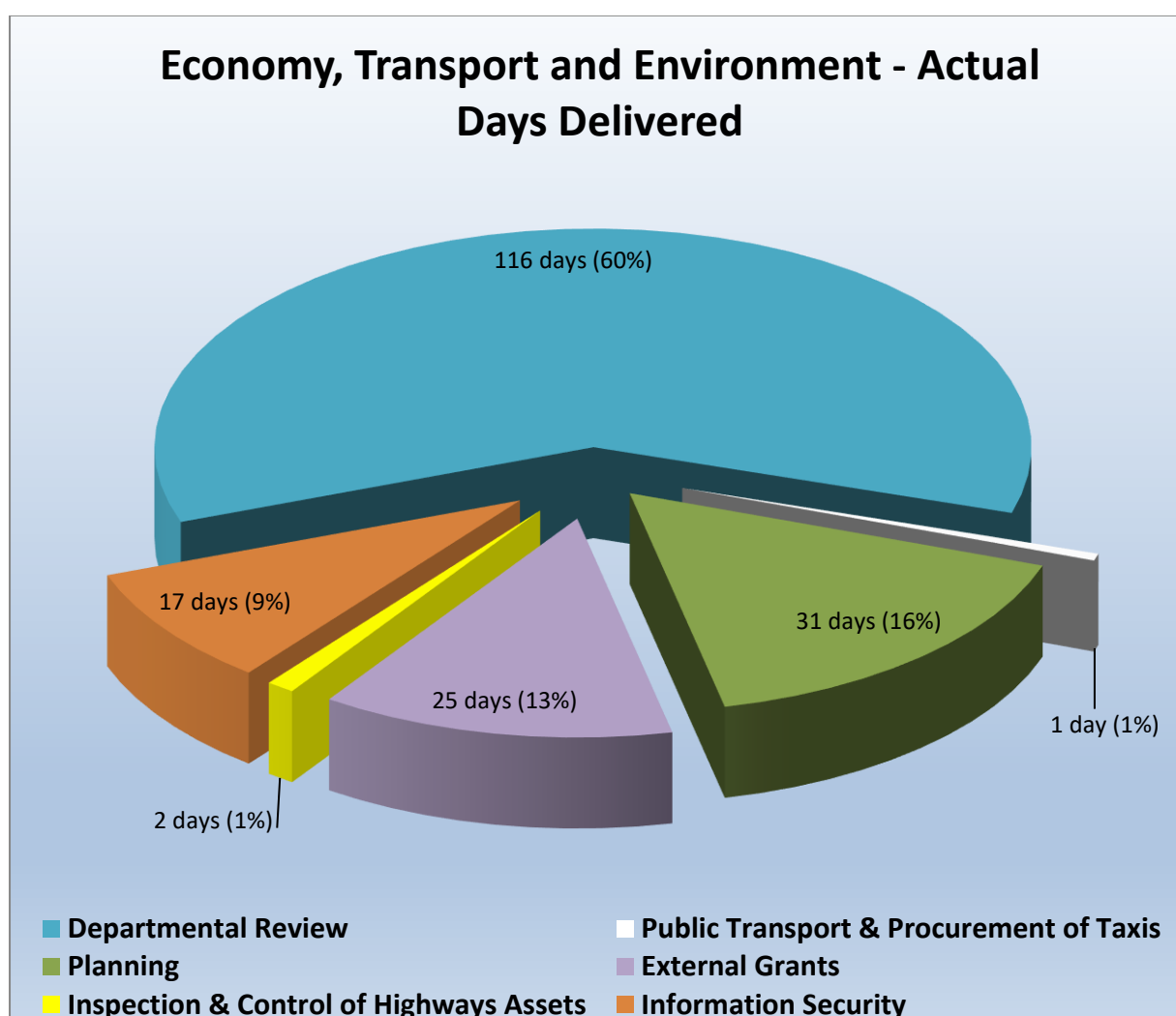
The Unit reported the findings of our work at 7 establishments but due to reduced staffing resources our planned coverage in this area was not achieved. At the end of each Audit visit recommendations are discussed with Management at each establishment during an exit meeting. Each establishment is then provided with an Action Plan detailing prioritized recommendations for improvement.

As all establishments are covered by the Council's ISO27001 accreditation, testing of information security and data protection procedures is completed by Audit Services' staff as part of these reviews.

Other Planned Reviews

A review of Direct Payments was deferred due to the lack of resources and included in the current Audit Plan.

Service Area		Economy, Transport and Environment							
Overall achievement of Productive Days against Plan							116%		
Number of Reports/ Memoranda Issued							10		
Assurance Levels									
Substantial	0	Qualified	4	Limited	0	No	0	Other	6
Recommendations Made (items marked in red were rejected by Senior Management)									
Critical	0	High	8	Medium	26	Low	13 (1)		
Previous Recommendations Not Implemented									
Critical	0	High	4	Medium	6	Low	3		



Strategic Provision

The Unit undertook work on Departmental systems and procedures together with four Themed and Operational Projects. These included Public Transport and Procurement of Taxis, Planning, Grants and Inspection and Control of

Highways Assets. Audit Services produced two Memoranda following the completion of information security reviews relating to Departmental systems.

Other Planned Reviews

A review of Concessionary Fares was deferred due to the Unit's reduced resources and included in the current Audit Plan.

Internal Audit Plan for 1 April 2020 to 31 March 2021

The Audit Plan for 2020-21 was reported to, and approved by Audit Committee on 27 May 2020 following the cancellation of the meeting planned for 24 March 2020. The Audit Plan for 2020-21 is based on the deployment of 2,884 Audit days. As previously reported the Unit still does not have its full complement of staff and the ongoing impact of Covid-19 on the work of the Unit cannot be fully evaluated. I consider that these factors will have an impact on the delivery of Audit work for some time and consequently several assumptions were made in forecasting available Audit days which may or may not be achieved. I will continue to provide updates on the impact of Covid-19 and staffing resources as part of regular reporting to the Audit Committee on the achievement of the Audit Plan.

The Plan was formulated from our risk assessment drawn from a wide range of sources including the Council Plan, the Council's Strategic Risk Register, Departmental risk registers, service plans and meetings with Corporate Management Team, Executive Directors and Directors including the Head of Paid Service, Section 151 Officer and Monitoring Officer. As part of this process Audit projects have been identified which will be developed specifically to address key Corporate and Departmental risks and build on those areas where frauds/control weaknesses have previously been identified.

The Audit Plan will continue to be subject to on-going review to ensure that it remains aligned with significant risks whilst remaining responsive to changes in risk, operations, systems and controls. Amendments necessary to the Audit Plan will be identified through Audit Services' on-going liaison and discussions with the Audit Committee, Executive Directors, Directors and Senior Managers. Regular reports will be presented to the Audit Committee detailing progress against the approved Audit Plan which is constantly monitored by Senior Audit Management. Regular updates on Audit activity will also continue to be provided to the Corporate Management Team and individual Executive Directors.

As part of the Audit planning process resource requirements are considered each year and detailed staffing considerations are set out earlier in this Report at pages 23 to 29. Audit Services has an establishment of approximately 17 full time equivalents which I consider provides an adequate level of staffing resource. However, it is important to note that the Unit currently has vacancies which will impact on the delivery of the Audit Plan and, particularly in the short term, places increased pressures on the Unit's existing resources. The Unit continues to provide a full range of Audit services using only in-house staff, including the specialist areas of investigative, information security, computer forensic and IT Audit work.

DERBYSHIRE AUDIT SERVICES
INTERNAL AUDIT PLAN 2019/20

The information summarised below by Service Department identifies the work approved and actual time spent for the period ending 31 March 2020.

Corporate Activities

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

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Corporate Projects													
• Workforce Development/ Succession Planning	H	20	-	4	-	-	-	-	-	-	-	-	-
• Cyber Security	H	30	-	-	-	-	-	-	-	-	-	-	-
• Audit of Corporate Culture	H	30	-	5	-	-	-	-	-	-	-	-	-
• Financial Resilience & Achievement of Budget Reductions	H	30	-	63	-	-	-	-	-	-	-	-	-
• New Delivery & Commissioning Models/Partnership Working	M/H	30	-	-	-	-	-	-	-	-	-	-	-
• SAP Utilisation	M/H	20	-	-	-	-	-	-	-	-	-	-	-
• Data Protection Compliance	M/H	25	-	1	-	-	-	-	-	-	-	-	-
• Supply Chain Failure	M/H	15	-	-	-	-	-	-	-	-	-	-	-
• Injury to Public or Employees	M/H	-	-	-	1	Qualified	-	2	-	1	-	-	Memo relates to 2018/19.
• D2N2 LEP	M	50	-	36	5	1 Qualified 4 Other	-	2	4	4	-	2M, 1L	-
• emPSN (SCo & ICo)	M	8	-	2	-	-	-	-	-	-	-	-	-
• Grants Administration	M	15	-	-	-	-	-	-	-	-	-	-	-
Corporate Governance including:-													
• Embedding Corporate Governance	H	40	-	67	-	-	-	-	-	-	-	-	-

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

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low 51

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
• Business Continuity Planning	H	20	10	14	1	Limited	-	13	4	3	-	4H,2M	Memo relates to 2018/19.
• Corporate Health Check	H	20	-	-	-	-	-	-	-	-	-	-	
• Information Governance Group and Support	H	30	1	27	-	-	-	-	-	-	-	-	
• Services to Members	H	25	-	17	-	-	-	-	-	-	-	-	
Corporate Fraud Prevention	H	460	185	192	5	-	-	-	-	-	-	-	This includes work on <ul style="list-style-type: none"> • NFI; • publication of NAFN alerts; • surveillance and data communications compliance; • liaison with external audit; 8 investigations 5 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized.
Audit Contingency	-	-	-	-	-	-	-	-	-	-	-	-	Original contingency was 150 days.
Impact of Coronavirus	-	30	-	16	-	-	-	-	-	-	-	-	Additional Audit Projects and support to Senior Management due to the impact of the coronavirus pandemic. *30 days transferred from contingency
TOTAL		898	196	444	12		-	17	8	8	-	9	

Commissioning, Communities and Policy

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

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	60	3	58	1	Qualified	-	3	15	16	4M,1L	8M,2L	Memo relates to 2018/19. Issued as Final without all Management responses.
External Grants & Certifications	M/H	5	-	14	3	Other	-	-	-	-	-	-	-
Information Security Reviews	M/H	50	1	39	5	3 Qualified 2 Other	-	3	5	1	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Themed and Operational													
• Community Safety	M/H	20	-	11	-	-	-	-	-	-	-	-	-
• Trading Standards	M/H	20	-	19	1	Qualified	-	2	2	4	1H,1M,4L	1H,1L	-
• Public Library Service	M/L	5	-	2	-	-	-	-	-	-	-	-	-
Divisional Activity													
Corporate Finance													
Probity and Compliance	M/H	95	-	39	7	Qualified	-	6	15	8	1L	1M,4L	-
Major Systems	H	280	25	191	5	2 Substantial 3 Qualified	-	5	36	15	4M,1L	2H,10M,7L	Due to the nature of these key reviews they are routinely work in progress at the year end. Work on Human Resources, Accounts Payable, Accounts Receivable, Accountancy and Budgetary Control and Treasury Management reported in year.

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Corporate/Departmental ICT Services	M/H	90	30	44	3	1 Qualified 2 Limited	1	25	20	4	-	1C,7H, 1M	Work includes assessments of new and existing IT systems together with specific reviews of the network infrastructure, BACSTEL-IP application, surveillance cameras, database and server management. <i>*10 days transferred from contingency.</i>
County Property	M/H	20	-	-	-	-	-	-	-	-	-	-	-
Regulatory Registration Service	M/L	20	-	-	-	-	-	-	-	-	-	-	-
TOTAL		665	59	417	25		1	44	93	48	17	45	

Children's Services

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

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	60	2	62	1	Qualified	-	8	8	7	1H	1H,6M,1L	Memo relates to 2018/19. <i>*15 days transferred from contingency.</i>
Information Security Reviews	M/H	40		44	5	4 Qualified 1 Other	-	2	10	1		-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Schools													
Primary & Special	M/H	224	11	252	27	24 Qualified 3 Limited	1	172	249	218	9H,14M,16L	69H,94M,31L	It should be noted that Audit opinions and recommendations made relating to schools and establishments are categorized in relation to the school or establishment and not the Council. <i>*20 days transferred from contingency.</i>
Secondary	M/H	49	-	49	5	Qualified	-	33	50	38	1H,5M,2L	24H,14M,6L	-
Information Security Reviews	M/H	60	8	15	2	Qualified	-	4	6	-	1M	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Children's Homes	M/H	20	-	17	3	Qualified	-	11	11	5	1H	4H,7M	-
Derbyshire Outdoors	M/L	10	-	-	-	-	-	-	-	-	-	-	-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Themed & Operational													
• Starting Point	H	20	-	31	-	-	-	-	-	-	-	-	-
• Early Years	H	25	-	27	3	2 Qualified 1 Other	-	7	10	6	-	4L	-
• Catering Service	M/H	40	-	42	1	Qualified	-	11	9	7	-	4H,2M	*15 days transferred from contingency.
• Troubled Families Programme	L	30	4	62	8	Other	-	-	-	-	-	-	-
TOTAL		578	25	601	55		1	248	353	282	50	267	

Adult Social Care and Health

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

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	60	1	83	1	Qualified	-	6	8	7	1L	2H,2M,3L	Memo relates to 2018/19. *15 days transferred from contingency.
Public Health	M/H	30	31	-	1	Qualified	-	6	4	6	-	1M,2L	Memo relates to 2018/19. Issued as Final without all Management responses.
Information Security Reviews	M/H	70	65	25	11	6 Qualified 5 Limited	-	23	26	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Social Care													
Elderly Residential	M/H	36	10	20	4	Qualified	-	22	17	12	1H	6H,7M,8L	It should be noted that Audit opinions and recommendations made relating to establishments are categorized in relation to the establishment and not the Council. - - -
Physical/Mental Disability	M/H	24	-	5	1	Qualified	-	1	6	4	-	2H,3M,1L	
Day Care & Hostels	M/H	12	-	8	1	Qualified	-	1	6	2	-	3H,1M,1L	
Community Care Centres	M/H	16	-	4	1	Qualified	-	1	4	3	-	-	
Themed & Operational													
• Direct Payments	H	25	-	-	-	-	-	-	-	-	-	-	-
• Reduction in Clinical Commissioning Group Spending	H	25	-	22	1	Qualified	-	4	4	-	-	-	-
• Transforming Care Plan	H	30	27	-	1	Qualified	-	6	5	2	-	-	Memo relates to 2018/19. Issued as Final without all Management responses. *30 days transferred from contingency.

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
• Deputyship	M/H	25	-	21	-	-	-	-	-	-	-	-	-
• Private Residential Care	M/H	25	-	9	-	-	-	-	-	-	-	-	-
TOTAL		378	134	197	22		-	70	80	36	2	42	

Economy, Transport and Environment

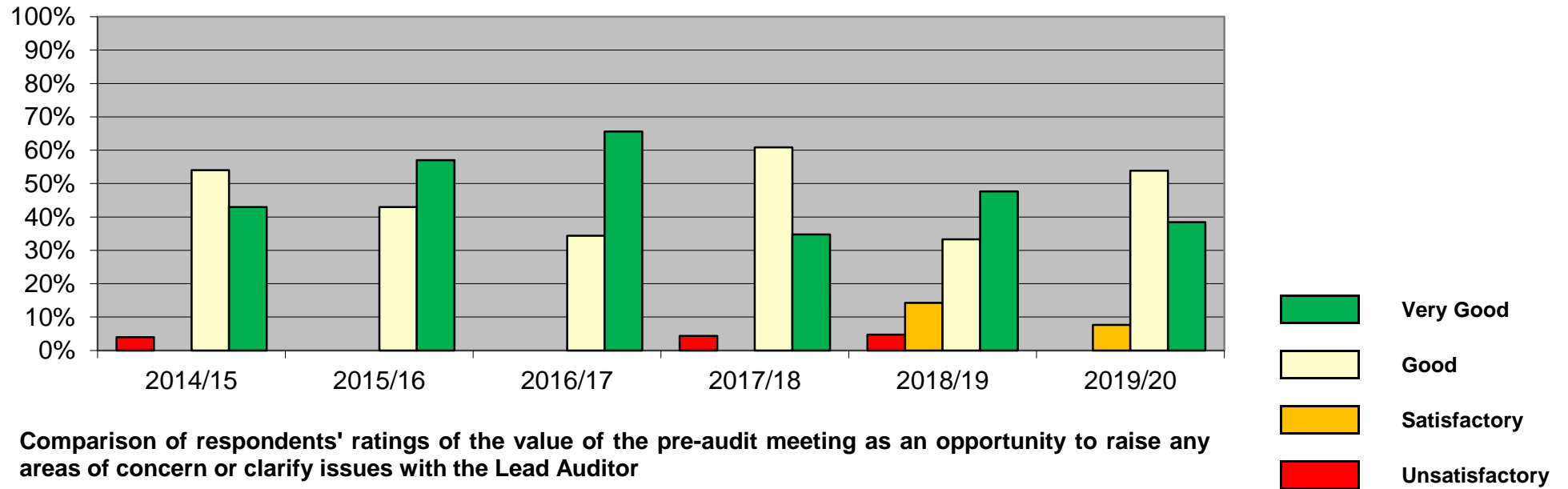
It is intended to spend **150** days on the Audit of the Economy, Transport and Environment Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	60	44	72	1	Qualified	-	4	15	9	1L	3H,6M, 3L	Memo relates to 2018/19. <i>*15 days transferred from contingency.</i>
Information Security Reviews	M/H	15	-	17	2	Qualified	-	2	2	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
• Public Transport and Procurement of Taxis (including Vetting of Contractors)	M/H	25	-	1	-	-	-	-	-	-	-	-	-
• Planning	M/H	25	-	31	1	Qualified	-	2	9	4	-	1H	-
• Concessionary Fares	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Grants	M/H	15	-	25	6	Other	-	-	-	-	-	-	-
• Inspection and Control of Highways Assets	M/H	-	-	2	-	-	-	-	-	-	-	-	Project included in 2020-21 Audit Plan.
TOTAL		165	44	148	10		-	8	26	13	1	13	

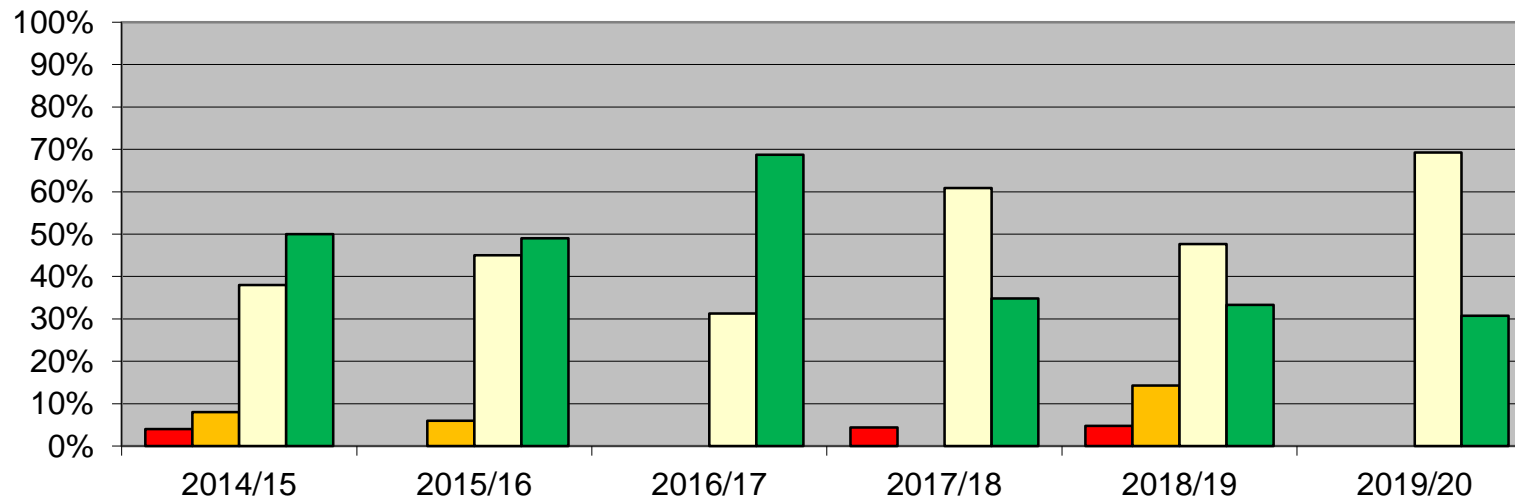
Preparation for and Administration of the Audit Process

Appendix 2

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



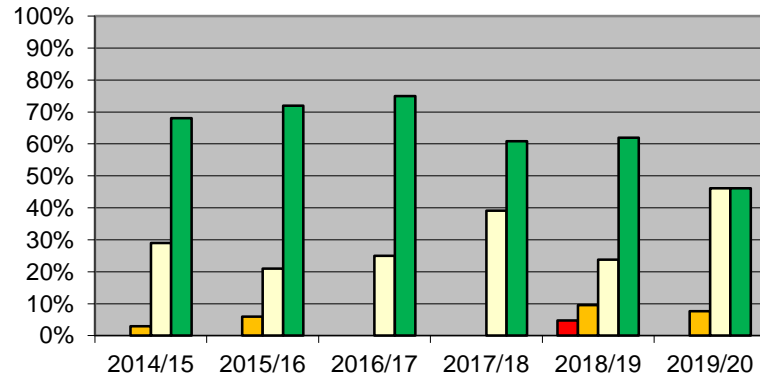
Comparison of respondents' ratings of the value of the pre-audit meeting as an opportunity to raise any areas of concern or clarify issues with the Lead Auditor



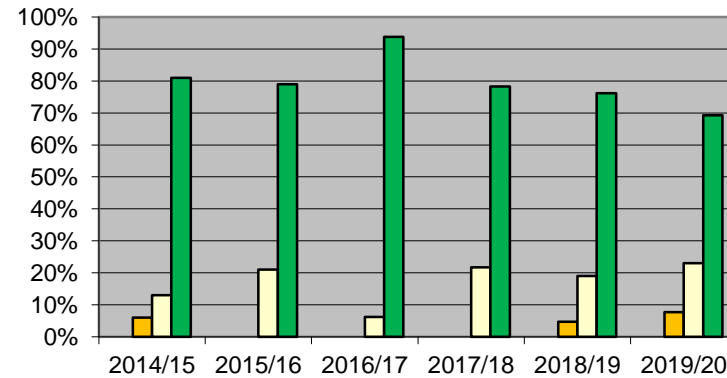
Professionalism and Relevance of the Audit Product

Appendix 2

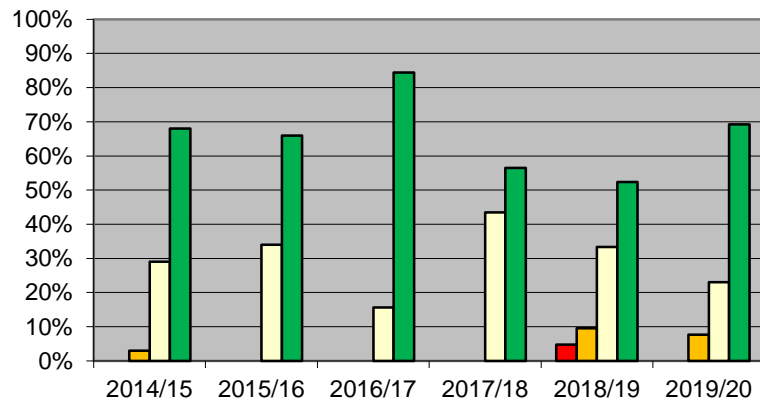
Comparison of respondents' ratings of Auditors' understanding and knowledge of the systems, procedures and key risks of the Audit areas



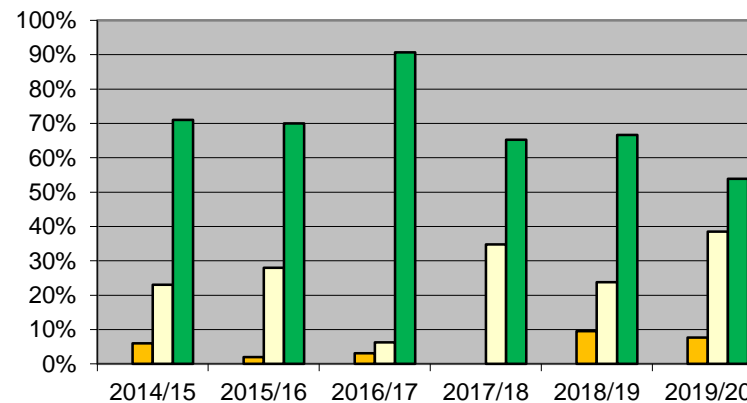
Comparison of respondents' ratings of Auditors' professionalism



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



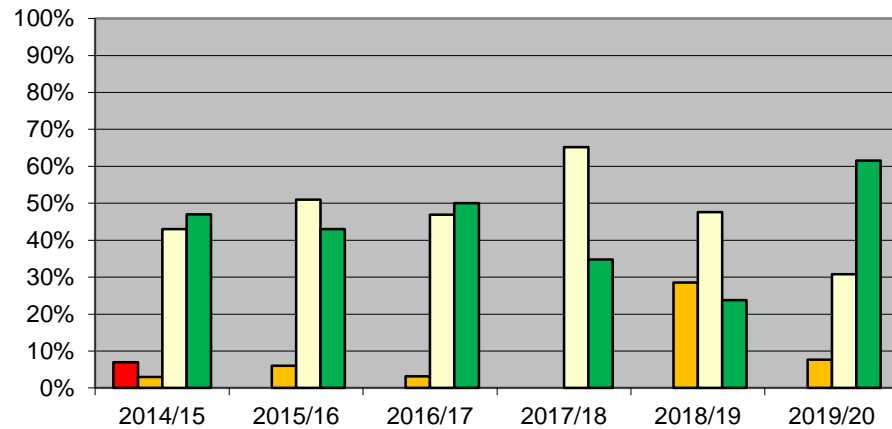
Comparison of respondents' rating of Auditors' communication skills



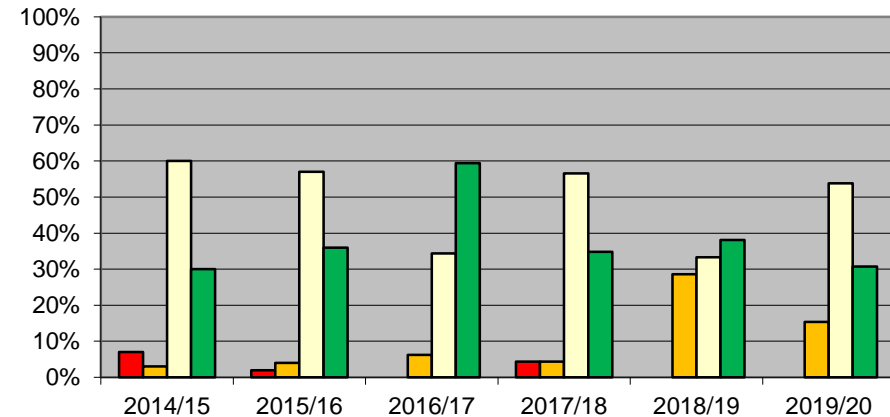
Overall Perception of Value Added and Assurance Provided by the Audit Outcome

Appendix 2

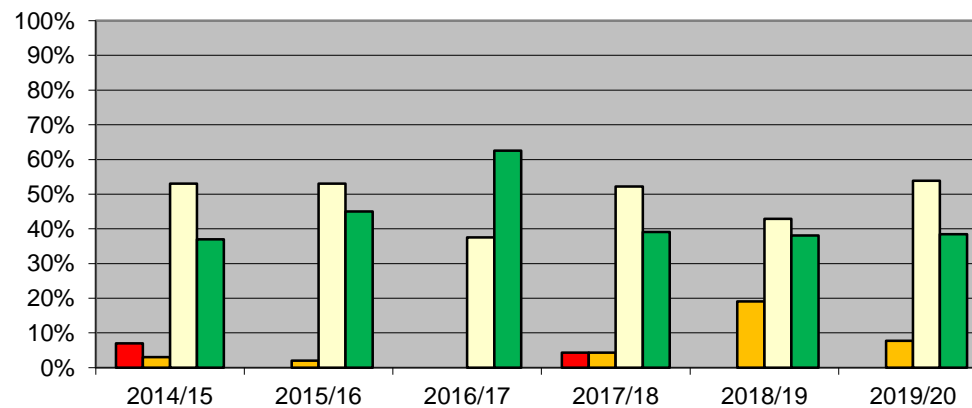
Comparison of respondents' ratings of the Audit Memorandum in terms of its clarity and factual accuracy



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 of controls in operation and the proper administration of the areas reviewed by the Audit



Summary of Reports and Memoranda Issued 2019-20**Appendix 3**

Audit Area	Audit Location	Previous Level of Assurance	Level of Assurance 2019-20	Direction of Travel
Corporate Activities				
Corporate Projects	CO002 Business Continuity Planning	Qualified	Limited	↓
Corporate Projects	VP044 D2N2 LEP	Qualified	Qualified	↔
Corporate Projects	VP044 D2N2 LEP x 4	NA	NA	
Corporate Projects	VP061 Injury to the Public or Employees	NA	Qualified	↔
Corporate Fraud Prevention	ZZ921 Special Investigation	NA	NA	↔
Corporate Fraud Prevention	ZZ923 Special Investigation x 2	NA	NA	↔
Corporate Fraud Prevention	ZZ924 Special Investigation	NA	NA	↔
Corporate Fraud Prevention	ZZ926 Special Investigation	NA	NA	↔

Commissioning, Communities and Policy Department				
Departmental Review	CA100 CCP	Qualified	Qualified	↔
Grant Reviews	CA102 Bus Services x 2	NA	NA	↔
Grant Reviews	CA102 Arts Council	NA	NA	↔
Information Security Review	DK124 Coroners Case Management	NA	Qualified	↔
Information Security Review	DK180 IT Security and Audit Services (Pen Testing)	NA	Qualified	↔
Information Security Review	DK840 My Jobs Mobile App (Property Services)	NA	NA	↔
Information Security Review	DK917 County Pension System IConnect(CCP)	NA	Qualified	↔
Information Security Review	DK917 County Pension System	NA	NA	↔
Operational Projects	CO005 Trading Standards	Qualified	Qualified	↔
Probity & Compliance Reviews	DE101 Cash Audit & ISO 27001 Visits	NA	Qualified	↔
Probity & Compliance Reviews	DE101 Cash Audit & ISO 27001 Visits	NA	Qualified	↔
Probity & Compliance Reviews	DE101 Cash Audit & ISO 27001 Visits	NA	Qualified	↔
Probity & Compliance Reviews	DE101 Cash Audit & ISO 27001 Visits	NA	Qualified	↔
Probity & Compliance Reviews	DE101 Cash Audit & ISO 27001 Visits	NA	Qualified	↔
Probity & Compliance Reviews	DE101 Cash Audit & ISO 27001 Visits	NA	Qualified	↔

Audit Area	Audit Location	Previous Level of Assurance	Level of Assurance 2019-20	Direction of Travel
Probity & Compliance Reviews	DE101 Cash Audit & ISO 27001 Visits	NA	Qualified	↔
Major Systems	MB100 Human Resources Management	Qualified	Qualified	↔
Major Systems	MC100 Accounts Payable	Substantial	Qualified	↓
Major Systems	ME100 Accounts Receivable	Qualified	Substantial	↑
Major Systems	MG100 Accountancy & Budgetary Control	Substantial	Qualified	↓
Major Systems	ML100 Treasury Management	Qualified	Substantial	↑
Corporate/Dept IT Systems	DK181 Surveillance Camera Code of Practice	NA	Limited	↔
Corporate/Dept IT Systems	DK888 Bacs Payment System Review (CCP)	Qualified	Limited	↓
Corporate/Dept IT Systems	DK923 Corporate Database	NA	Qualified	↔

Children's Services				
Departmental Review	AA001 Children's Services	Qualified	Qualified	↔
Information Security Review	DK142 Early Years MIS	NA	Qualified	↔
Information Security Review	DK152 Childrens Accommodation Support	NA	Qualified	↔
Information Security Review	DK178 Epep x 2	NA	NA	↔
Information Security Review	DK184 SEN Child Assessment	NA	Qualified	↔
Information Security Review	DK147 Wonde (SCH)	NA	Qualified	↔
Information Security Review	DK160 Evolve SCH)	NA	Qualified	↔
Establishments - Schools	AC004 Bakewell Infant	Substantial	Qualified	↓
Establishments - Schools	AC006 Bamford Primary	Qualified	Qualified	↔
Establishments - Schools	AC009 Bradwell Junior	Qualified	Qualified	↔
Establishments - Schools	AC036 Grindleford	Qualified	Qualified	↔
Establishments - Schools	AC054 Earl Sterndale	Qualified	Qualified	↔
Establishments - Schools	AC056 St Michaels Hathersage	Qualified	Qualified	↔
Establishments - Schools	AC057 Hayfield Primary	Qualified	Qualified	↔

Audit Area	Audit Location	Previous Level of Assurance	Level of Assurance 2019-20	Direction of Travel
Establishments - Schools	AC066 Marston Montgomery	Qualified	Qualified	↔
Establishments - Schools	AC073 Matlock Bath	Qualified	Limited	↓
Establishments - Schools	AC079 Tansley	Qualified	Qualified	↔
Establishments - Schools	AC081 New Mills	Substantial	Qualified	↓
Establishments - Schools	AC107 Youlgrave All Saints	Qualified	Qualified	↔
Establishments - Schools	AC115 Bolsover Infant & Nursery	Qualified	Limited	↓
Establishments - Schools	AC118 Brockley	Qualified	Qualified	↔
Establishments - Schools	AC126 Spire Infants	Qualified	Qualified	↔
Establishments - Schools	AC129 Brockwell Jnr	Qualified	Qualified	↔
Establishments - Schools	AC131 Cavendish junior	Qualified	Qualified	↔
Establishments - Schools	AC145 St Marys	Qualified	Qualified	↔
Establishments - Schools	AC153 Clowne Jnr	Qualified	Limited	↓
Establishments - Schools	AC168 Marsh Lane	Qualified	Qualified	↔
Establishments - Schools	AC180 Morton	Qualified	Qualified	↔
Establishments - Schools	AC189 Scarcliffe	Qualified	Qualified	↔
Establishments - Schools	AC193 Brookfield	Qualified	Qualified	↔
Establishments - Schools	AC207 Hollingwood Primary	Qualified	Qualified	↔
Establishments - Schools	AC260 Coppice	Qualified	Qualified	↔
Establishments - Schools	AC313 St Johns	Qualified	Qualified	↔
Establishments - Schools	AC418 Egginton	Qualified	Qualified	↔
Establishments - Schools	AD005 Buxton	Qualified	Qualified	↔
Establishments - Schools	AD023 Whittington Green School	Qualified	Qualified	↔
Establishments - Schools	AD024 Hasland Hall	Qualified	Qualified	↔
Establishments - Schools	AD034 Dronfield Henry Fanshawe	Qualified	Qualified	↔

Audit Area	Audit Location	Previous Level of Assurance	Level of Assurance 2019-20	Direction of Travel
Establishments - Schools	AD042 Tibshelf Community	Qualified	Qualified	↔
Establishments - Other	AF012 Spire Lodge	Qualified	Qualified	↔
Establishments - Other	AF015 Fairview	Limited	Qualified	↑
Establishments - Other	AF020 Hill View (Peak Lodge)	Qualified	Qualified	↔
Operational Projects	AO007 Early Years	Qualified	Qualified	↔
Operational Projects	AO007 Early Years	NA	Qualified	↔
Operational Projects	AO007 Early Years	NA	NA	↔
Operational Projects	AO024 Catering Service	Limited	Qualified	↑
Grants	AO013 Troubled Families Programme x 8	NA	NA	↔

Adult Social Care and Health Department				
Departmental Review	Adult Social Care and Health	Qualified	Qualified	↔
Departmental Review	BD001 Public Health	Qualified	Qualified	↔
Information Security Review	DK150 Deaf Communication Support Service	NA	Qualified	↔
Information Security Review	DK161 Provision of Advisory Services - CAB	NA	Qualified	↔
Information Security Review	DK162.1 Sexual Health - Pharmacy Visits	NA	Limited	↔
Information Security Review	DK162.2 Sexual Health - Women	NA	Limited	↔
Information Security Review	DK162.3 Accredited Provider Activity Payment System	NA	Limited	↔
Information Security Review	DK173 Dementia Support	NA	Qualified	↔
Information Security Review	DK174 Rehab Visually Impaired	NA	Qualified	↔
Information Security Review	DK175 Home from Hospital	NA	Limited	↔
Information Security Review	DK176 Home Improvement Agency	NA	Qualified	↔
Information Security Review	DK182 Derbyshire Direct Payment	NA	Qualified	↔
Information Security Review	DK183 DD Payroll Services	NA	Limited	↔
Establishments - Other	BB017 Gernon Manor	Qualified	Qualified	↔
Establishments - Other	BB026 The Leys	Qualified	Qualified	↔
Establishments - Other	BB039 The Spinney	Qualified	Qualified	↔

Audit Area	Audit Location	Previous Level of Assurance	Level of Assurance 2019-20	Direction of Travel
Establishments - Other	BB050 Castle Court	Substantial	Qualified	↓
Establishments - Other	BG007 Parkwood Centre	Qualified	Qualified	↔
Establishments - Other	BJ011 Queens Court	Qualified	Qualified	↔
Establishments - Other	BU002 Morewood	Substantial	Qualified	↓
Operational Projects	BO023 Transforming Care Plan	NA	Qualified	↔
Operational Projects	BO025 Reduction in CCG Spending	NA	Qualified	↔

Economy, Transport and Environment Department				
Departmental Review	HA100 Economy, Transport and Environment	Qualified	Qualified	↔
Information Security Review	DK141 Def Software Ltd Testing	NA	Qualified	↔
Information Security Review	DK163 Fuel Management System	NA	Qualified	↔
Operational Projects	HO005 Planning Responsibilities	Qualified	Qualified	↔
Grant Reviews	HO026 Local Transport Capital Funding Grant x 3	NA	NA	↔
Grant Reviews	HO029 Highways Hub x 3	NA	NA	↔