

To: Chair & Members of the Audit  
Committee

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Monday, 19th April 2021

Dear Councillor

**AUDIT COMMITTEE**

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held as a Virtual Meeting and in the Council Chamber (if required) on Tuesday, 27th April, 2021 at 14:00 hours.

Members will be sent the details on how to access the Virtual Meeting by email.

Virtual Attendance and Hybrid Meetings

I have provided the Leader and Deputy Leader with advice on the holding of “hybrid” meetings outlining the risks including to employees dealing with the Chamber and to Members. Hybrid meetings are those where some attendance is in person in the Council Chamber and some is virtual.

I would encourage you all to attend virtually.

Accordingly if you attend in person you will be deemed to have accepted the following disclaimer (overleaf) as applying.



**We speak your language**  
Polish **Mówimy Twoim językiem**  
Slovak **Rozprávame Vaším jazykom**  
Chinese **我们会说你的语言**

**If you require this agenda in large print  
or another format please call us on 01246 217753**

If you require an adjustment to enable you to participate in or access the meeting please contact the Governance Team at least 72 hours before the meeting starts.

## Risk Assessment Disclaimer

When attending this meeting in person, I confirm that I have read and understood the contents of each of the following risk assessments and agree to act in line with its content.

- Covid-19 ARC RTW RA001
- Working in Offices At The Arc During Covid-19 Pandemic Guidance – ARC – SSW001
- Meetings – EM001 - Committee and Council Meetings during the Covid-19 pandemic

*These documents have been emailed to Members and are available on the Modern.Gov App library.*

The same advice is given to officers who are also encouraged to participate in the meeting remotely.

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised from page 3 onwards.

Yours faithfully



Solicitor to the Council & Monitoring Officer

# AUDIT COMMITTEE

## AGENDA

Tuesday, 27th April 2021 at 14:00 hours taking place as a Virtual Meeting and in the Council Chamber (if required)

Item No.	PART 1 – OPEN ITEMS	Page No.(s)
1.	<b>Apologies For Absence</b>	
2.	<b>Urgent Items of Business</b>	
	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4(b) of the Local Government Act 1972.	
3.	<b>Declarations of Interest</b>	
	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of:	
	a) any business on the agenda	
	b) any urgent additional items to be considered	
	c) any matters arising out of those items	
	and if appropriate, withdraw from the meeting at the relevant time.	
4.	<b>Minutes</b>	
	To consider the minutes of the last meeting held on 26 <sup>th</sup> January 2021	4 - 10
5.	<b>Reports of the Council's External Auditor, MAZARS - Audit Strategy Memorandum</b>	11 - 44
6.	<b>Report of Internal Audit - Summary of Progress on the 2020/2021 Internal Audit Plan</b>	45 - 56
7.	<b>Report of Internal Audit - Internal Audit Plan - 2021/22</b>	57 - 65
8.	<b>Report of Internal Audit - CIPFA Fraud and Corruption Tracker Survey Results</b>	66 - 97
9.	<b>Report of the Director of Corporate Resources - Risk Management</b>	98 - 116
10.	<b>Report of the Head of Finance &amp; Resources - New Financial Management Code</b>	117 - 122
11.	<b>Report of the Head of Finance and Resources - Audit Committee Work Programme 2020/2021</b>	123 - 127

## AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Virtual Meeting on Tuesday, 26th January 2021 at 14:00 hours.

### **PRESENT:-**

Members:-

Councillor Tom Munro in the Chair

Councillors R. Jaffray (Vice-Chair), Jim Clifton, David Dixon, Chris Kane and Tom Kirkham.

Officers:- Theresa Fletcher (Head of Finance & Resources and Section 151 Officer), Lee Hickin (Director of Corporate Resources), Jenny Williams (Internal Audit Consortium Manager) and Tom Scott (Governance Officer).

Also in attendance at the meeting was Councillor Clive Moesby (Portfolio Holder for Finance and Resources) and Mike Norman (MAZARS).

### **AUD16-20/21 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **AUD17-20/21 URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **AUD18-20/21 DECLARATIONS OF INTEREST**

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

There were no declarations of interest made.

### **AUD19-20/21 MINUTES**

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton

**RESOLVED** that the Minutes of an Audit Committee meeting held on 15<sup>th</sup> September 2020 be approved as a correct record.

## AUDIT COMMITTEE

### **AUD20-20/21      REPORT OF EXTERNAL AUDITOR - ANNUAL AUDIT LETTER 2019/20**

Committee considered a report of the Council's external auditors, Mazars, in relation to their Annual Audit Letter 2019/2020.

The Annual Audit Letter set out the findings of Mazars audit and that an unqualified opinion on the accounts had been provided by the deadline date. An unqualified opinion in relation to a Value for Money conclusion had also been provided. Members were asked to note that there were no significant matters arising from the audit.

The Annual Audit Letter was a public document which was required under the current code of practice. Committee was advised that for 2020/2021, the Annual Audit Letter would be replaced by a different format. Further information on this would be reported to a future meeting of Audit Committee.

The Chair relayed his thanks to the Section 151 Officer, the Council's financial team and the External Auditor, Mazars, for achieving a high standard of audit in 2019/20.

Moved by Councillor Chris Kane and seconded by Councillor Jim Clifton  
**RESOLVED** that the report be noted.

### **AUD21-20/21      REPORT OF EXTERNAL AUDITOR - AUDIT PROGRESS REPORT (JANUARY 2021)**

Committee considered a report of the Council's external auditors, Mazars, in relation to their progress on the 2020/21 audit.

Committee was advised that audit planning for 2020/21 was currently at the early stages of progress. However, there had been some slight slippage due to the catch up on the 2019/20 audit because of the current Covid19 pandemic. As Members were aware, work on the audit was being carried out remotely. Further information relating to a new code requirement regarding the Value for Money conclusion and other updates would be provided at the next Audit Committee meeting.

The Chair queried to what extent allowances would be made for the impact on Council finances due to the Covid 19 pandemic. Mike Norman replied that in relation to the work carried out on the accounts, the Council would need to make judgements on the valuation of its properties, which may be affected by market values. Also, the collectability of debts due to the effect on some individuals and some businesses. The work carried out by Mazars would be on the value for money conclusion of which a key theme would be a view on the financial sustainability of the Council, performance of services and ways of partnership working. The guidance stated that Mazars view would need to be proportional to the issue. However, it would take account of the reasonableness of the Council's response and the mitigating arrangements put in place in what was an extreme situation.

A Member queried if there was a definition of 'value for money' or if the pandemic had altered this slightly. Mike Norman replied that this was a rounded judgement based on financial planning arrangements, governance arrangements including risk management

## AUDIT COMMITTEE

and the extent of reasonable steps taken regarding value for money.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane  
**RESOLVED** that the report be noted.

### **AUD22-20/21      REPORT OF INTERNAL AUDIT - SUMMARY OF PROGRESS ON THE 2020/21 INTERNAL AUDIT PLAN**

Committee considered a report which provided progress made by the Internal Audit Consortium in respect of the 2020/21 Internal Audit Plan.

Ten audit reports had been issued during the period 2nd September 2020 and 31st December 2020. Eight reports had been issued with substantial assurance and 2 with reasonable assurance. A number of recommendations had been made / agreed where a full response had been received. In respect of the audits being reported, it was confirmed that no issues arising relating to fraud were identified.

A mid-year review of progress against the internal audit plan and a discussion in relation to the potential risks arising due to Covid 19 had been undertaken with the Section 151 Officer. On the whole, it was felt that the plan was still appropriate and for the areas reviewed it would be ensured that COVID 19 had not adversely affected the controls in place.

In the January to March 2021 period, Internal Audit would be undertaking work in relation to business grants awarded (small business grants, leisure, retail and hospitality grants and discretionary grants) and a review of the procedures followed to ensure that there had been an adequate separation of duties in place.

In November 2020, CIPFA issued guidance in relation to the *Head of Audits Annual Opinion: Addressing the Risk of a limitation of scope*. A limitation of scope should be considered if enough work had not been carried out to provide assurance on the Council's Governance, risk management and control processes in place. However, there was no definition of the amount of work required to provide an opinion and this was left to professional judgement. At this stage, the Head of Internal Audit believed that by prioritising the work for the remainder of the year she would be able to give a full audit opinion.

The report also showed the 2020/21 internal audit plan and detailed completed audits and those in progress. It was considered that reasonable progress was being made given the current circumstances relating to Covid 19. However, there would be a need to carry some areas forward to 2021/22 and the 2020/21 plan may still be subject to change should significant risks emerge.

The Portfolio Holder for Finance and Resources commented that regular meetings were held with departments to consider risks and potential risks, feed into the overall Strategic Risk Register and to see the scoring of risks. The Register was a fluid document and was up to date and would identify some of the emerging risks referred to by the Head of Internal Audit. He added that the Head of Internal Audit and her team had worked hard to complete the audit plan for the current year and he relayed his thanks to them and also

## **AUDIT COMMITTEE**

the Section 151 Officer for keeping him informed and up to date on the progress of the Internal Audit Plan.

A Member queried how Scrutiny could feed into audit reporting. The Head of Internal Audit replied that although the Internal Audit Plan was independent from Scrutiny, any reports/findings/identified risks from Scrutiny would be taken into account when considering the Audit Plan.

Moved by Councillor David Dixon and seconded by Councillor Jim Clifton  
**RESOLVED** that the report be noted.

### **AUD23-20/21      REPORT OF INTERNAL AUDIT - IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

Committee considered a report which provided a summary of internal audit recommendations made and implemented for the financial years 2018/19 - 2020/21.

The timely implementation of internal audit recommendations helped to ensure that the risk of fraud and error was reduced and that internal controls were operating effectively.

Due to Covid 19, the implementation of some recommendations and / or the updating of the PERFORM system had been delayed. An appendix to the report provided a table which detailed outstanding internal audit recommendations as at December 2020.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane  
**RESOLVED** that the report be noted.

### **AUD24-20/21      RISK MANAGEMENT (NOVEMBER 2020)**

Committee considered a report in relation to the current position regarding the Council's Risk Management arrangements and Strategic Risk Register as at November 2020.

Under relevant good practice and to facilitate the development of robust managerial arrangements, the Council was required to prepare a Strategic Risk Register as part of its risk management framework.

Given the importance of these arrangements for the overall governance of the Council it was necessary to subject them to regular comprehensive review. This review had now taken place to ensure that the continued effective and systematic management of risk was achieved.

Members and officers at this meeting were asked to consider both the Strategic Risk Register, together with the Council's wider framework for managing risk and partnerships. A significant change to note was the inclusion of a COVID-19 specific Strategic Risk.

The approach to managing risks was applied within decision making processes and was continuous with a structured review process overseen by the Risk Management Group.

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The Risk Management Group, which was Member led and included the Council's Senior Risk Officer (SRO), Senior Information Risk Officer (SIRO), S151 Officer, representation from senior management, Internal Audit and Health and Safety, provided a comprehensive oversight of risk throughout the organisation and was becoming the conduit to and from the whole organisation in terms of risk management. The Group was able to provide risk management reporting to stakeholder groups across the Council and would support the production of the Annual Governance Statement. By leading on the development and review of all risk related policies, plans and strategies across the Council, the Risk

Management Group would provide consistency of approach and alignment of all service areas in relation to risk management. Further, by overseeing and championing the implementation of the Risk Management Strategy and associated action plan, including training 'relating to' and the 'embedding of' an effective risk management culture, the Risk Management Group would be pivotal in the organisations future success.

Members welcomed the report and noted that it was a clear and concise report to read.

A Member suggested matters which were not included on the Register, for example, the potential of Derbyshire County Council (DCC) to go bankrupt and the impact of a unitary authority on the Council. The LEP (Local Enterprise Partnership), who were repurposing their strategy for investment in the District around the green industrial revolution policy from the Government and that the Council needed to quickly repurpose itself with regard to green issue opportunities. 'Call Ins' by Scrutiny Committees and officers making a judgement on their own decisions with regard to issues which impacted on communities.

The Director of Corporate Resources replied that the Member's points in relation to DCC had been recognised and discussed at a recent Risk Management Group with a view to being included on the Risk Register. With regard to green issues, the Council had its own Carbon Reduction Group and a Carbon Reduction Plan. The Director of Corporate Resources provided detail of three current projects that he was leading on, all of which had a countywide footprint in terms of climate change; 'Thanks a Tonne' was an awareness and promotion campaign, electric vehicle infrastructure - taking a strategic approach and a countywide coordinated approach on tackling 'hard to treat homes', of which there were around a 100,000 in the County that were leaking energy. Some funding had been acquired by way of green home grants but the Director of Corporate Resources was hoping to push and develop a scheme to gain serious Government funding to back up a 10 year proposal to underpin the development of businesses to grow via a green economy. This would also project large energy savings for residents and businesses alike and giant steps towards a cleaner, greener economy.

With regard to Call Ins, the Member agreed to discuss this in further detail at a Growth Scrutiny Committee when 'risk' would be on the agenda.

The Portfolio Holder for Finance and Resources, who was also a DCC Councillor, provided some reassurance to the meeting with regard to the viability of DCC.

A Member queried if there was additional risk around performance and delivery due to staff working from home due to the current pandemic. The Director of Corporate Resources replied that an Agile Working Policy had been recently adopted by the Council and this reflected new ways of working due to the pandemic. He added that the Council had continued to be a very productive and successful organisation since the implementation of the policy and management were confident that staff continued to perform and deliver their work from home during lockdown.



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A Member suggested that all Members receive training on how to identify risk and this be carried out via the Member Development Working Group. The Portfolio Holder for Finance and Resources agreed and noted that as Chair of the Risk Management Group, he was pleased at the way in which officers were working at identifying risk and the discussions which took place at the Risk Management Group meetings. He thanked the Director of Corporate Resources for all his work over the previous 12 months with regard to risk management.

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton  
**RESOLVED** that the report be noted.

### **AUD25-20/21      ACCOUNTING POLICIES 2020/21**

Committee considered a report which sought Members' approval of the accounting policies that the Council would apply in the preparation of the Statement of Accounts for 2020/21.

The approval of the accounting policies to be applied by the Council demonstrated that due consideration was being given to which policies to adopt and apply and that those charged with governance were fully informed prior to the commencement of the Statement of Accounts preparation of the policies that were being adopted.

Moved by Councillor Tom Munro and seconded by Councillor David Dixon  
**RESOLVED** that Audit Committee approve the accounting policies as detailed at Appendix 1 to the report.

### **AUD26-20/21      AUDIT COMMITTEE WORK PROGRAMME 2020/21**

Committee considered a report in relation to its work programme for 2020/21.

The Audit Committee was an important aspect of the Council's governance framework and set the tone from the top of the organisation. It had the power to make recommendations to Council, the Executive or to whomever it considered best placed to deal with the committee's concerns.

A work programme ensured the Committee had a structure in place to enable the systematic consideration of the issues it had responsibility for and a proposed work programme for 2020/21 was set out in an appendix to the report.

Two items not on the programme currently but would be included later in the year were *Fighting Fraud and Corruption Locally* and *Self Assessment for Effectiveness*.

The Head of Internal Audit advised the meeting that with regard to *Fighting Fraud and Corruption Locally*, CIPFA had not yet published the results from their last questionnaire - once these were published, a report would be presented to Committee.

It was agreed that the item on the work plan for the April Committee meeting, titled

## AUDIT COMMITTEE

*Strategic risk register and partnership arrangements*, be changed to *Progress on the work of the Risk Management Group*.

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton  
**RESOLVED** that the report be noted.

The meeting concluded at 15:20 hours.

# Audit Strategy Memorandum

Bolsover District Council

Year ending 31 March 2021

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Agenda Item 5

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- 05** Value for Money
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- 07** Our commitment to independence
- 08** Materiality and misstatements

12 Appendix – Key communication points

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

12 April 2021

Dear Committee Members

## Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Bolsover District Council for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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

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

It is clear that the accounts preparation and audit will once again be significantly impacted by the COVID-19 working arrangements and it is important that we continue to keep in close contact with the finance team and are able to respond to emerging issues.

We will keep the Audit Committee informed and updated on the matters identified in this document as the audit progresses but if you have any concerns or comments about this document or our audit approach at this stage then please contact me at [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk).

Yours faithfully

Mark Surridge

Mazars LLP

Mazars LLP, Birmingham

[www.mazars.co.uk](http://www.mazars.co.uk)

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

## **Engagement and responsibilities summary**

# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Bolsover District Council (the Council) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



### Audit opinion

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



### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, key management and Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



### Going concern

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

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### Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



### Reporting to the NAO

We report to the NAO on the Council's financial statements and the matters arising from our audit which are relevant to the Council's Whole of Government Accounts (WGA) submission.



### Electors' rights

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

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

# 02

Section 02:

**Your audit engagement team**

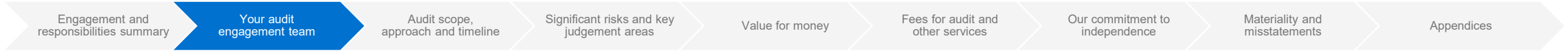


# 2. Your audit engagement team

Your external audit service continues to be led by Mark Surridge.

Who	Role	E-mail
Mark Surridge Director	Engagement Lead	<a href="mailto:mark.surridge@mazars.co.uk">mark.surridge@mazars.co.uk</a>
Mike Norman Senior Manager	Engagement Manager	<a href="mailto:michael.norman@mazars.co.uk">michael.norman@mazars.co.uk</a>
Toz Hanif Assistant Manager	Assistant Manager	<a href="mailto:Toz.hanif@mazars.co.uk">Toz.hanif@mazars.co.uk</a>

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# 03

Section 03:

**Audit scope, approach and timeline**

# 3. Audit scope, approach and timeline

## Audit scope

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

## Audit approach

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

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

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

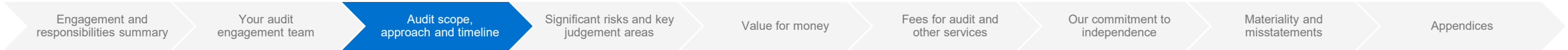
The diagram on the next page outlines the procedures we perform at the different stages of the audit and the indicative timeline at this stage based on the current national timetable. The specific dates are subject though to

- the timely provision of information by third parties; and
- being able to fully complete the audit procedures to the required quality standards.

We are continuing to discuss the detailed year-end audit arrangements with management, together with the timing of the main audit visit and completion stages. It is clear that the impact of the 2019/20 changes to the year-end timetable and delays nationally in completing audits is taking some time to unwind, with MHCLG confirming in March 2021 their expectation that the 2020/21 and 2021/22 draft and audited accounts publication dates will be 31 July and 30 September respectively. These dates are challenging and we will keep the Committee informed on the audit progress and any early matters arising.

## COVID-19 Working Arrangements and impact on our auditor’s report

The accounts preparation and audit will once again be significantly impacted by the COVID-19 remote working arrangements and it is important that we continue to keep in close contact with the finance team and are able to respond to emerging issues. The 2020/21 audit is again expected to be carried out largely remotely.



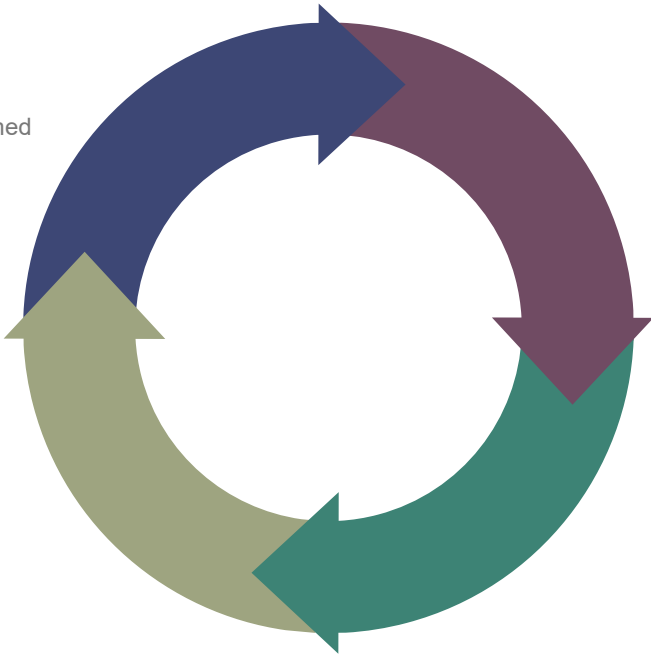
# 3. Audit scope, approach and timeline

## Planning – January/February

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Interim – February/March

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



## Fieldwork – July\*

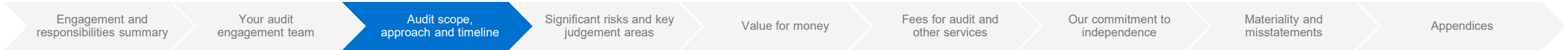
- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

## Completion – September\*\*

- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor’s report

\* Specific dates TBC

\*\* Completion subject to, amongst other things, the timely provision of information by third parties and us being able to fully complete the audit procedures to the required quality standards



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures, and we will take the Head of Internal Audit's Annual Report findings into account in forming our Value for Money Conclusion.

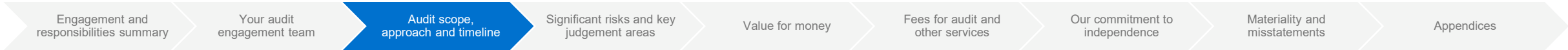
## Management's and our experts

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

Item of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson <i>Actuary for Derbyshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuation	Roger Owen <i>Internal valuation specialist</i>	Not applicable
Business Rates Appeals valuation	Inform CPI Ltd <i>Analyse LOCAL Valuation System</i>	Not applicable
Financial instrument disclosures	Arlingclose <i>Treasury management advisors</i>	Not applicable

## Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any service organisations which are relevant to the Council.



# 04

Section 04:

**Significant risks and other key judgement areas**

# 4. Significant risks and other key judgement areas

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

## Significant risk

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

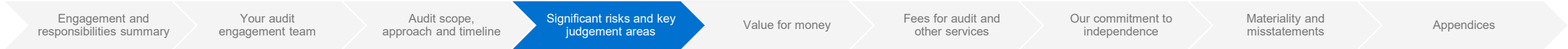
## Enhanced risk

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

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

## Standard risk

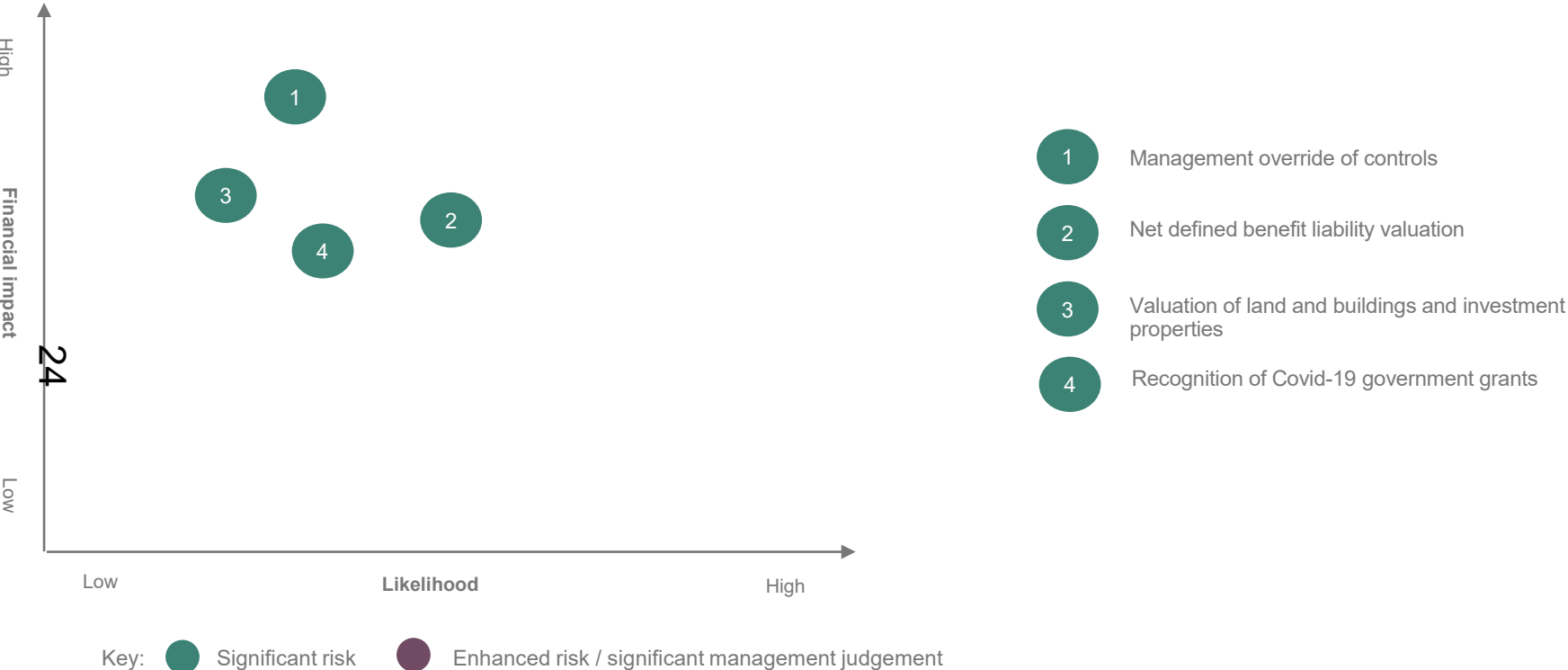
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the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



# 4. Significant risks and other key judgement areas

## Summary risk assessment

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



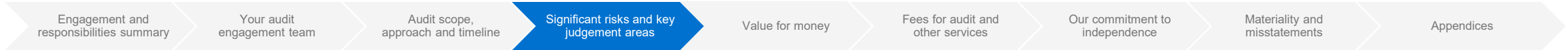




# 4. Significant risks and other key judgement areas

## Significant risks

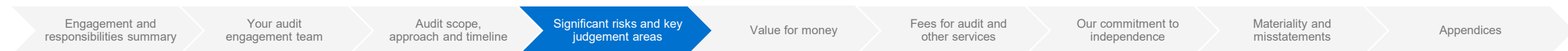
	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit liability valuation</b></p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	-	●	●	<p>In relation to the valuation of the Council's defined benefit pension liability we will:</p> <ul style="list-style-type: none"> <li>Critically assess the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary;</li> <li>Liaise with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li> <li>Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and</li> <li>Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> </ul> <p>In line with 2019/20 and the continuing Covid-19 pandemic, we will monitor the valuation approach for pension fund investment assets and whether a material uncertainty disclosure will again be required for 2020/21.</p>
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# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p><b>Valuation of Land and Buildings and Investment Properties</b></p> <p>The Council's accounts contain material balances and disclosures relating to its holding of land, buildings and investment properties which are required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.</p>	-	●	●	<p>In relation to the valuation of land and buildings and investment properties we will:</p> <ul style="list-style-type: none"> <li>critically assess the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>consider whether the overall revaluation methodologies used by the Council's valuer are in line with industry practice, the CIPFA code of practice and the Council's accounting policies;</li> <li>assess whether valuation movements are in line with market expectations by considering valuation trends;</li> <li>test the accuracy of the upward and downward revaluation postings in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and</li> <li>critically assess the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.</li> </ul> <p>In line with 2019/20 and the continuing Covid-19 pandemic, we will monitor the valuation approach for these assets and whether a material uncertainty disclosure will be required for 2020/21.</p>
27	<p><b>Recognition of Covid-19 Government grants</b></p> <p>Throughout 2020/21, the Government has made available and provided substantial sums of grant support to local authorities including the general support grant, the Income Compensation and Job Retention schemes and grants that have been passed through to businesses. There is a risk the correct accounting treatment has not been applied, with the focus of our testing on the completeness and accuracy of this income in 2020/21.</p>	-	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> <li>Reviewing the Council's approach in determining whether grants are ringfenced for specified areas of expenditure;</li> <li>Testing grant income recorded in the ledger to grant allocations/ notifications; and</li> <li>Reviewing a sample of grants to establish whether conditions to recognise the income in 2020/21 have been met.</li> </ul>



# 05

## Section 05: **Value for Money**

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# 6. Value for Money

## The framework for Value for Money work

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

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. We are still required to be satisfied that the Council has proper arrangements in place and to report in the auditor's report where we identify significant weaknesses in arrangements. However, the key output of our work on VFM arrangements will now be a commentary on the Council's arrangements which will form part of the Auditor's Annual Report.

## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have provided on page 21 more information on the matters to be reviewed within these three criteria.

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

## Identified risks of significant weaknesses in arrangements

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. On completion of our risk assessment, we will report any risks of significant weaknesses in arrangements identified to the Audit Committee.

Planning	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none"> <li>• NAO guidance and supporting information</li> <li>• Information from internal and external sources including regulators</li> <li>• Knowledge from previous audits and other audit work undertaken in the year</li> <li>• Interviews and discussions with staff and members</li> </ul>
Additional risk based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report (further details of the specified reporting criteria are provided on the following page).</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"> <li>• Significant weaknesses identified and our recommendations for improvement</li> <li>• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.</li> </ul>



## 6. Value for Money – specified criteria

Under the 2020 Code, we are required to structure our commentary on the Council’s ‘proper arrangements’ under three specified reporting criteria, which are expanded in the supporting guidance notes produced by the National Audit Office:

### Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

- how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the body plans to bridge its funding gaps and identifies achievable savings
- how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

### Governance: how the body ensures that it makes informed decisions and properly manages its risks, including

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the body approaches and carries out its annual budget setting process
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

### Improving VFM: how the body uses information about its costs and performance to improve the way it manages and delivers its services

- how financial and performance information has been used to assess performance to identify areas for improvement
- how the body evaluates the services it provides to assess performance and identify areas for improvement
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



# 06

Section 06:

**Fees for audit and other services**

## 6. Fees for audit and other services

### Fees for work as the Council's appointed auditor

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

Area of work	2020/21 Fees	2019/20 Actual Fee
Scale audit fee	£38,046	£38,046
<i>Fee variations:</i>		
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£7,067 <sup>1</sup>	£7,067
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; and ISA570 (Revised) Going Concern.	£2,000 <sup>2</sup>	-
Other additional costs	TBC	£5,032 <sup>3</sup>
<b>Sub-total</b>	<b>£47,113</b>	<b>£50,145</b>
Additional work arising from the change in the Code of Audit Practice	TBC - Expected to be at least £10,000 or 20% of the revised fee <sup>4</sup>	-
<b>Total</b>	<b>£47,113 <sup>5</sup></b>	<b>£50,145</b>

<sup>1</sup> As previously reported to you, the scale fee has been adjusted to take into account the additional work required as a result of increased regulatory expectations in these areas.

<sup>2</sup> For 2020/21, new auditing standards have been introduced which will lead to additional audit work not reflected in the scale fee. The implementation of IFRS 16 Leases is deferred to the financial year 2021/22.

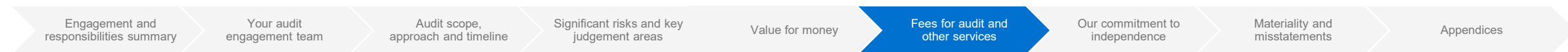
<sup>3</sup> The additional audit cost in 2019/20 has been disclosed within our Annual Audit Letter. This mainly relates to additional testing and reporting of uncertainties in key estimates as a result of Covid-19.

<sup>4</sup> As explained in section 5, the revised Code of Audit Practice will lead to a substantial amount of additional audit work to support the new value for money commentary and the changes in reporting requirements. Our review of the Code and supporting guidance notes shows that the additional fee impact at all public sector entities is expected to be at least £10,000 or 20% of the post fee variation 2020/21 fee. The final fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify.

<sup>5</sup> This is a proposed fee for 2020/21 at the point of the issue of our ASM. This figure is subject to change, including the specific fee for the Value for Money Conclusion work required this year. All fee variations will be discussed with management.

Fee variations are subject to confirmation from PSAA.

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





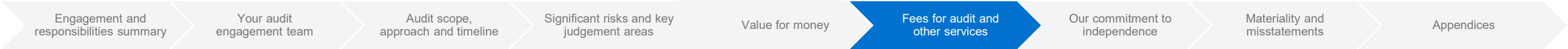
# 6. Fees for audit and other services

## Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2020/21 Estimated Fee	2019/20 Actual Fee
Other services - Housing Benefits Subsidy Assurance	£8,000 (TBC)	£7,000 (TBC)
Other Services – Pooling of Housing Capital Receipts Assurance	£4,000 (TBC)	£4,000

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# 07

Section 07:

**Our commitment to independence**

# 7. Our commitment to independence

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

The Ethical Standard 2019 is applicable for any non-audit services commencing on or after 15 March 2020.

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

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

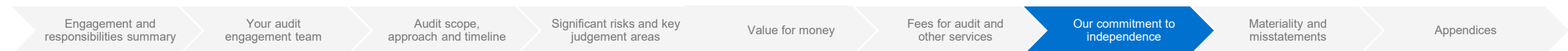
- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the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

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

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

Principal threats to our independence and identified associated safeguards in relation to the planned non-audit work for 2020/21 are set out below. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Issue	
Housing benefit subsidy certification  Pooling of Housing Capital Receipts assurance	We have considered threats and safeguards as follows: <ul style="list-style-type: none"> <li>• Self Review: The work does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars;</li> <li>• Self Interest: The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis;</li> <li>• Management: The work does not involve Mazars making any decisions on behalf of management;</li> <li>• Advocacy: The work does not involve Mazars advocating the Council to third parties;</li> <li>• Familiarity: Work is not deemed to give rise to a familiarity threat given this piece of assurance work used to fall under the Audit Commission / PSAA certification regimes and was the responsibility of the Council's appointed auditor; and</li> <li>• Intimidation: The nature of the work does not give rise to any intimidation threat from management to Mazars.</li> </ul>



# 08

Section 08:

**Materiality and other misstatements**

# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	1,229
Performance materiality	983
Specific materiality: - Officers' remuneration	£5k banding
Trivial threshold for errors to be reported to Audit Committee	37

## Materiality

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

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

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

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

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

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

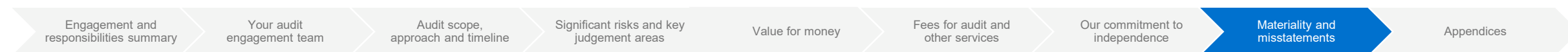
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and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

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

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

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

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



# 8. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of total gross expenditure. Based on the 2019/20 audited financial statements we anticipate the overall materiality for the year ending 31 March 2021 to be £1,229k (£1,400k in 2019/20).

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

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our third year of audit, we have cumulative audit knowledge about the Council’s financial statements, and there were no significant matters arising last year. We have therefore set our performance materiality again at 80% of our overall materiality being £983k.

## Misstatements

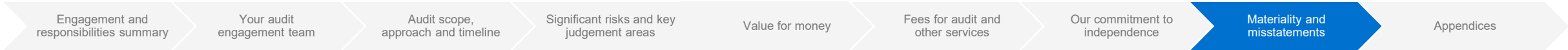
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of

triviality for individual errors identified (a reporting threshold) for reporting to Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £37k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

## Reporting to Audit Committee

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

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





## Appendix: Key communication points

# Appendix: Key communication points

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

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

## Form, timing and content of our communications

We will present the following reports:

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

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

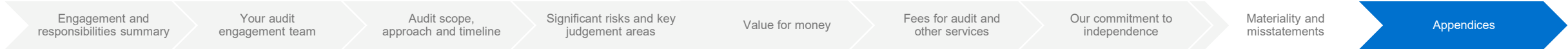
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

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

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

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

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

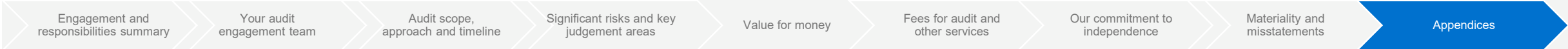




# Appendix: Key communication points

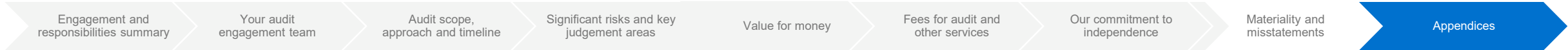
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion;</li> <li>• The effect of uncorrected misstatements related to prior periods;</li> <li>• A request that any uncorrected misstatement is corrected; and</li> <li>• <del>4</del> writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• Enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• A discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at Audit Committee, Audit Planning and Clearance meetings



# Appendix: Key communication points

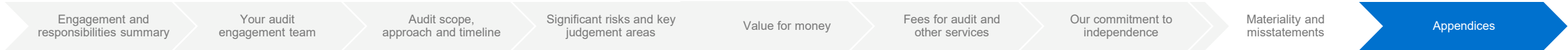
Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management;</li> <li>• Inappropriate authorisation and approval of transactions;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



# Appendix: Key communication points

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

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# Mark Surridge, Director – Public Services

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## Mazars

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## Bolsover District Council

### Audit Committee

27th April 2021

## Internal Audit Consortium Summary of Progress on the 2020/21 Internal Audit Plan

### Report of the Internal Audit Consortium Manager

Classification: This report is public  
Report By: Internal Audit Consortium Manager  
Contact Officer: Jenny.Williams@ne-Derbyshire.gov.uk

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### **PURPOSE / SUMMARY**

To present, for members' information, progress made by the Internal Audit Consortium in respect of the 2020/21 Internal Audit Plan.

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### **RECOMMENDATIONS**

1. That the report be noted.

Approved by the Portfolio Holder – Councillor Clive Moesby

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### **IMPLICATIONS**

Finance and Risk: Yes  No

#### **Details:**

Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

On Behalf of the Section 151 Officer

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Legal (including Data Protection): Yes  No

#### **Details:**

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”.

On Behalf of the Solicitor to the Council

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**Staffing:** Yes  No

**Details:**

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On behalf of the Head of Paid Service

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## DECISION INFORMATION

Decision Information	
<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>BDC:</b> Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/> <b>NEDDC:</b> Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes  Details: Ward Members

**Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.**

Internal audit reviews help to ensure that the Council is delivering high quality, cost effective services.

## REPORT DETAILS

### 1 Background

- 1.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager reports periodically to the Audit Committee in respect of

performance against the audit plan. Significant risk and control issues should also be reported.

## 2. Details of Proposal or Information

2.1 Appendix 1 is a summary of reports issued between the 1st January 2021 and the 9th April 2021. The Appendix shows for each report the level of assurance given and the number of recommendations made / agreed where a full response has been received. This provides an overall assessment of the system's ability to meet its objectives and manage risk. The definitions of the assurance levels used can be seen in the table below:-

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

2.2 In this period 5 reports have been issued 4 with substantial assurance and 1 with reasonable assurance.

2.3 Reports are issued as Drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.

2.4 In respect of the audits being reported, it is confirmed that no issues arising relating to fraud were identified.

2.5 Appendix 2 shows the 2020/21 internal audit plan and details the audits that have been completed and those in progress. Where audits will not be completed this financial year they have been considered for inclusion in the 2021/22 internal audit plan following a risk assessment exercise and consultation with the Strategic Alliance Management Team.

### **3 Reasons for Recommendation**

- 3.1 To inform Members of progress on the 2020/21 Internal Audit Plan and to provide details of the Audit Reports issued to date.
- 3.2 To comply with the requirements of the Public Sector Internal Audit Standards.

### **4 Alternative Options and Reasons for Rejection**

- 4.1 None

## **DOCUMENT INFORMATION**

<b>Appendix No</b>	<b>Title</b>
Appendix 1	Summary of Internal Audit reports issued in respect of the 2020/21 Internal Audit Plan between the 1st January 2021 and the 9th April 2021
Appendix 2	Progress on the 2020/21 Internal Audit Plan
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
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## Bolsover District Council Internal Audit Plan 2019/20 – 2021/22

Not completed 2020/21

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
	<b>Main Financial Systems</b>				
M	Main Accounting/Budgetary Control / MTFP	15	0	15	Failure to produce a reliable set of accounts, lack of control over spending, (Strategic Risk 2)
M	CIPFA Financial Management Code	0	8	0	Lack of financial resilience / Sustainability (Strategic Risk 2)
H	Payroll	12	0	15	Employees are paid incorrectly, there are ghost employees in the system
H	Creditor Payments	15	0	10	Incorrect or fraudulent payments are made (Strategic risk 3)
H	Business Grants	0	0	15	Monies not paid out in accordance with scheme
H	Debtors	10	15	15	Loss of income, fraud
M	Treasury Management	10	0	15	Misappropriation of funds, poor investment decisions
M	Cash and Banking	18	13	18	Loss of income, theft
M	Council Tax	0	20	0	Loss of income, fraud (Strategic risk 3)
H	Non Domestic Rates	10	10	20	Loss of income, fraud (Strategic risk 3)
H	Housing / Council Tax Benefits	18	18	18	Reputational damage, fraud (Strategic risk 3)
H	Housing Rents	20	20	20	Loss of income, fraud (Strategic risk 3)
M	Housing Repairs	20	20	0	Reputational damage, health and safety risks
M	HRA Business Plan	0	0	5	Lack of financial resilience / Sustainability (Strategic Risk 2)
L	VAT	0	8	0	Financial penalties
L	Capital Accounting	5	0	0	Assets may not be properly accounted for
	<b>Total Main Financial Systems</b>	<b>153</b>	<b>132</b>	<b>166</b>	
	<b>Other Operational Audits</b>				

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
L	Careline / Supporting People	0	10	0	Reputation
M	Central Garage/Transport	15	0	0	Poor Fleet Management, fraud
M	Clowne Leisure Centre	15	0	13	Loss of income / theft (Strategic risk 3)
M	Committee Processes	0	0	8	Lack of transparency (Strategic risk 8)
L	Community Safety	0	10	0	Public safety (Strategic risk 3)
M	Disabled Facilities Grants	0	10	0	Poor VFM, fraud (Strategic risk 3)
L	Elections (Carry fwd 19/20)	10	10	0	Registers inaccurate /Incorrect payments
L	E. Health Dog Warden Service	0	5	0	Reputation / loss of income
H	E Health Food Hygiene	0	13	12	Public Health risk (Strategic risk 3)
M	E Health - Taxi Licences	10	0	0	Safeguarding issues, safety issues (Strategic risk 10)
L	Facilities Management (carry fwd 19/20)	12	12	0	Poor VFM, Fraud
M	Final Accounts	6	7	5	Incorrect payments, fraud
M	Gas Servicing	0	12	0	Safety risk, reputational issues (Strategic risk 3)
L	Grounds Maintenance	0	0	8	Reputational (Strategic risk 3)
M	Homelessness	12	0	12	Reputation, public welfare, failure in statutory duty
M	Housing Allocations and Lettings	0	15	12	Reputational risk, fraud
M	Insurance	0	0	10	Wrong cover levels and type, fraudulent claims
L	Members Expenses	10	0	10	Fraud, reputational risk
M	Partnership Working	0	0	12	Lack of governance arrangements
M	Planning processes and procedures / appeals	0	10	0	Reputation, financial loss, loss of control (Strategic risk 3)
M	Pleasley Mills/Property Rents	15	0	0	Loss of income, fraud
L	Refuse Collection	12	0	0	Reputational Risk (Strategic risk 3)
M	Section 106	0	0	12	Loss of income/fraud/ reputational damage, failure to complete projects
M	Sheltered Housing	15	0	0	Fraud, reputational risk
M	Social Media	0	8	0	Reputation

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
L	Street Cleaning	0	10	0	Reputational damage (Strategic risk 3)
M	Stores	0	0	12	Theft, poor contract management
M	The Tangent	12	0	0	Poor admin / loss of income
	<b>Total Operational Audits</b>	<b>144</b>	<b>132</b>	<b>126</b>	
	<b>Computer and IT Related</b>				
H	Cyber Security / Network Security / Systems Security/ Transformation programme/ Digital	10	12	8	Attack on Council systems (Strategic risk 12)
H	Disaster Recovery / Cyber Security	0	0	6	Failure to restore data in a timely manner (Strategic risk 6)
M	Laptops & Removable Media	0	12	0	Reputation, data protection (Strategic risk 12)
L	Members IT Equipment	10	0	0	Theft, misuse
	<b>Total Computer and IT related</b>	<b>20</b>	<b>24</b>	<b>14</b>	
	<b>Cross Cutting Areas</b>				
M	Asset Management Arrangements	0	10	0	Poor value for money, assets not fit for purpose
M	Climate Change	0	5	0	Reputation, failure to meet council objectives
M	Compliance Audit – Gas and Electric etc.	12	0	0	Safety of workforce
H	Corporate Governance and AGS	2	2	2	Poor Governance (Strategic Risk 8)
M	Data Protection	0	12	0	Mis- use of data, large fines
H	Business Continuity	10	0	8	Public Safety (Strategic Risk 6)
M	Ethics	0	10	10	Reputation, lack of transparency (Strategic Risk 8)
H	Financial Advice / Working Groups	12	12	12	Appropriate controls not in place

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
M	Health and Safety	10	0	12	Risk of injury, death (Strategic Risk 8)
L	Mobile phones / communications	0	10		Poor VFM
H	Performance Management/ Corporate Targets	10	15	10	Poor Governance (Strategic Risk 8)
M	Procurement	15	15	0	Fraud, poor value for money
M	Risk Management	10	0	7	Failure to identify and mitigate risks (Strategic risk 8)
M	Safeguarding	8	0	8	Public safety, reputational risk (Strategic Risk 10)
H	Transformation Agenda	10	10	10	Failure to meet savings/transformation targets (Strategic Risk 5)
L	Use of Consultants / IR35 (Carry fwd 19/20)	17	14	0	Poor VFM, reputational risk
	<b>Total Cross Cutting</b>	<b>116</b>	<b>115</b>	<b>79</b>	
	Special Investigations /Contingency/Emerging risks	25	25	43	Fraud, loss of income
	Apprenticeship / training	0	30	30	Lack of appropriately trained staff
	NFI Key contact	10	10	10	Fraud
	Audit Committee / Client Officer Liaison	15	15	15	Non- compliance with Public Sector Internal Audit Standards
	<b>Planned Total Days</b>	<b>483</b>	<b>483</b>	<b>483</b>	

### Reserve Areas

Taxi Licences  
Sickness absence  
Land Charges  
Sheltered Housing Scheme  
IT Disposal of old equipment  
Housing Repairs

## Bolsover District Council Internal Audit Plan 2020/21

	Audit Complete
	Audit in Progress
	Ongoing
	Audit to be carried forward

	2020/21 Days	Priority
<b>Main Financial Systems</b>		
CIPFA Financial Management Code	8	M
Debtors	15	
Cash and Banking (key controls)	13	M
Council Tax	20	M
Non Domestic Rates(Key Controls)	10	
Housing / Council Tax Benefit	18	
Housing Rents	20	M
Housing Repairs	20	M
<b>Total Main Financial Systems</b>	<b>124</b>	
<b>Other Operational Audits</b>	<b>2020/21</b>	<b>Priority</b>
Asset Management Arrangements	10	M
Careline / Supporting People	10	L
Community Safety	10	L
Corporate Targets	15	M
Data Protection	12	M
Disabled Facilities Grants	10	L
Dog Warden	5	L
Elections	10	L
Facilities Management	12	
Final Accounts	7	

Food Hygiene	13	
Gas Servicing	12	M
Housing Allocations and Lettings	15	
Planning Processes & Procedures / Appeals	10	M
Procurement	15	H
Social media	8	L
Street Cleansing	10	L
VAT	8	L
<b>Total Operational Areas</b>	<b>192</b>	
<b>IT Related</b>		
Laptops / Removable Media	12	M
Network / Cyber security	12	H
<b>Total IT</b>	<b>24</b>	
	<b>2020/21</b>	<b>Priority</b>
<b>Fraud and Corruption</b>		
National Fraud Initiative (Key Contact)	10	
<b>Total Fraud and Corruption</b>	<b>10</b>	
<b>Corporate / Cross Cutting Issues</b>		
Climate Change	5	H
Corporate Governance/Assurance Statement	2	H
Ethics	10	
Financial Advice/Working Groups/Test Schedule Development	12	
Mobile Phones / Communications	10	L
Transformation Agenda	10	

<b>Use of Consultants / IR35</b>	<b>14</b>	
<b>Total Corporate/Cross Cutting Issues</b>	<b>63</b>	
<b>Apprenticeship / Training</b>	<b>30</b>	
<b>Special Investigations / Contingency</b>	<b>25</b>	
<b>Audit Committee / Client Liaison</b>	<b>15</b>	
<b>Grand Total</b>	<b>483</b>	



**Bolsover District Council**

**Audit Committee**

**27th April 2021**

**Internal Audit Plan 2021/22**

**Report of the Internal Audit Consortium Manager**

**Classification:** This report is public  
**Report By:** Internal Audit Consortium Manager  
**Contact Officer:** Jenny.Williams@ne-derbyshire.gov.uk

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**PURPOSE / SUMMARY**

To present to Members for consideration and agreement the Internal Audit Plan for 2021/22.

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**RECOMMENDATIONS**

1. That the Internal Audit Plan be agreed.
2. That it be noted that the plan is provisional and may need adjusting and prioritising in the light of any emerging risks.

Approved by the Portfolio Holder – Councillor Clive Moesby

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**IMPLICATIONS**

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**Finance and Risk:** Yes  No

**Details:**

The internal audit budget for 2021/22 has been approved by the Joint Board.

Risk management issues – no formula exists that can be applied to determine internal audit coverage needs. However, as a guide the minimum level of coverage is that required to give an annual evidence-based opinion on internal controls. The level of coverage provided by the proposed 2021/22 internal audit plan will be sufficient upon which to base an opinion.

The audit plan is designed to provide assurance that the significant risks identified as part of the risk assessment process are being managed effectively. If additional risks are identified and / or there are changes to priorities during the year the plan will be reconsidered. Any significant changes to the plan will be reported back to this

Committee for approval.

On Behalf of the Section 151 Officer

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**Legal (including Data Protection):**

Yes

No

**Details:**

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”.

On Behalf of the Solicitor to the Council

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**Staffing:**

Yes

No

**Details:**

[Click here to enter text.](#)

On behalf of the Head of Paid Service

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**DECISION INFORMATION**

<b>Decision Information</b>	
<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>BDC:</b> Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/> <b>NEDDC:</b> Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes  Details: Ward Members

**Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.**

The internal audit plan is linked to the Council's vision in respect of its aim to provide excellent services.

## **REPORT DETAILS**

### **1 Background**

- 1.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk based plan should be prepared that is sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.

### **2. Details of Proposal or Information**

- 2.1 The plan has been prepared taking into account the following factors: -

- The organisational objectives and priorities
- Local and national issues and risks
- The requirement to produce an annual internal audit opinion
- An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit
- The Council's strategic risk register
- Consultation with the Strategic Alliance Management Team

- 2.2 This year I felt it prudent to increase the number of contingency days to allow for coverage of any unforeseen or emerging risks.

- 2.3 A number of reserve audit areas have also been identified. Whilst every effort will be made to complete the 2021/22 planned areas first, a list of reserved areas provides more flexibility. At certain times of the year, particularly year end and for example during lockdown there can be legitimate reasons why an audit is not feasible at a particular time. If the contingency days are not required then these will be utilised on the reserve areas.

- 2.4 It should also be noted that the frequency of some audits will be reduced over the next few years whilst the reduction in the number of audits completed in 2020/21 due to COVID-19 is caught up on.

- 2.5 An annual report summarising the outcome of the 2020/21 internal audit plan will be presented to this Committee after the year-end.

- 2.6 A summary of the internal audit plan for 2021/22 is shown below and the detailed plan is shown as Appendix 1.

## Internal Audit Plan 2021/22

<b>Summary</b>	<b>Audit Days</b>
Main Financial Systems	166
Other Operational Audits	126
Computer / IT Related	14
Fraud and Corruption	10
Corporate / Cross Cutting	79
Special Investigations/ Contingency	43
Audit Committee / Client Liaison	15
Apprenticeship / Training	30
<b>Grand Total</b>	<b>483</b>

2.7 Resource availability has been based on the Consortium Business Plan for 2021/22. The plan allocates 483 days to Bolsover District Council which is the same allocation as for 2020/21.

### **3 Reasons for Recommendation**

3.1 To ensure that a risk based audit plan is adopted and to determine the internal audit work programme for 2021/22.

3.2 To comply with the Public Sector Internal Audit Standards.

### **4 Alternative Options and Reasons for Rejection**

4.1 Not applicable

## **DOCUMENT INFORMATION**

<b>Appendix No</b>	<b>Title</b>
Appendix 1	Draft Internal Audit Plan 2021/22
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	

## Bolsover District Council Internal Audit Plan 2019/20 – 2021/22

Not completed 2020/21

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
	<b>Main Financial Systems</b>				
M	Main Accounting/Budgetary Control / MTFP	15	0	15	Failure to produce a reliable set of accounts, lack of control over spending, (Strategic Risk 2)
M	CIPFA Financial Management Code	0	8	0	Lack of financial resilience / Sustainability (Strategic Risk 2)
H	Payroll	12	0	15	Employees are paid incorrectly, there are ghost employees in the system
H	Creditor Payments	15	0	10	Incorrect or fraudulent payments are made (Strategic risk 3)
H	Business Grants	0	0	15	Monies not paid out in accordance with scheme
H	Debtors	10	15	15	Loss of income, fraud
M	Treasury Management	10	0	15	Misappropriation of funds, poor investment decisions
M	Cash and Banking	18	13	18	Loss of income, theft
M	Council Tax	0	20	0	Loss of income, fraud (Strategic risk 3)
H	Non Domestic Rates	10	10	20	Loss of income, fraud (Strategic risk 3)
H	Housing / Council Tax Benefits	18	18	18	Reputational damage, fraud (Strategic risk 3)
H	Housing Rents	20	20	20	Loss of income, fraud (Strategic risk 3)
M	Housing Repairs	20	20	0	Reputational damage, health and safety risks
M	HRA Business Plan	0	0	5	Lack of financial resilience / Sustainability (Strategic Risk 2)
L	VAT	0	8	0	Financial penalties
L	Capital Accounting	5	0	0	Assets may not be properly accounted for
	<b>Total Main Financial Systems</b>	<b>153</b>	<b>132</b>	<b>166</b>	

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Appendix 1

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
	<b>Other Operational Audits</b>				
L	Careline / Supporting People	0	10	0	Reputation
M	Central Garage/Transport	15	0	0	Poor Fleet Management, fraud
M	Clowne Leisure Centre	15	0	13	Loss of income / theft (Strategic risk 3)
M	Committee Processes	0	0	8	Lack of transparency (Strategic risk 8)
L	Community Safety	0	10	0	Public safety (Strategic risk 3)
M	Disabled Facilities Grants	0	10	0	Poor VFM, fraud (Strategic risk 3)
L	Elections (Carry fwd 19/20)	10	10	0	Registers inaccurate /Incorrect payments
L	E. Health Dog Warden Service	0	5	0	Reputation / loss of income
H	E Health Food Hygiene	0	13	12	Public Health risk (Strategic risk 3)
M	E Health - Taxi Licences	10	0	0	Safeguarding issues, safety issues (Strategic risk 10)
L	Facilities Management (carry fwd 19/20)	12	12	0	Poor VFM, Fraud
M	Final Accounts	6	7	5	Incorrect payments, fraud
M	Gas Servicing	0	12	0	Safety risk, reputational issues (Strategic risk 3)
L	Grounds Maintenance	0	0	8	Reputational (Strategic risk 3)
M	Homelessness	12	0	12	Reputation, public welfare, failure in statutory duty
M	Housing Allocations and Lettings	0	15	12	Reputational risk, fraud
M	Insurance	0	0	10	Wrong cover levels and type, fraudulent claims
L	Members Expenses	10	0	10	Fraud, reputational risk
M	Partnership Working	0	0	12	Lack of governance arrangements
M	Planning processes and procedures / appeals	0	10	0	Reputation, financial loss, loss of control (Strategic risk 3)
M	Pleasley Mills/Property Rents	15	0	0	Loss of income, fraud
L	Refuse Collection	12	0	0	Reputational Risk (Strategic risk 3)
M	Section 106	0	0	12	Loss of income/fraud/ reputational damage, failure to complete projects
M	Sheltered Housing	15	0	0	Fraud, reputational risk

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
M	Social Media	0	8	0	Reputation
L	Street Cleaning	0	10	0	Reputational damage (Strategic risk 3)
M	Stores	0	0	12	Theft, poor contract management
M	The Tangent	12	0	0	Poor admin / loss of income
	<b>Total Operational Audits</b>	<b>144</b>	<b>132</b>	<b>126</b>	
	<b>Computer and IT Related</b>				
H	Cyber Security / Network Security / Systems Security/ Transformation programme/ Digital	10	12	8	Attack on Council systems (Strategic risk 12)
H	Disaster Recovery / Cyber Security	0	0	6	Failure to restore data in a timely manner (Strategic risk 6)
M	Laptops & Removable Media	0	12	0	Reputation, data protection (Strategic risk 12)
L	Members IT Equipment	10	0	0	Theft, misuse
	<b>Total Computer and IT related</b>	<b>20</b>	<b>24</b>	<b>14</b>	
	<b>Cross Cutting Areas</b>				
M	Asset Management Arrangements	0	10	0	Poor value for money, assets not fit for purpose
M	Climate Change	0	5	0	Reputation, failure to meet council objectives
M	Compliance Audit – Gas and Electric etc.	12	0	0	Safety of workforce
H	Corporate Governance and AGS	2	2	2	Poor Governance (Strategic Risk 8)
M	Data Protection	0	12	0	Mis- use of data, large fines
H	Business Continuity	10	0	8	Public Safety (Strategic Risk 6)
M	Ethics	0	10	10	Reputation, lack of transparency (Strategic Risk 8)

Priority		2019/20 Days	2020/21 Days	2021/22 Days	Risk Factor / Strategic Risk
H	Financial Advice / Working Groups	12	12	12	Appropriate controls not in place
M	Health and Safety	10	0	12	Risk of injury, death (Strategic Risk 8)
L	Mobile phones / communications	0	10		Poor VFM
H	Performance Management/ Corporate Targets	10	15	10	Poor Governance (Strategic Risk 8)
M	Procurement	15	15	0	Fraud, poor value for money
M	Risk Management	10	0	7	Failure to identify and mitigate risks (Strategic risk 8)
M	Safeguarding	8	0	8	Public safety, reputational risk (Strategic Risk 10)
H	Transformation Agenda	10	10	10	Failure to meet savings/transformation targets (Strategic Risk 5)
L	Use of Consultants / IR35 (Carry fwd 19/20)	17	14	0	Poor VFM, reputational risk
	<b>Total Cross Cutting</b>	<b>116</b>	<b>115</b>	<b>79</b>	
	Special Investigations /Contingency/Emerging risks	25	25	43	Fraud, loss of income
	Apprenticeship / training	0	30	30	Lack of appropriately trained staff
	NFI Key contact	10	10	10	Fraud
	Audit Committee / Client Officer Liaison	15	15	15	Non- compliance with Public Sector Internal Audit Standards
	<b>Planned Total Days</b>	<b>483</b>	<b>483</b>	<b>483</b>	



## **Reserve Areas**

Taxi Licences

Sickness absence

Land Charges

Sheltered Housing Scheme

IT Disposal of old equipment

Housing Repairs

**Bolsover District Council**

**Audit Committee**

**27th April 2021**

**CIPFA Fraud and Corruption Tracker Survey Results**

**Report of the Internal Audit Consortium Manager**

**Classification:** This report is public  
**Report By:** Internal Audit Consortium Manager  
**Contact Officer:** Jenny.williams@ne-derbyshire.gov.uk

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**PURPOSE / SUMMARY**

- To present, for members' information the results of CIPFA's Fraud and Corruption Tracker (CFaCT) survey undertaken in 2020 that provides a picture of fraudulent activity in local government.
  - To detail the level of fraud detected by BDC in 2019/2020.
  - To detail the controls and procedures that BDC has in place to mitigate the risk of fraud.
- 

**RECOMMENDATIONS**

1. That the results of CIPFA's Fraud and Corruption Tracker Survey be noted.
2. To note that no fraud was detected by BDC in 2019/20.
3. That the fraud prevention measures that BDC has in place be noted.

Approved by the Portfolio Holder – Councillor Clive Moesby

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**IMPLICATIONS**

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**Finance and Risk:** Yes  No

**Details:**

Ensuring that appropriate controls are in place to mitigate the risk of fraud will help to ensure that value for money is obtained. The risk of fraud is ever present and an

awareness of the key areas in which fraud usually takes place will help managers and members to be vigilant.

On Behalf of the Section 151 Officer

**Legal (including Data Protection):**

Yes

No

**Details:**

[Click here to enter text.](#)

On Behalf of the Solicitor to the Council

**Staffing:** Yes

No

**Details:**

[Click here to enter text.](#)

On behalf of the Head of Paid Service

## DECISION INFORMATION

Decision Information	
<p><b>Is the decision a Key Decision?</b>            A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><b>BDC:</b>            Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/></p> <p><b>NEDDC:</b>            Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/>  <input checked="" type="checkbox"/> Please indicate which threshold applies</p>	No
<p><b>Is the decision subject to Call-In?</b>            (Only Key Decisions are subject to Call-In)</p>	No
<p><b>District Wards Significantly Affected</b></p>	None
<p><b>Consultation:</b>            Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/>            SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/>            Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p>	Yes  Details: Ward Members

**Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.**

High levels of fraud would have serious implications for the achievement of the Council Ambition and would cause reputational damage.

## **REPORT DETAILS**

### **1 Background *(reasons for bringing the report)***

1.1 The CIPFA Counter Fraud Centre was launched in July 2014 to fill the gap in the UK fraud arena following the closure of the National Fraud Authority and the Audit Commission. The CFaCT survey aims to provide a national picture of fraud, bribery and corruption in local government.

### **2. Details of Proposal or Information**

2.1 The key findings of the 2020 CIPFA Fraud and Corruption Tracker were:-

- An estimated £239 million of fraud has been detected or prevented across local authorities in 2019/20. This has dropped from £253 million in 2018/19.
- Council Tax Fraud has an estimated value of fraud £35.9m.
- The largest growing fraud area is housing tenancy with an estimated 60.1 million lost in 2019/20 compared to 47.7 million in 2018/19.
- The average value per fraud is around £5,090 per fraud case compared to 2018/19 that had an average value of £3,600.
- Procurement and council tax single person discount are perceived as the two greatest fraud risk areas.
- The four main areas of fraud (by volume) are – council tax, disabled parking, housing and business rates.

2.2 The 2019/2020 CIPFA Fraud and Corruption survey was completed for BDC. All relevant departments were contacted and asked to provide any relevant data.

2.3 A nil return was submitted for every area.

2.4 Housing benefit fraud investigations are no longer undertaken by the council as these have been transferred to the Single Fraud Investigation Service that is run by the Department for Work and Pensions.

2.5 BDC takes the risk of fraud very seriously and has a range of measures in place to reduce the risk of fraud occurring.

- There is an established approach of a zero tolerance policy towards fraud which is set out in the Council’s Anti – Fraud and Bribery and Corruption Policy that was last approved by this Committee in October 2015. The policy is in the process of being refreshed but has been delayed due to COVID-19.
- There is an allowance for special investigations in the internal audit plan.
- The Internal audit plan covers the whole of the organisation.
- The National Fraud Initiative is participated in.
- Council tax have a rolling program of discount exemption checks.
- Data matching processes with the DWP and HMRC.
- The Council has a Confidential Reporting Code (Whistleblowing Policy).
- The Council has a fraud risk register.
- Recruitment procedures ensure that checks are undertaken to prevent the council employing people working under false identities etc.
- The IT systems are Public Sector Network (PSN) compliant.
- Separation of duties in place.

### **3 Reasons for Recommendation**

- 3.1 To inform members of the results of the CIPFA Fraud and Corruption Tracker Survey.
- 3.2 To provide Members with details of the fraud prevention measures in place at BDC.

### **4 Alternative Options and Reasons for Rejection**

- 4.1 None

### **DOCUMENT INFORMATION**

<b>Appendix No</b>	<b>Title</b>
Appendix 1	CIPFA Fraud and Corruption Tracker Summary 2020
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Click here to enter text.	

# Fraud and corruption tracker

National Report 2020



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# Foreword



As managers of public resources, every public sector organisation has a responsibility to fight fraud and corruption. Successful organisational efforts to prevent, identify and manage various types of financial crime not only strengthens the state of public finances, but also mitigates moral and reputational risks across the public sector. During times of unprecedented uncertainty, the importance of these principles cannot be overstated.

A handwritten signature in black ink that reads "Rob Whiteman".

**Rob Whiteman**  
Chief Executive, CIPFA

Each year, the CIPFA Fraud and Corruption Tracker (CFaCT) aims to provide a current national picture of public sector fraud and corrupt activity help local authorities identify and implement mitigating actions. The tracker's findings provide valuable insights that help counter fraud practitioners in local government better understand national trends and emerging risks. Our intention is that the tracker serves as a resource for both public sector organisations and citizens who are invested in, and engaged with, their local communities.

Although the information in this year's report does not capture the impact of the ongoing coronavirus pandemic, it does provide useful insight about the local government landscape in the period prior to the national response effort.

This publication forms part of CIPFA's commitment to support the public sector and promote the principles of good governance and strong public financial management. Not only do our findings offer insight on the fraudulent activities that occur across the UK's public sector organisations, but the survey also highlights the important role that counter-fraud protocols play in the fight against fraud and corruption.

Understanding ever-changing risks can help public sector professionals increase their individual awareness, collaborate more effectively with others in the sector and take tailored action to prevent illegal activity from growing in the public sphere.

The survey was supported by:





# The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). It was named in the UK Government's 2014 Anti-Corruption plan and in the 2017-22 Anti-Corruption strategy as having a key role to play in combating fraud and corruption. We provide a range of services and solutions that measurably impact the fight against fraud in the public sector, and are committed to helping organisations prevent, detect and recover financial loss; protecting their reputation and developing counter fraud skills.

Our annual CIPFA Fraud and Corruption Tracker (CFaCT) survey is the definitive survey of fraud and corruption activity in local government. It tracks the levels of fraud and corruption local authorities have detected, the number of investigations undertaken and the types of fraud encountered. Understanding where fraud losses are occurring – and the actions being taken to stem the flow – is essential to helping senior leaders across the public sector understand the value of counter fraud activity.



## Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing insights and best practices, including:

- LGA
- MHCLG
- NAO
- NCA
- SOLACE
- SLT
- Home Office
- The Fighting Fraud and Corruption Locally board

# Introduction

CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2017, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, with £7.3bn of this total being lost in local government.

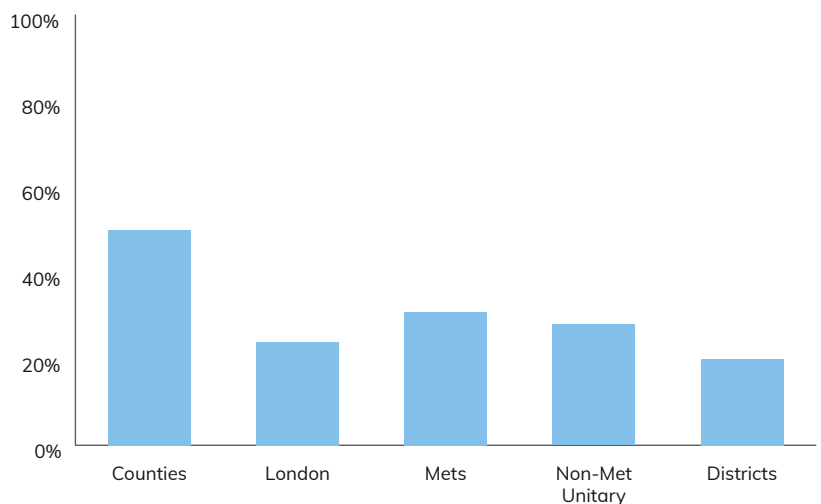
Fraud is a prevalent cause of concern in the public sector and continues to pose financial threats to local authorities. CIPFA's partners, such as the LGA, the NAO and Home Office, work towards new ways of finding solutions to the challenges that the public sector faces.

The sixth annual CIPFA Fraud and Corruption Tracker (CFaCT) survey was conducted in August 2020, with the aim of creating a national picture of the types and volume of fraud detected and prevented in local authorities. The results were collated from local authorities in all regions in the UK, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

It should be noted that the response rate for the 2019/20 survey was significantly lower than previous years, which was to be expected, due to the impact of COVID-19 on local government resources. The figures mentioned in this report were captured in the time period before the pandemic and the data therefore represents what local authorities were experiencing before the COVID-19 outbreak.

Moreover, for each fraud breakdown, there was an additional option in this year's survey to record the 'overall number of cases identified' which may have included cases where fraud was not ultimately proven. The other option was to record the 'number of cases proven to be fraudulent' including cases where, following an investigation, action has taken place or a payment has been prevented and, on the balance of probabilities, fraud or corruption has

## Response rate



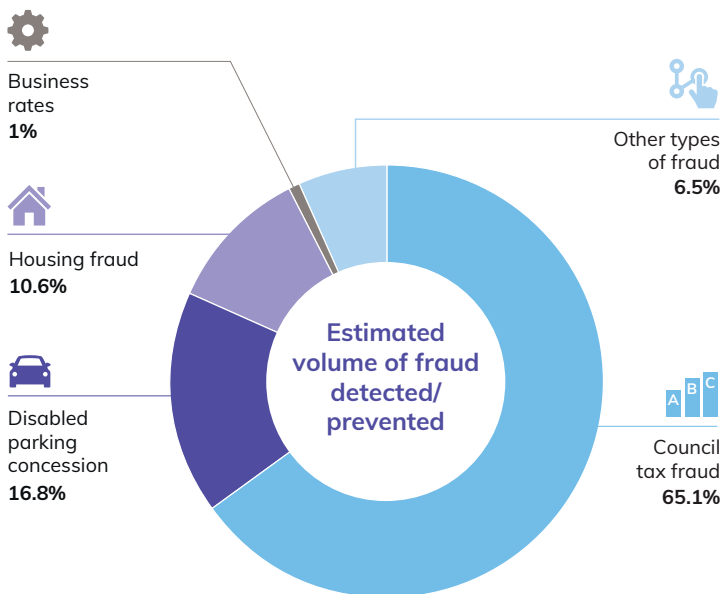
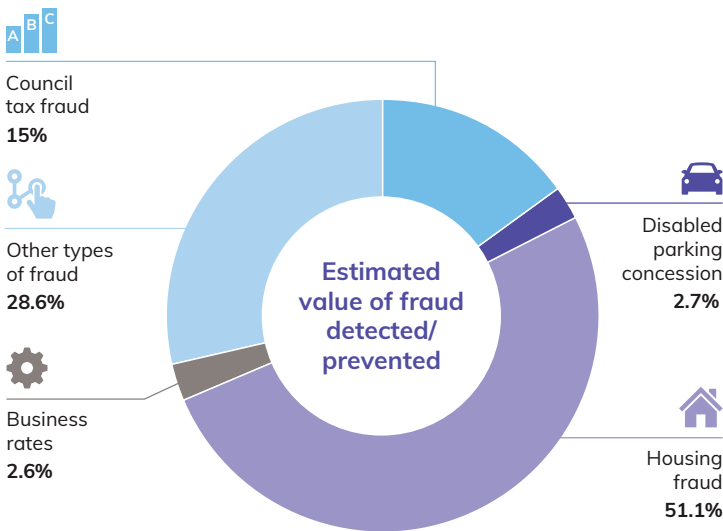
occurred. To enable comparisons with previous years' data, for consistency and the volumes mentioned refer to the number of cases proven to be fraudulent.

### This report highlights the following:

- the types of fraud identified in the 2019/20 CFaCT survey
- the monetary cost value of fraud in 2019/20
- the impact of counter fraud and prevention activities to improve the public sector budget
- the emerging risks and threats impacting the fraud and corruption landscape.

# Executive summary

For local authorities in the UK, CIPFA has estimated that the total value of fraud identified and prevented in 2019/20 is approximately £239.4m, which is an average value of £5,090 per fraud case. Last year, there was an estimated value of £253m with a lower average of £3,600 per case detected and prevented.



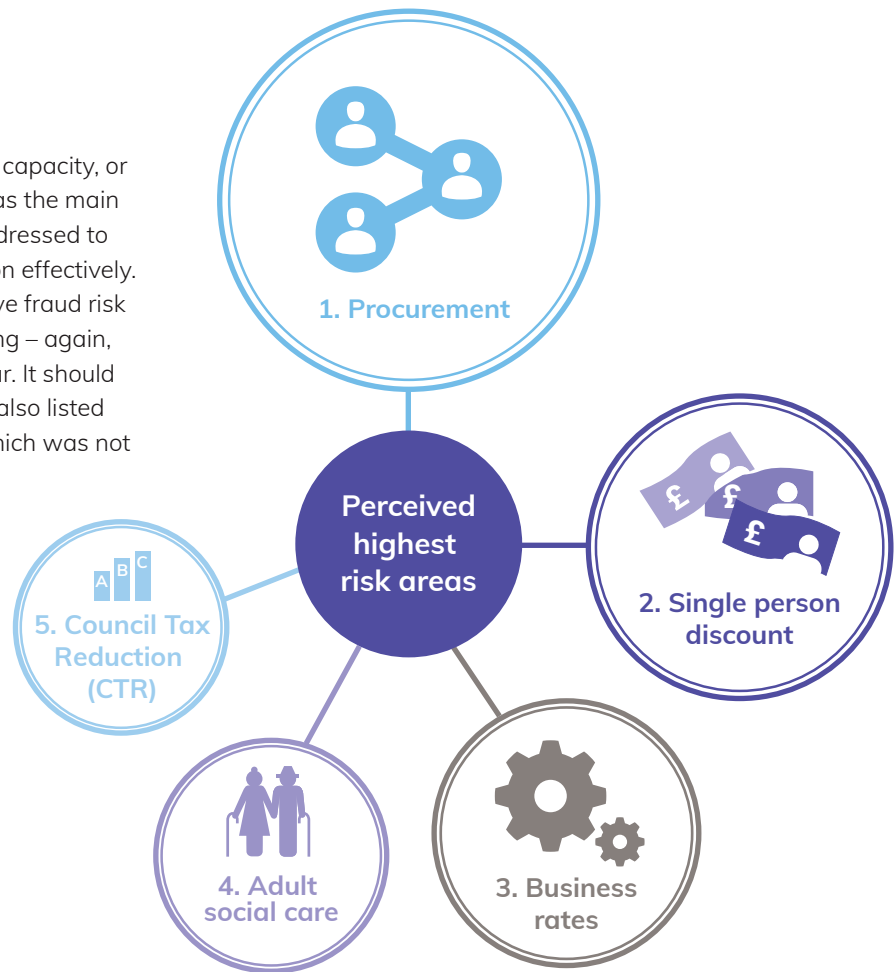
Councils reported that approximately 47,000 instances of fraud had been detected or prevented in 2019/20, which is lower than the approximation of 71,000 reported by CIPFA in 2018/19. Council tax fraud represents almost two thirds (65%) of these identified instances of fraud with an estimated value of £35.9m, followed by disabled parking concession (Blue Badge Scheme) and housing fraud which represent 17% and 11% of the total cases of UK public sector fraud, respectively.

This year, we also measured the impact of grant fraud (prior to the COVID-19 grant disbursement), which represents 0.3% of the total identified instances of UK public sector fraud and 15% of the total value (£36.6m).

The largest growing fraud area is housing tenancy (other), with an estimated £60.1m lost in 2019/20 compared to £47.7m in 2018/19. This is followed by council tax single person discount (SPD) which has an estimated increase of £9.6m to an estimated value of £29.0m for cases detected/prevented in 2018/19.

The two highest perceived fraud risk areas for 2019/20 are the same as last year: procurement and council tax SPD. This shows these are the areas that require strict controls and support. The perceived third, fourth and fifth highest fraud risk areas are business rates, adult social care and council tax reduction (CTR) respectively.

Survey results show that nationally, capacity, or sufficient counter fraud resource, was the main perceived issue that needs to be addressed to tackle the risk of fraud and corruption effectively. This was followed closely by effective fraud risk management and better data sharing – again, following the same trend as last year. It should be noted that multiple respondents also listed ‘increased awareness’, an option which was not originally considered in the survey. Results from respondents indicate that they expect to increase the number of counter fraud specialist staff by 5% in 2021.



# Major fraud areas

For 2019/20, the CFaCT survey has shown that the four main areas of fraud (by volume) that local authorities are tackling are:

- council tax
- disabled parking (Blue Badge)
- housing
- business rates.

## Council tax

Council tax continues to be the largest area of identified fraud in the last six years and is the top fraud risk area for district and unitary councils, 57% and 32% respectively. This is likely a result of the targeted effort by authorities to identify fraud that has a direct impact on their income. Data matching and analytic exercises continue to reap rewards and will continue to improve as authorities work smarter and use tools made available to them. The total number of council tax fraud cases identified by participating local authorities, which may not have ultimately proven to be fraudulent, was 24,105.

volume/low value area continues to be a leading trend each year, where there are many incidents of smaller value, requiring higher vigilance on a more frequent basis.

Since 2018/19, the estimated number of council tax cases proven to be fraudulent has decreased by 45%, while the estimated value has increased by £5.3m. This may be evidence that in proven cases offenders are less likely to reoffend. It may also be an indicator that fraud risk exercises continue to identify the high volume/low value frauds year on year, with more effort being focussed on the long-term offenders, or that more authorities are choosing to claw back fraudulent discounts from previous billing periods.

Since 2017/18, the cases pertaining to single person discount (SPD) have decreased yearly; there is a vast difference of 20,069 (46%) between the 2018/19 and 2019/20 volumes. Nonetheless, the money lost to SPD fraud has increased by £9.5m. The opposite is seen for council tax reduction (CTR) and other council tax-related fraud, where the values have decreased by £2.3m and £2.1m respectively.

### Estimated council tax fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
SPD	46,278	£15.8m	44,051	£19.4m	23,982	£28.9m
CTR	8,759	£6.1m	8,973	£7.2m	3,845	£4.9m
Other	2,857	£4.5m	2,831	£4.0m	2,794	£1.9m
<b>Total</b>	<b>57,894</b>	<b>£26.3m</b>	<b>55,855</b>	<b>£30.6m</b>	<b>30,622</b>	<b>£35.9m</b>

Though the volume of cases proven to be fraudulent is significantly higher when compared to other fraud risk areas, Council tax does not represent the highest cumulative value amongst all surveyed types of fraud, estimated to total £35.9m. This high

The overall estimated value of council tax fraud has continued to increase, primarily due to the increase in the value of cases for SPD fraud detected in 2019/20.



## Disabled parking (Blue Badge)

The survey identified fraud from the misuse of the Blue Badges scheme was one of the steadily increasing fraud risk areas. The estimated number of cases proven to be fraudulent has increased by 938, and the national estimated average value per case increased from £661 to £811 in 2019/20.

This indicates that though procurement, council tax SPD and adult social care are identified nationally as the three main fraud risk areas, Blue Badge fraud is an area of increasing risk and prominence.



## Housing and tenancy fraud

In relation to housing fraud, councils record the income lost using different valuations, ranging from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. These differences in approach can make it hard to formulate clear comparisons. On a national scale, the value of fraud detected or prevented will be looked at in two ways:

- if the cases were pertaining to new build accommodation
- if the cases were pertaining to temporary accommodation.

If the cases were regarding new build accommodations, there would be an average of £150,000 per fraud case, in comparison to £18,000 if they were pertaining to temporary accommodation. This can be further explored by looking at the comparison by tier.

Before 2019/20, there was a steady decline of around 20% a year in the number of housing and tenancy related frauds detected or prevented. However, this year there was an increase of 37% overall.

While illegally sublet properties and right to buy frauds continue to fall year on year, the volume of other housing fraud such as succession and application fraud has increased significantly. This

is predominantly down to the continued efforts to review housing tenancies, including proactive exercises and conducting appropriate due diligence on applications.

### Estimated housing fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
Right to buy	1,518	£92.0m	652	£46.0m	584	£30.7m
Illegal sublet	1,051	£55.8m	826	£41.8m	605	£31.6m
Other *	2,164	£68.3m	2,154	£47.7m	3,802	£60.1m
<b>Total</b>	<b>4,733</b>	<b>£216.1m</b>	<b>3,632</b>	<b>£135.6m</b>	<b>4,991</b>	<b>£122.4m</b>

\* Other includes tenancy frauds that are neither right to buy nor illegal sublet and may include succession and false applications.



## Business rates

Business rate fraud represents 1.0% of the total estimated number of cases proven to be fraudulent in 2019/20. This represents a marginal decrease from the previous year's figure of 2.0% and is reflected in the fact that the estimated loss decreased from £8.0m in 2018/19 to £6.2m this year.

Nonetheless, it was recorded as the third highest fraud risk area on a national scale, as well as fourth highest specific to districts.

# Other types of fraud

This part of the report examines the survey responses related to other notable frauds that did not emerge as major types of fraud within the national picture. This section includes the following fraud types:

- adult social care
- insurance
- procurement
- no recourse to public funds/ welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud, manipulation of data and grant fraud.

## Adult social care

Adult social care is viewed by survey respondents to be the fourth highest fraud risk area. Over the past year, the average value per adult social care fraud has decreased by £11k, following the trend seen in years prior to 2018/19.

Generally, the total volume and value of estimated fraud cases have decreased to 460 cases and £8.2m respectively, but the volume of personal budget frauds has increased by 30% in the past year. Nonetheless, the estimated value for personal budget frauds is £4.9m – lower than the estimated 2018/19 value.

Other fraud also showed a decline in the numbers of cases proven to be fraudulent.

### Estimated adult social care fraud

	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
Personal budget	334	£3.3m	234	£9.6m*	306	£4.9m
Other	403	£3.4m	246	£4.1m	154	£3.3m
<b>Total</b>	<b>737</b>	<b>£6.7m</b>	<b>480</b>	<b>£13.7m*</b>	<b>460</b>	<b>£8.2m</b>
<b>Average value per fraud</b>		<b>£9k</b>		<b>£29k*</b>		<b>£18k</b>

\* Please note that this figure is made up predominantly of a handful of authorities and though it is not comparable, it shows the scope of fraud possible in this area.





## Insurance fraud

This year's survey found an estimated number of 349 insurance fraud cases with a value of £3.9m. Since last year, the estimated insurance fraud case value has more than halved. However, the figure for 2019/20 is very similar to the estimated value from 2017/18 of £3.5m.

A respondent who identified insurance fraud also reported one confirmed insider fraud case with a

combined value of £9.2k – a significant drop from last year's combined value of £43k.

Considerable work has been done in the area of insurance fraud, and insurance companies are working with local authorities to develop new ways to identify fraud and abuse within the system, which seems to be effective given the steady decline in volume and value of cases reported.



## Procurement fraud

For the fourth year in a row, procurement fraud was perceived to be the highest fraud risk area. This year, there was an estimated number of 87 prevented procurement frauds, with 8% of cases reported as insider fraud. This is a continued decline from 125 estimated fraudulent cases with a value of

£20.3m in 2018/19, and 142 cases with a value of £5.2m in 2017/18. It is widely accepted that procurement fraud continues to be the hardest type of fraud to detect, can be very high in value and difficult to prove.

On 8 June 2020, the Ministry of Housing, Communities and Local Government published a review into risks of fraud and corruption in local government procurement.

It reported that councils in England spend around £55bn a year on goods, work and services. A survey conducted as part of the review showed 23% of respondents reported fraud and/or corruption in the procurement lifecycle during the 2017 to 2018 financial year.

### Estimated procurement fraud

2017/18		2018/19		2019/20	
Volume	Value	Volume	Value	Volume	Value
142	£5.2m	125	£20.3m*	87	£1.5m

\* Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.



## Welfare assistance and no recourse to public funds

In 2019/20, the estimated number of fraud cases related to welfare assistance increased significantly to 307. Estimates for 2018/19 and 2017/18 approximated 24 and 109 cases respectively.

2019/20 saw the number of no recourse to public funds cases increase to an estimated figure of

193; the previous year's figure had declined to an estimated volume of 148, from a volume of 334 in 2017/18. This is mainly due to the reduction in the number of respondents who detected and prevented fraudulent activity in this area.



## Economic and voluntary sector support and debt

There was only one economic and voluntary sector support fraud case reported by local authorities in this survey, with a value of £25,000. In the 2017/18 survey, there were 24 actual cases of fraud reported with an average estimated loss of £14,000 per case. These figures decreased in 2018/19, with six actual cases of fraud reported and an average value per fraud loss of £4,000.

The number of reported cases of debt has significantly dropped to just three, with a fraud loss of £82,600, in comparison with 53 reported in 2018/19 valued at over £495,000.



## Payroll, expenses, recruitment and pension

The total value of fraud loss for all four areas in 2019/20 is an estimated £0.82m, a very significant decrease from 2018/19, where there was a total estimated loss of £9.42m. The inflated figure in

2018/19 is due to one incident of payroll fraud prevented by a local authority.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. As a result, some organisations could be less likely to investigate or report investigations in these areas.

Payroll had the highest volume of fraud out of these four areas (payroll, expenses, recruitment and pension) for each year since 2016/17. In 2019/20, the area with the highest estimated average per case was pensions with £13,278, followed by recruitment fraud with an estimated average per case of £4,797.

### Estimated fraud

Type	2017/18		2018/19		2019/20	
	Volume	Value	Volume	Value	Volume	Value
Payroll	167	£1.01m	168	£8.77m*	113	£0.30m
Expenses	34	£0.03m	32	£0.04m	69	£0.12m
Recruitment	52	£0.49m	33	£0.38m	16	£0.08m
Pension	164	£0.57m	153	£0.23m	24	£0.32m
<b>Total</b>	<b>417</b>	<b>£2.10m</b>	<b>386</b>	<b>£9.42m*</b>	<b>222</b>	<b>£0.82m</b>

\* Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.



## Mandate and grant fraud

In 2019/20, CIPFA estimates that there have been 344 cases of mandate fraud across the UK, which is a slight increase from the estimate of 322 in 2018/19.

This year, an extra section for grant specific fraud was added to the survey. Overall, there was an estimated number of 161 grant frauds, with a fraud loss value of £36.6m. The additional fraud type was

included in this year's survey to separate reported figures from expense fraud, so we have some specifically reported grant fraud to compare with the 2020/21 results, when COVID-19 grant fraud will be reported.

# Serious and organised crime

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

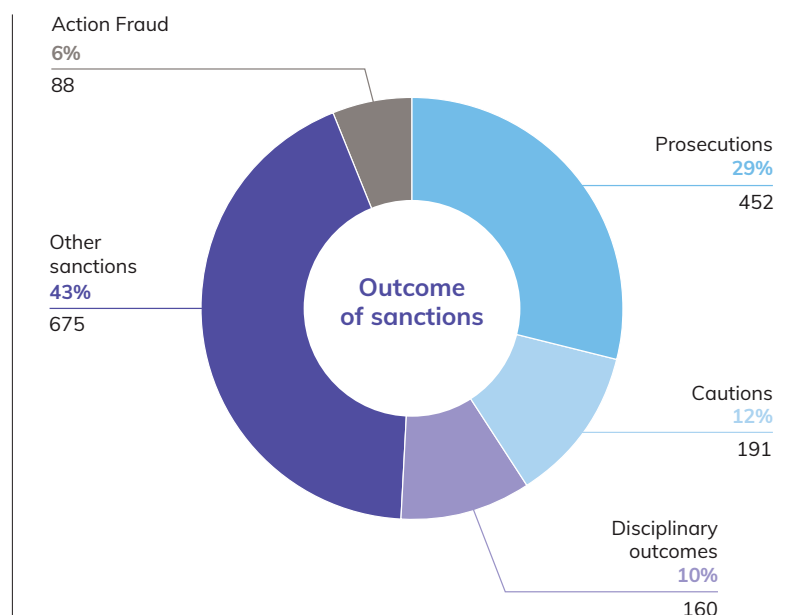
The responses show that councils share a significant amount of data both internally and externally, with 73% sharing data with the Cabinet Office/National Fraud Initiative, 52% sharing data with the police and 51% sharing data with their peers (other similar organisations).

In addition, of the organisations that responded, 35% identified serious and organised crime within their organisation's risk register and 52% reported that their counter fraud and corruption plan includes serious and organised crime risks.

## Sanctions

The following shows some of the key findings from sanctions that were being used in 2019/20:

- 452 prosecutions were completed in 2019/20 and of those, 10 involved insider fraud. All these insider fraud cases were found guilty.
- The number of cautions as a proportion of the total sanctions reduced from 13% in 2017/18 to 7% in 2018/19 but increased to 13% again in 2019/20.
- The percentage of other sanctions increased from 46% in 2017/18 to 55% in 2018/19. Over the past year, this proportion decreased to 46% again.



# Cyber fraud

Results from the CFaCT survey show that 82% of respondents underwent a cyber/e-fraud risk assessment during or after 2019/20. More than three quarters (78%) state that the IT team/Senior Information Risk Owner (SIRO) is responsible for the management of cyber risk in their organisation, matching last year's figure.

One third (32%) of respondents stated that their organisation had been a victim of hacking/ Distributed Denial-of-Service (DDOS) attacks in the last month, an increase of 5% over the past year.

In response to the threat of cyber-crime against local government, the LGA has set up a cyber security programme and a stakeholder group, working together to address the issues of cyber-crime.

The LGA programme received three years of funding from the National Cyber Security Programme (NCSP) in 2018 to support councils in remaining safe and secure from cyber-attacks and to have the appropriate arrangements in place to deal effectively with a cyber-incident should it occur, ie both prevention and response.

# Whistleblowing

This year, 64% of respondents reported that they annually reviewed their whistleblowing arrangements in line with the [ISO 37002 "Whistleblowing Management Systems" guidelines](#).

Of those questioned, 85% confirmed that staff and the public had access to a helpdesk and 66% said that the helpline conformed to the ISO 37002 guidelines.

Respondents reported a total of 486 whistleblowing cases logged, made in line with the ISO 37002 *Whistleblowing Management Systems* guidelines.

This is an average of six cases logged per authority, which equals the 2018/19 figure. The majority of cases logged by respondents were in metropolitan districts.

# Counter fraud structure

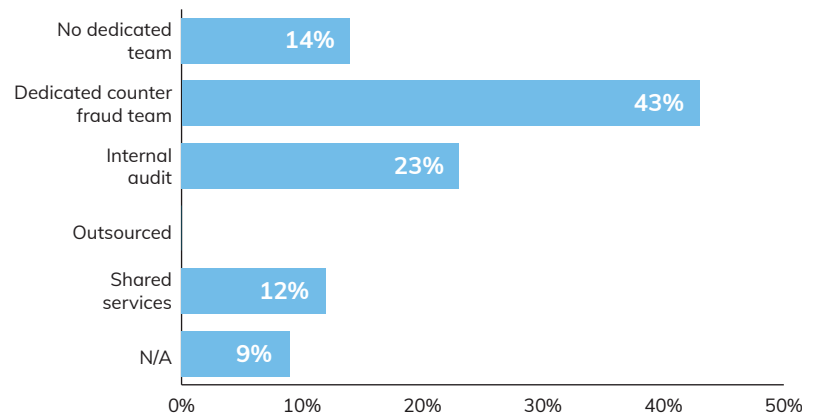
Fraud teams across local government continue to detect and prevent a significant amount of fraud, although having sufficient counter fraud resources is the main perceived issue that needs to be addressed to tackle fraud. Councils are responding to this and expect the number of counter fraud specialist staff to grow by around 5% in the next year, with a small increase of 3% in 2022.

In addition to the reductions in resources, having a shared services structure has decreased this year to 12%, in comparison with 19% of respondents who reported having a shared services structure in 2018/19.

There has been a slight increase in the proportion of authorities that have a dedicated counter fraud team, from 40% in 2018/19 to 43% in 2019/20. However, it is worth noting there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

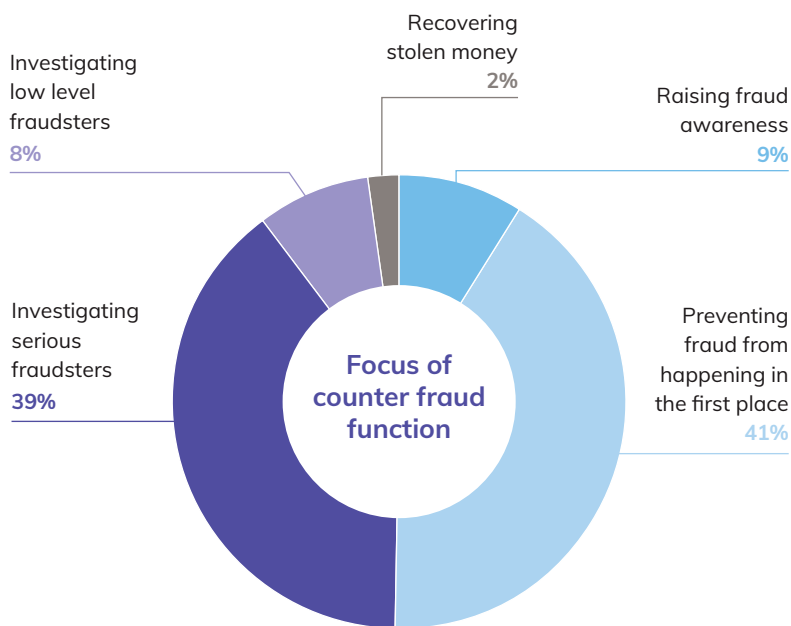
In 2019/20, the proportion of authorities that have available in-house qualified financial investigators was 24%. In addition, the percentage of authorities that have a non-DWP qualified financial investigator increased from 23% in 2018/19 to 27% in 2019/20. However, the proportion of authorities that do not have a qualified financial investigator available to their organisation has increased slightly from 43% last year to 44% this year, showing the potential strain on resources.

Counter fraud structure breakdown



# Focus of counter fraud function

A new section was added to this year's survey, where local authorities were asked to identify the main priority of their counter fraud function.



The greatest proportion of respondents (41%) reported that the most important priority was 'preventing fraud from occurring in the first place' and the second most important was 'investigating serious fraudsters' with 39%. In comparison, the area that was seen to have the least importance, with no authorities listing this as a priority, was 'gathering intelligence'.

The other options included were recovering stolen money, investigating low level fraudsters and raising fraud awareness.

# Joint working and data sharing

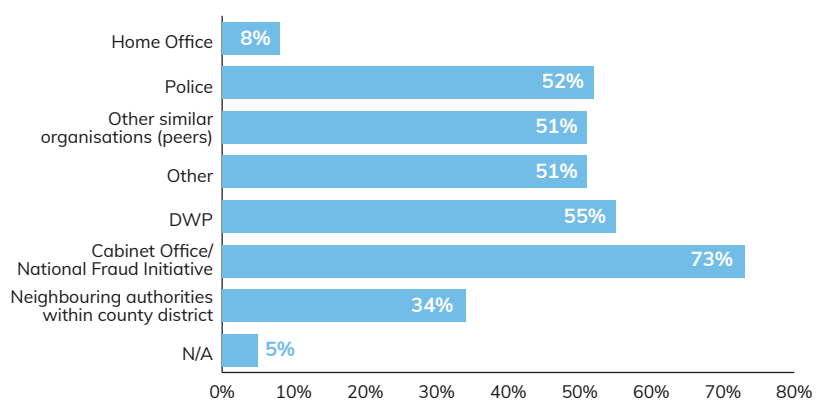
85% of survey respondents stated that they share data internally, mainly with housing, council tax and revenue and benefits departments.

Eighty two per cent of local authorities share data externally – a decrease of 14% since 2018/19. This data is mainly shared with Cabinet Office/National Fraud Initiative (73%), the DWP (55%), police (52%) or other authorities/similar organisations (51%).

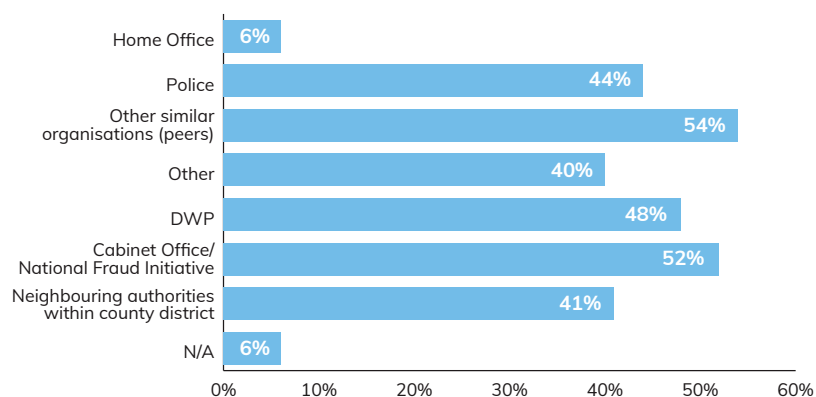
The sort of data that is shared relates to persons of interest, areas of interest and emerging frauds. Some authorities also highlighted that the data they share is for data matching purposes.

Of the CFaCT respondents, 54% say they work jointly with other similar organisations/peers, 52% work with the Cabinet Office/National Fraud Initiative, 48% with the DWP and 44% with the police. Further breakdown is shown in the charts to the right.

## Share/exchange data with:



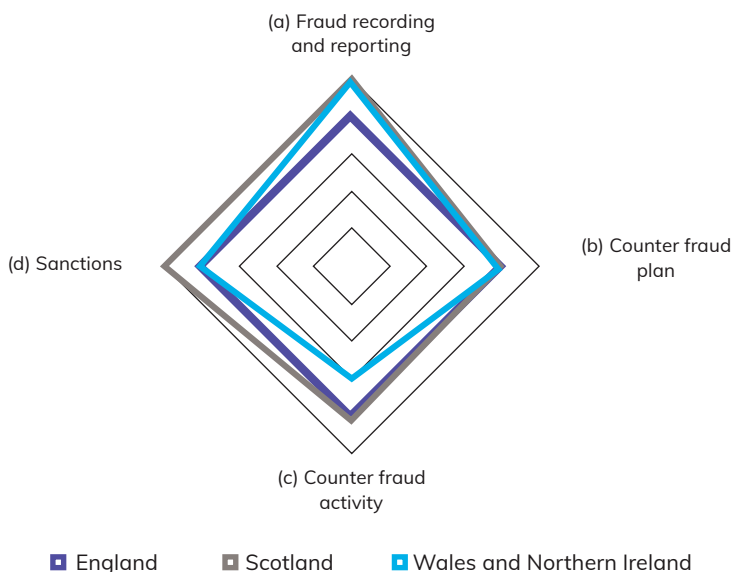
## Work jointly with:





# Fighting Fraud and Corruption Locally

The FFCL strategy 2016-2019, developed by local authorities and counter fraud experts, was the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities for the period covered by this survey. The strategy has since been reviewed and replaced with the Fighting Fraud and Corruption Locally 2020 strategy. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.



This strategy is available for councils to use freely so that everyone can benefit from shared good practice, and is aimed specifically at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

To measure the effectiveness of the initiatives in the 2016-2019 strategy, the FFCL board included questions in the CFaCT survey and

the results are shown below. The questions ask respondents whether they agree or disagree that their organisation is carrying out certain actions, based on FFCL recommendations. The diagram to the left illustrates the results: lines closest to the outside edge indicate strong agreement while those towards the centre indicate disagreement.

For the 2019/20 survey, a few additional questions were added to this section, with regards to resources, staff and training.

When asked if their organisation secured appropriate training for fraud practitioners in line with agreed professional standards, for all types of investigation, a significant proportion (81%) of local authorities said they did.

More than two thirds (71%) of authorities employ staff who are suitably qualified and trained to undertake counter fraud investigations.

Respondents were also asked to select what they perceived to be the most important strategies for countering fraud in the future. Local authorities reported that 'managing evolving risks' and 'ensuring staff are trained' are the most important strategies. The additional strategies listed in the questionnaire were increased funding, leadership, technology and working in partnerships.

# Impact of COVID-19

It should be noted that the CFaCT survey covers the pre-pandemic period of 2019/20 and therefore the data in this report represents what local authorities were experiencing before the outbreak in 2020. However, a qualitative question was added to the 2019/20 survey regarding the observed impact of COVID-19 on any fraudulent behaviours in local government. Key themes emerging from responses were:

- Instances of potential frauds involving empty properties where fraudsters were claiming to occupy with the intention of claiming business grants.  
These included applications from those that traditionally would not have considered committing any fraud offences now feeling financially pressured to do so, owing to the downturn in the economy.
- Adult social care services being exploited during a time where resources are limited and usually robust assessments such as home visits not being possible due to health risks.
- Parents and carers of children in receipt of free school meals being targeted by fraudsters who email with messages to harvest bank details with a promise to help with funding while the school is closed.
- The risk of fraudsters impersonating key personnel in both the purchase and supply chain in an attempt to commit mandate fraud has significantly increased with staff predominantly working from home. It has become more difficult to validate supplier details while pressures to process payments at speed have increased, therefore usually robust controls are weakened.
- The inability of councils to tackle usual areas of fraud due to resources being re-directed into the processing and review of business grants associated with COVID-19. This has restricted the ability to tackle fraud face-to-face, including visits and interviews due to public health concerns and uncertainty over the legality of conducting remote interviews under caution.

# Recommendations

## CIPFA recommends

- The cumulative value of fraud prevented/detected by local authorities continues to decline year-on-year. Local authorities must remain vigilant and determined in identifying and preventing fraud, raising the awareness of fraud risk across all areas of service delivery and all levels of the organisation.
- This year's findings show that a dedicated counter fraud team remains the preferred method of delivery amongst respondents, and although there has been a slight reduction in the number of shared services reported, it remains important for organisations to work collaboratively with their neighbours and business partners, share resources, skills and best practice to effectively detect and prevent fraud.
- There has been a 14% reduction since 2018/19 in the volume of local authorities share data externally and only 73% of authorities sharing data with the Cabinet Office/National Fraud Initiative. Public sector organisations should maximise opportunities to share data where these initiatives are made available and explore and invest in additional innovative use of data sharing and fraud prevention technology, reducing the risk of loss through fraud.
- This year the majority of authorities reported fraud prevention as their main priority with none listing intelligence gathering at any level. Authorities should reconsider the value of intelligence in connection with identifying fraud risk, informing and focusing their planned activity and helping protect the organisation, therefore further preventing fraud.
- The level of whistleblowing allegations received this year remained constant with 2018/19 and 85% of authorities confirmed that staff and the public had access to a helpdesk. CIPFA recommends active publicity campaigns across all levels of the organisation to ensure staff are aware of whistleblowing procedures and accessibility to supporting services.
- Cyber security continues to increase in importance relative to the increase in remote working and electronic service application. Where controls need to be strengthened authorities should seek assistance from the LGA's cyber security programme stakeholder group.
- The new Fighting Fraud and Corruption Locally 2020 strategy has been released and councils are encouraged to review their working practices against the FFCL checklist, strengthening controls where weakness is identified.

# Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2019/20.

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax frauds	30,622	65.4%	£35.9m	15.0%	£1,173
Disabled parking concession	7,889	16.8%	£6.4m	2.7%	£809
Housing frauds	4,991	10.7%	£122.4m	51.1%	£24,534
Business rates	476	1.0%	£6.2m	2.6%	£13,126
Other types of fraud	2,865	6.1%	£68.5m	28.6%	£23,890
Adult social care	460	1.0%	£8.2m	3.4%	£17,767
Insurance claim	349	0.7%	£3.9m	1.6%	£11,271
Mandate fraud	344	0.7%	£9.4m	3.9%	£27,227
Welfare assistance	307	0.7%	£0.2m	0.1%	£684
Schools frauds (excl. transport)	211	0.5%	£0.2m	0.1%	£1,174
No recourse to public funds	193	0.4%	£2.2m	0.9%	£11,132
Grant fraud	161	0.3%	£36.6m	15.3%	£226,997
Payroll	113	0.2%	£0.3m	0.1%	£2,629
Procurement	87	0.2%	£1.5m	0.6%	£16,696
Expenses	69	0.2%	£0.1m	0.1%	£1,743
Children's social care	40	0.1%	£0.4m	0.2%	£9,903
Pensions	24	0.1%	£0.3m	0.1%	£13,278
Recruitment	16	0.0%	£0.1m	0.0%	£4,797
Debt	11	0.0%	£0.3m	0.1%	£27,533
School transport	6	0.0%	£0.2m	0.1%	£32,750
Economic and voluntary sector support	4	0.0%	£0.1m	0.0%	£25,000
Investments	0	0.0%	na*	na*	na*
Manipulation of data	0	0.0%	na*	na*	na*

\*The figures for investments and manipulation of data are not available as no responses were received and thus the amount is not representative of the national average. In addition, these figures are affected by few councils who had high value frauds not indicative of the national average.

# Appendix 2: Methodology

This year's results are based on responses from 98 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority and, for each type of fraud, an appropriate universal measure of size has been selected such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of the measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of housing frauds per

house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.

# Appendix 3: Glossary

Definitions below are taken from CIPFA's CFaCT survey, AFI and other government sources.

## **Adult social care fraud:**

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

## **Investigations cover cases where:**

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

## **Blue Badge:**

The Blue Badge is a Europe-wide scheme entitling holders of the permit to parking concessions. This scheme is locally administered and badges issued to those with disabilities so they can park nearer to their destination.

At present, a badge issued to a deceased person is classified as fraudulent, even if it is not being used for fraudulent purposes.

## **Business rates fraud:**

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate evasion and avoidance. Business rate fraud may include the fraudulent applications for exemptions and reliefs and unlisted properties, and fraud staff may be used to visit properties in question.

## **Cautions:**

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

## **Council tax fraud:**

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections:

- **Council tax single person discount** – where a tenant claims to be the only adult resident to be eligible for a 25% discount when in fact other adults reside in the property.
- **Council tax reduction support** – where the council tax payer fails to declare their income correctly.
- **Other types of council tax fraud** – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

## **Debt fraud:**

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

## **Disciplinary outcomes:**

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where, a subject resigns during the disciplinary process.

## **Economic and voluntary sector (grant fraud):**

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

### **Housing fraud:**

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, and right to buy fraud.

### **Insurance fraud:**

Insurance fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

### **Mandate fraud:**

Action Fraud defines mandate fraud as "when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

### **Manipulation of data fraud:**

The majority of manipulation of data frauds relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

### **No recourse to public funds:**

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

### **Organised crime:**

The widely used definition of organised crime is one planned, co-ordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain.

### **Payroll fraud:**

Payroll fraud covers a wide range of areas such as ghost employees on the payroll, diversion of payments into fraudulent accounts, employees set up to receive higher salaries than they are entitled to by either grade or hours worked and false overtime claims.

### **Procurement fraud:**

The procurement of goods and services often accounts for a significant proportion of an organisation's expenditure and is open to a wide range of potential fraud risks. This is because there are usually multiple individuals involved in a process who often do not work closely together: ie the person who wants something purchased does not always work directly with the people who initiate orders and with those responsible for paying.

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

### **Recruitment fraud:**

Recruitment fraud includes applicants providing false CVs, job histories, qualifications, references, immigration status (ie the right to work in the UK) or the use of a false identity to hide criminal convictions or immigration status.

### **Right to buy:**

Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. Fraud is committed when an applicant has made false representations regarding the qualifying criteria, such as being resident in the property they are purchasing for a 12 month continuous period prior to application.

**Welfare assistance:**

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

**Whistleblowing:**

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.



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## **Bolsover District Council**

### **Audit Committee**

**27<sup>th</sup> April 2021**

## **Risk Management**

### **Report of the Director of Corporate Resources**

This report is public

#### **Purpose of the Report**

- To update Members of the Audit Committee of the current position regarding Risk Management arrangements and the Strategic Risk Register as at April 2021.

#### **1 Report Details**

##### **Background**

- 1.1 Audit Committee have previously endorsed the Council's Risk Management Strategy which was then approved by Executive in March 2020. The Strategy includes but is not limited to the following;
  - The nature of 'risk' both the 'threats' and the 'opportunities'
  - The benefits of a robust risk management approach
  - The Council's risk appetite
  - Risk categorisation – Operational, Governance, Strategic
  - Project and Partnership risk
  - The Council's risk management approach and arrangements including a new 'Risk Management Group'
  - Roles and responsibilities including Senior Risk Officer and Senior Information Risk Officer (SRO and SIRO)
- 1.2 The Strategy also details the work of a 'Risk Management Group'. This is elected Member led and includes the Councils Senior Risk Officer (SRO), Senior Information Risk Officer (SIRO), S151 Officer, representation from senior management, Internal Audit and Health and Safety. The group provides a comprehensive oversight of risk throughout the organisation and is the conduit to and from the whole organisation in terms of risk management.
- 1.3 The group 'regularly' and 'consistently' oversee, all of the risk registers ensuring they are up to date and accurate whilst offering challenge to the assessment process itself. It is responsible for risk management reporting to stakeholder groups

across the Council, including this Committee and supports the production of the Annual Governance Statement. The group leads on the development and review of all risk related policies, plans and strategies across the Council and oversees and champions the implementation of the Risk Management Strategy and associated action plan including training 'relating to' and the 'embedding of' an effective risk management culture.

#### **Update of the Risk Management Group held on 20<sup>th</sup> January 2021:**

##### **1.4 REVIEW OF STRATEGIC RISK REGISTER**

The group reviewed the register with the following comments/observations/suggestions;

- **Parliamentary uncertainty following the General Election, Government Legislation / impact of referendum vote to leave the EU / adverse external economic climate has an accelerating impact on Council funding, or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction.**

Consideration being given as to whether this risk should be refined and the EU transition separated out. It was noted however that it was difficult to identify the risk until details of the deal were known.

- **Increasing difficulty in recruiting to key posts or in replacing key staff who leave. Staff morale is adversely affected arising from the pace of change, tightening financial circumstances or external circumstances.**

The Group considered whether officers were still finding it difficult to recruit appropriately qualified/trained staff. It was noted that this appeared to be an on-going issue within all professions.

- **Staff morale / Sickness Levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.**

The Group discussed the continued work around remote working due to Covid-19. A new Agile Working Policy had now been developed and adopted by Council.

- **Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.**

Safeguarding had been embedded throughout the organisation. BDC created and now lead on the Districts Safeguarding Leads Sub-Group (a Countywide group) the Councils Safeguarding Lead, Lee Hickin – Director of Corporate Resources and Head of Paid Service, chairs this group (along with other colleagues) – this has been gratefully received by both the Derby and Derbyshire Safeguarding Children's Partnership and the Adults Safeguarding Board.

The Director of Corporate Resources and Head of Paid Service questioned whether the Strategic Risk Register should provide additional focus on cyber security? This was agreed by the Group – ICT Head of Service suggested transferring the relevant ICT risks from the ICT Operational Risk Register (when finalised) on to the Strategic Risk Register. It was also agreed that a table top ‘cybersecurity exercise’ and ‘disaster recovery exercise’ be set up to test the Councils resilience in relation to this particular threat.

Discussion also took place around whether the Council should reflect some themes which other authorities had included such as; Local Government Reorganisation/ Devolution/Vision Derbyshire and Provision of Social Housing.

Lee Hickin explained that assurances had been given by the Secretary of State that Local Government Reorganisation would not take place this year, however agreed that this required a ‘watching brief’. With regard to Vision Derbyshire, the Council had already made a decision not to engage in terms of any governance proposals – only by a project by project basis. In terms of Social Housing, Lee Hickin spoke with fellow Director Karen Hanson and Housing colleagues where it has become clear that the social housing stock in the District was of a high standard and presented no strategic risk. However implementation of the new Housing White Paper could identify any potential new risks or emerging risks that the Housing team would keep the Risk Management Group informed of.

Cllr Moesby felt that Local Government Reorganisation should be kept under review.

Cllr Moesby suggested and the group agreed that it was a good idea to compare other Authorities Risk Registers with our own, and include in ours if appropriate. He said that he would be speaking to his Cabinet colleagues to ensure that their areas were kept up to date.

The Group discussed the third party risks as Steve Brunt Head of Street scene had previously detailed. Alternative supplier/arrangements discussions were underway to provide a contingency plan in case of the requirement to make an urgent change. The Risk Management Group requested that this particular Operational Risk be escalated to a Strategic Risk given the potential impact on the organisation. Since the meeting, Wards – the Councils service provider, has now gone into administration. The Council have now taken the service back in house. A further report and update will be sought from the Recycling Service in due course as to the effectiveness of the new in house operation.

## 1.5 REVIEW OF OPERATIONAL RISK REGISTERS

Having previously developed and established new risk register templates for *Strategic, Operational, Partnership* and *Project* related risks, the group have overseen their completion by Heads of Service in relation to their own service areas. The templates cover; risk area, threat/opportunity, and mitigation and risk ratings. At the meeting ‘Property Services’ Ian Barber Head of Service presented

their Operational Risk Register – discussion centred predominantly around the following;

- **PS3 – Fuel Shortages** – The impact of Brexit and Covid-19 both present threats. Full bunkers would provide approximately 7 to 9 days fuel supply. In the case of the supply running low non-essential services would be restricted. Lee mentioned potential linkages with Streetscene. Cllr Moesby suggested there was an opportunity to look at electric vehicles. Ian said that trials had been done however the technology for our requirements was not available at the moment.
- **PS5 – Contractor Going Bust** – Cllr Moesby enquired about the opportunity to do in house and sell services. Ian mentioned that this could possibly be done for smaller projects however it would be difficult from a resource point of view for larger projects.
- Lee requested that an additional threat be included on Financial Risk.
- **PS10 – Staff Leave for New Opportunity** – Cllr Moesby enquired with regard to retirement if we look at in advance and have a plan in place. Lee said that a corporate overview of age profiles was in place and areas where succession planning was encouraged. Cllr Moesby enquired if this should be a strategic issue across the authority. Kath Drury enquired if we capture the reasons why people leave. Lee confirmed that exit interviews take place but he did not have an analysis of these. He would get back to the Group on this.

## 1.6 REVIEW OF PARTNERSHIP AND PROJET RISK REGISTERS

Cllr Moesby stressed the importance of Bolsover Partnership being included in the Risk Registers. Pam mentioned that the risks included were reviewed on a regular basis and that we were doing everything we could to ensure Partnership working was as risk free as possible. A regular check was kept on LEP 1 – Governance and Performance including finance which needs to be maintained in order to operate the Partnership and Service delivery.

Lee stated that the Risk Registers were about overarching risks and all Projects should have Projects Plans in place which identified risks. It was suggested that some Project Plans could be considered at a future meeting. Cllr Moesby stressed the importance that project plans were in place. Pam mentioned that Bolsover Partnership's Action Groups had these in place.

## 1.7 NEW OR EMERGING RISKS IDENTIFIED

Anti-Virus Update – Kath enquired if this automatically installed. Nicki advised that the anti-virus update would automatically install however windows did not and staff were being asked to bring their laptops into the office. VPN updates were also done automatically. ICT are current working on looking at alternatives.

Emergency Planning and Business Continuity Planning were discussed by the Group. Conversation centred around the profile of cybersecurity being raised, along with raising awareness and training amongst our workforce and elected Members. Experts within the industry suggest that the reality is for most organisations 'when' we have an attack rather than 'if'.

Cllr Moesby also mentioned Covid and Brexit. He enquired if this would cause any problems now we had left the EU. Lee said that Directors were involved at a County level with Brexit and the EU transition and the impact on the Council was less than other areas. All issues were being monitored and an action plan was in place. Cllr Moesby also enquired about OJEU requirements and if they were still in place. Theresa said that Sandy was currently looking into the new arrangements.

#### 1.8 INSURANCE CLAIMS/LEGAL CLAIMS

Tony advised that he categorised all claims and enquired what information was required for this meeting. Lee suggested that he and Tony identify trends and prepare a summary for the next meeting. Tony mentioned that if there were any trends he would raise them with the relevant Head of Service. It was agreed that a summary be prepared for the next meeting.

#### 1.9 TRAINING

Lee Hickin - Director of Corporate Resources and Head of Paid Service who is also the Council SRO (Senior Risk Officer), advised that he was developing a training pack for staff, managers and elected Members around the topic of Risk Management.

#### 1.10 HEALTH AND SAFETY UPDATE

Bronwen advised that most staff were working from home. However regular Covid inspections were taking place with the assistance of the Facilities Team. Emergency contact numbers for the Team had been provided and SAMT was aware of a presence at each site. Heads of Service were being taken through the Health and Safety Audit Plan.

#### 1.11 POLICIES, PLANS AND STRATEGIES REVIEW – ACROSS THE COUNCIL

The group requested that any policy/plan in development at present or planned for the near future should be either brought to or emailed to the Group for comment/consideration in relation to any risk elements.

#### 1.12 AUDIT

The Group heard from the Head of Internal Audit who advised that recent audit work had not identified any major control risks due to Covid-19. The Audit Plan for 2021/22 would be formulated in Jan/Feb 21 and officers were requested to consider potential areas for audit next year. The Audit Plan would be discussed with Director of Corporate Resources and Head of Paid Service, S151 Officer and considered at the Risk Management Group.

### 1.13 EMERGENCY PLANNING/BUSINESS CONTINUITY PLANNING

Discussion took place around the contact list arrangements in an emergency. Nicki Astle said that an SMS group had been set up and any Heads of Service/Managers with works phones had been added. Matt Broughton added that most Teams have their own What's App Group where they can be contacted. Lee and Matt agreed to discuss further and provide an update at the next meeting.

## **2 Conclusions and Reasons for Recommendation**

- 2.1. The Council have in place a robust Risk Management Strategy and action plan which enables the organisation to manage the many and varied risks facing the Council. The approach to managing those risks is applied within decision making processes and is continuous with a structured review process overseen by the Risk Management Group.
- 2.2 The Risk Management Group is elected Member led and includes the Councils Senior Risk Officer (SRO), Senior Information Risk Officer (SIRO), S151 Officer, representation from senior management, Internal Audit and Health and Safety. The group provides a comprehensive oversight of risk throughout the organisation and is now becoming the conduit to and from the whole organisation in terms of risk management. The Risk Management Group is now able to provide risk management reporting to stakeholder groups across the Council and will support the production of the Annual Governance Statement.
- 2.3 The Risk Management Group have made significant progress in ensuring that risk is effectively managed within the organisation. By leading on the development and review of all risk related policies, plans and strategies across the Council, the Risk Management Group will provide consistency of approach and alignment of all service areas in relation to risk management. By overseeing and championing the implementation of the Risk Management Strategy and associated action plan including training 'relating to' and the 'embedding of' an effective risk management culture, the Risk Management Group will be pivotal in the organisations future success.

## **3 Consultation and Equality Impact**

- 3.1. There are no consultation or equalities issues arising from this report which necessitate a formal consultation process. The new Strategy has however included consultation with; SAMT; Audit Committee and Executive previously.

## **4 Alternative Options and Reasons for Rejection**

- 4.1. Under relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework. This report is intended for Members and Officers to consider both the Strategic Risk Register, together with the Council's wider framework for managing risk and partnerships. Given the importance of these arrangements for the overall governance of the Council it is necessary to subject them to regular review. The alternative of not providing this is therefore rejected.

### **3 Consultation and Equality Impact**

- 3.1. There are no consultation or equalities issues arising from this report which necessitate a formal consultation process. The new Strategy has however included consultation with; SAMT; Audit Committee and Executive previously.

### **4 Alternative Options and Reasons for Rejection**

- 4.1. Under relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework. This report is intended for Members and Officers to consider both the Strategic Risk Register, together with the Council's wider framework for managing risk and partnerships. Given the importance of these arrangements for the overall governance of the Council it is necessary to subject them to regular review. The alternative of not providing this is therefore rejected.

### **5 Implications**

#### **5.1 Finance and Risk Implications**

- 5.1.1 There are no additional financial implications arising out of this report. Whilst, where appropriate, additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.
- 5.1.2 Risk Management Issues are covered throughout the body of the main report.

#### **5.2 Legal Implications including Data Protection**

- 5.2.1 There are no legal or data protection issues arising directly out of this report.

#### **5.3 Human Resources Implications**

- 5.3.1 There are no human resource issues arising directly out of this report.

### **6 Recommendations**

- 6.1. That the Audit Committee notes the report and Strategic Risk Register as at April 2021 as set out in **Appendix 2**.



**7 Decision Information**

<p><b>Is the decision a Key Decision?</b>  A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><i>BDC: Revenue - £75,000</i>  <i>Capital - £150,000</i> <input type="checkbox"/></p> <p><i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/>  <i>Capital - £250,000</i> <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has the relevant Portfolio Holder been informed</b></p>	Yes
<p><b>District Wards Affected</b></p>	None directly
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	All

**8. Document Information**

Appendix No	Title
1	Strategic Risk Register as at November 2020
<p><b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
Service Area Operational Risk Registers	
Report Author	Contact Number
Lee Hickin – Director of Corporate Resources	7218

## STRATEGIC RISK REGISTER As of April 2021

Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
<b>STR1</b> <b>Government Legislation / Parliamentary uncertainty / impact of Brexit / adverse external economic climate has an accelerating impact on Council (poor financial settlement), or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction.</b>		<ul style="list-style-type: none"> <li>• Unable to deliver a package of services that meet changing local needs and aspirations.</li> <li>• Reduced influence over delivery of local services.</li> <li>• Unable to effectively support local communities.</li> <li>• Increased demands on Council services at a time when Council resource base is reducing.</li> </ul>			<ul style="list-style-type: none"> <li>• The Council is outward looking and actively works to understand proposed changes and the approaches that might be adopted to mitigate any adverse impacts of these.</li> <li>• The Council has effective political and managerial (governance) arrangements in place to manage change.</li> <li>• Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery.</li> <li>• Effective engagement with staff to ensure they embrace necessary change.</li> </ul>				
STR1	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	4x4	<b>16</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	3x4	<b>12</b>	Risk Owner / Lead Officer	SAMT / Political Leadership
<b>STR2</b> <b>Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are limited to 'adequate' levels</b>		<ul style="list-style-type: none"> <li>• Impact upon ability to deliver current level of services.</li> <li>• Unable to resource acceptable levels of service.</li> <li>• Significant adverse reputational Impact.</li> </ul>			<ul style="list-style-type: none"> <li>• The Council has effective financial and wider management arrangements in place to ensure budget / service delivery arrangements are robust.</li> <li>• The current MTFP indicates challenging but manageable savings targets. A key risk is that under</li> </ul>			Revised budgets for 2020/21 have been updated as at 23/10/20 and they are balanced for general fund and the HRA. Work on the MTFP for 2021/22 onwards is underway and will be reported to Members in February 2021.	

Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
					'localism' there is less certainty concerning income (NNDR, NHB). • The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year.				
STR2	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	4x4	<b>16</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	3x4	<b>12</b>	Risk Owner / Lead Officer	Political Leadership / S151 Officer/ SAMT
<b>STR3</b> <b>The Council is affected by an operational service failure which has a major impact upon the local community, this impact being reflected in the Council's sustainability and reputation. Failure could arise from services – inc Data Protection – failing to adhere to best practice. Resulting in a potential impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.</b>		<ul style="list-style-type: none"> <li>• A significant service failure associated with a major impact on the local community, leading to a wider detrimental corporate impact.</li> <li>• Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents.</li> <li>• Significant staff and financial resources required to resolve position, impacting on other services.</li> <li>• A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery</li> </ul>			<ul style="list-style-type: none"> <li>• The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.</li> <li>• The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice and industry standards. Ongoing monitoring and regular reporting will help ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity</li> </ul>				

Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
STR3	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	3x5	<b>15</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	2x5	<b>10</b>	Risk Owner / Lead Officer	SAMT
<b>STR4</b> <b>It becomes increasingly difficult to recruit to key posts or to replace key staff who leave (for example Environmental Health Officers). Staff morale is adversely affected by as a result of pace of change, tightening financial circumstances or external circumstances.</b>		<ul style="list-style-type: none"> <li>• Deterioration in services to the public.</li> <li>• Increasing inefficiencies in service provision.</li> <li>• Weakening of Internal Control arrangements.</li> <li>• Increased pressure on other members of staff.</li> </ul>			<ul style="list-style-type: none"> <li>• The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP.</li> <li>• There is sufficient funding to bring in agency staff where required to maintain service performance.</li> <li>• At this stage the problematic areas are those where there are national 'shortages'. In the majority of areas it has proved possible to recruit appropriate replacement staff.</li> <li>• Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality.</li> <li>• The Council will look at introducing appropriate apprenticeship / training schemes in order to develop employees to meet our requirements</li> </ul>				
STR4	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	3x4	<b>12</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	2x4	<b>8</b>	Risk Owner / Lead Officer	SAMT
<b>STR5</b> <b>Delivery of the Council's Agenda is dependent upon</b>		<ul style="list-style-type: none"> <li>• New initiatives are not delivered in a cost-effective manner.</li> </ul>			<ul style="list-style-type: none"> <li>• The Council has effective prioritisation and project management arrangements in place</li> </ul>				

Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
<p><b>effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.</b></p>		<ul style="list-style-type: none"> <li>• Failure to maintain / improve services in line with local aspirations.</li> <li>• Failure to generate the savings required to balance the budget.</li> <li>• Financial savings measures weaken Governance / Internal Control arrangements.</li> <li>• Service deterioration / failure arising from capacity issues.</li> </ul>			<p>to ensure resources are directed at key objectives.</p> <ul style="list-style-type: none"> <li>• The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational ICT projects.</li> <li>• The Council has a robust performance management framework intended to highlight emerging issues.</li> </ul>				
STR5	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	3x4	<b>12</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	2x4	<b>8</b>	Risk Owner / Lead Officer	SAMT
<p><b>STR6</b> <b>Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.</b> <b>The Council is exposed to cyber crime with a loss of data / systems resulting in a potential inability to provide core services and incurring reputational damage.</b></p>		<ul style="list-style-type: none"> <li>• Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire).</li> <li>• Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams.</li> <li>• Business Continuity Plans prove ineffective in practice</li> </ul>			<ul style="list-style-type: none"> <li>• The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and that they are fit for purpose in a realistic 'trial' scenario.</li> <li>• All sections have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity.</li> </ul>				

Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
					<ul style="list-style-type: none"> <li>The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council's own procedures failing to be effective.</li> <li>The Council has put in place industry standard measures to minimise the risk of cyber crime.</li> </ul>				
STR6	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	5x5	<b>25</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	5x3	<b>15</b>	Risk Owner / Lead Officer	SAMT
<b>STR7</b> <b>Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction</b>		<ul style="list-style-type: none"> <li>Failure to deliver high quality services which address national and local priorities.</li> <li>Deterioration in Governance Arrangements.</li> <li>Refocus of current services necessary with associated disruption</li> </ul>			<ul style="list-style-type: none"> <li>There are appropriate structured training arrangements in place for both Members and Officers.</li> <li>The Council is an outward looking organisation where both Members and Officers are encouraged to network with peer groups to ensure a developed awareness of the broader environment within which we operate.</li> </ul>				
STR7	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	3x4	<b>12</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	2x4	<b>8</b>	Risk Owner / Lead Officer	SAMT / Political Leadership
<b>STR8</b> <b>Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate</b>		<ul style="list-style-type: none"> <li>Adverse Impact upon Service Quality.</li> <li>Failure to deliver high quality services which address national and local priorities.</li> <li>Significant adverse reputational impact</li> </ul>			<ul style="list-style-type: none"> <li>The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.</li> </ul>				

Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
effectively in a rapidly changing environment.					<ul style="list-style-type: none"> <li>The Council has an active Standards and Audit Committee which provide independent review of the Governance arrangements in the Council.</li> <li>The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements.</li> </ul>				
STR8	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	3x4	<b>12</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	2x4	<b>8</b>	Risk Owner / Lead Officer	S151 Officer / Monitoring Officer / SAMT
<b>STR9</b> <b>HS2 - Without considerable environmental mitigation measures, HS2 will have a significant impact on the visual amenity of the district, disruption to businesses, home owners and communities</b>		<ul style="list-style-type: none"> <li>Without considerable environmental mitigation measures will have a negative impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty.</li> <li>Following the release of the Working Draft Environmental Statement, potential impacts and land take have increased. Therefore the impact score has been adjusted to reflect this.</li> </ul>			<ul style="list-style-type: none"> <li>Directors and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures.</li> <li>Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures.</li> <li>Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study</li> </ul>			Awaiting the outcome of the Government Review and the Integrated Rail Plan.	
STR9	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	4x5	<b>20</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	4x5	<b>20</b>	Risk Owner / Lead Officer	SAMT / Political Leadership

Area Of Risk (Reference / Date)	Threats / Opportunities	Mitigation / Controls In Place / Actions Undertaken	Potential Further Action / Action Planned / When By Date
<p><b>STR10</b> <b>Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults.</b></p>	<ul style="list-style-type: none"> <li>• Profile of safeguarding is poor</li> <li>• Staff and members do not know what safeguarding is and their role within it</li> <li>• Staff and members do not know how to spot the signs</li> <li>• Staff and members do not know how to report it and to who?</li> <li>• Lack of public confidence in Council policies plans and staff</li> <li>• Reputational damage</li> <li>• Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly leading to personal harm, injury and death</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has in place up to date policies for safeguarding both Children and Vulnerable Adults. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities.</li> <li>• The Council has in place and maintain systems of working practice to safeguard children and vulnerable adults at Council activities and those who receive Council services.</li> <li>• Staff recognised as appropriate to do, are DBS/CRB checked</li> <li>• All staff receive mandatory safeguarding training</li> <li>• Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do</li> <li>• The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council.</li> <li>• The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group of</li> </ul>	



Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
					<p>the Derbyshire Safeguarding Childrens Board and Derbyshire Safeguarding Adults Board</p> <ul style="list-style-type: none"> <li>The Council are represented on both the Derbyshire Safeguarding Children's Board (DSCB) and the Derbyshire Safeguarding Adults Board ( DSAB)</li> </ul>				
STR10	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	5x4	<b>20</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	4x3	<b>12</b>	Risk Owner / Lead Officer	SAMT / Political Leadership
<b>STR11</b> <b>Failure to address the impact of COVID-19 upon the organisation, local economy and community</b>		<ul style="list-style-type: none"> <li>Inability to deliver services or service failure</li> <li>Loss of income to the Council</li> <li>Inability to provide safe working environment resulting in COVID contamination and infection</li> <li>Adverse impact on employee health</li> <li>Inability to change the Councils 'ways of working' to meet the current challenges</li> <li>Increased Cybersecurity and ICT related risk due to remote working increase</li> <li>Inability to deliver strategic plans and ambitions</li> <li>Inability to support local businesses and employers</li> <li>Inability to support the community and in particular vulnerable people</li> </ul>			<ul style="list-style-type: none"> <li>The Council plays an active role in the Local Resilience Forum (LRF) and network of sub groups taking part in very frequent meetings and working to effectively and collectively tackle the impact of COVID within the County. This forum includes many agencies across the public sector spectrum including emergency services, NHS, Public Health and others (see strategic risk 6 also)</li> <li>The Council has in place effective business continuity and emergency action plans which enabled the effective and efficient deployment and diversification of resources to ensure service resumption, business and community support in the initial response phase of the COVID-19 pandemic</li> </ul>				

Area Of Risk (Reference / Date)	Threats / Opportunities	Mitigation / Controls In Place / Actions Undertaken	Potential Further Action / Action Planned / When By Date
		<ul style="list-style-type: none"> <li>• The Council have in place robust recovery plans which include the following;</li> <li>• <b>Maintaining Financial Control</b> - Development of financial resilience reserves and accessing govt. funding aimed at local authority support, service budget reviews, controlling expenditure, regular fees and charges reviews, furloughing staff as necessary</li> <li>• <b>Workplace Safety</b> – Return to work protocols and risk assessments, regular inspection, social distancing plans, protection and hygiene measures, PPE, staff testing, communication plan, staff related policy reviews, training and briefings, recognition of vulnerable employees</li> <li>• <b>New Ways of Working</b> – Virtual and remote working capability, digital workforce training, digital inclusion plans, remote and homeworking task group, homeworking policy review, website and online services capability review, managing teams remotely guidance</li> <li>• <b>ICT and Cybersecurity</b> – Evaluation of remote applications and tools,</li> </ul>	

Area Of Risk (Reference / Date)	Threats / Opportunities	Mitigation / Controls In Place / Actions Undertaken	Potential Further Action / Action Planned / When By Date
		<p>training and guidance, cybersecurity investment planning</p> <ul style="list-style-type: none"> <li>• <b>Front Facing Services</b> – Workplace safety as above, public interaction protocols, equipment such as ‘sneeze, screens in place and face masks etc, floor markings and signage, social distancing measures, one way systems in facilities and public areas, NHS test and trace registration and materials in place</li> <li>• <b>Strategy and Plans Review</b> – Risk management, Transformation Programme, Digital, Climate Change, People, Growth, Tourism and Leisure are all strategies currently being reviewed</li> <li>• <b>External Recovery Plans</b> – Aimed at the local economy, business support and survival, includes channelling and distribution of business grants, council tax and business rates support, links to other bodies including; LRF Recovery Sub Group, D2N2 Recovery. There is also a key focus on Communities and the Council’s engagement and support with them including Parish Councils, voluntary sector and partners at all levels in the restoration and recovery challenge</li> </ul>	

Area Of Risk (Reference / Date)		Threats / Opportunities			Mitigation / Controls In Place / Actions Undertaken			Potential Further Action / Action Planned / When By Date	
STR11	16/11/20	<b>Inherent Risk Score</b> (Likelihood x Impact)	5x5	<b>25</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	5x3	<b>15</b>	Risk Owner / Lead Officer	SAMT / Political Leadership
<b>STR12</b> <b>Cyber security attack which severely impacts ICT systems and data. E.g. Ransomware attack rendering access to ICT unavailable for some time.</b>		<ul style="list-style-type: none"> <li>Inability of Council to provide services as a consequence of a severe catastrophic event which renders access to ICT unavailable such as Ransomware attack.</li> <li>Potential ICO Fines and reputational damage.</li> <li>Adverse Impact upon Service Quality and income streams.</li> <li>Failure to deliver high quality services which address national and local priorities.</li> <li>Potential ICO fines for loss of data</li> <li>Significant adverse reputational impact.</li> <li>Significant cost to Council.</li> </ul>			<ul style="list-style-type: none"> <li>See Operational level activities risk reference ICT1</li> <li>The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice.</li> <li>All sections have Business Continuity plans in place which identify key risks and mitigation.</li> <li>Corporate IT systems have been tested against Industry standards for Business Continuity.</li> </ul>			<p>Emergency planning to run Cyber security training events.</p> <p>Improved awareness to Service Managers.</p> <p>Service Managers to review business continuity plans specifically relating to cyber-attack.</p>	
STR12	08/02/2021	<b>Inherent Risk Score</b> (Likelihood x Impact)	5x5	<b>25</b>	<b>Residual Risk Score</b> (Likelihood x Impact)	5x5	<b>25</b>	Risk Owner / Lead Officer	SAMT / Political Leadership
<b>STRxx</b>		•			•				

**Bolsover District Council**

**Audit Committee**

**27 April 2021**

**New Financial Management Code**

**Report of the Head of Finance and Resources**

**Classification:** This report is public

**Report By:** Theresa Fletcher, Head of Finance and Resources

**Contact Officer:** Theresa Fletcher – 01246 242458  
theresa.fletcher@bolsover.gov.uk

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**PURPOSE / SUMMARY**

To inform Members of the new CIPFA Financial Management Code which has been applicable in shadow form during 2020/21 with compliance expected from 2021/22.

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**RECOMMENDATIONS**

- 1 That Members note the publication of the FM Code and that the first year, 2020/21, is a shadow year where local authorities are able to demonstrate that they are working towards full implementation which, for the first full year of compliance, will be 2021/22.
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**IMPLICATIONS**

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**Finance and Risk:** Yes  No

**Details:**

On Behalf of the Section 151 Officer

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**Legal (including Data Protection):** Yes  No

**Details:**

On Behalf of the Solicitor to the Council

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**Staffing:** Yes  No

**Details:**

On behalf of the Head of Paid Service

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## DECISION INFORMATION

<b>Decision Information</b>	
<p><b>Is the decision a Key Decision?</b>  A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><b>BDC:</b>  Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/></p> <p><b>NEDDC:</b>  Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> Please indicate which threshold applies</p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<b>District Wards Significantly Affected</b>	None
<p><b>Consultation:</b>  Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/>  SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/>  Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p>	<p>Click here to enter text.</p> <p>Details:  Click here to enter text.</p>

<p><b>Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.</b></p>

## REPORT DETAILS

### 1 **Background** *(reasons for bringing the report)*

- 1.1 Local government finance in the UK has been governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, was not supported by a professional code.
- 1.2 This situation changed when, in December 2019, Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.

- 1.3 The standards have different practical applications according to the size and different circumstances of individual authorities and their use locally should reflect this. The principle of proportionality applies to the FM Code and reflects a non-prescriptive approach to how each standard is met.
- 1.4 The Covid-19 pandemic has seen local authorities placed under extreme pressure to respond to the needs of their communities by providing services and support to an unprecedented extent. Understanding these pressures, the CIPFA Financial Management and Governance Panel has considered these changes against workload, reprioritisation and resource issues facing local authority staff. It concluded that while the first full year of compliance with the FM Code should remain as 2021/22, it could do so within a more flexible framework where a proportionate approach is encouraged.

## 2. Details of Proposal or Information

### The Financial Management Code

- 2.1 In response to recent concerns (even before Covid-19) around financial resilience of Councils, CIPFA has introduced the new FM Code as part of a package of measures that it is putting in place. These measures have been driven by the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management. In particular there have been a small number of high-profile failures across local government which threaten stakeholder's confidence in the sector as a whole.
- 2.2 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.
- 2.3 The Code focuses on value for money, governance and financial management styles, financial resilience and financial sustainability. The Code identifies the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice. The Code has been designed on a principles-based approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable. The six principles of good financial management are:
  - **Organisational Leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
  - **Accountability** - based on medium-term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
  - **Transparency** - at the core of financial management, using consistent, meaningful and understandable data, reported frequently, with

evidence of periodic officer action and elected member decision making.

- **Professional Standards** - promoted by the leadership team, with adherence evidenced.
- **Assurance** - recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- **Long-term Sustainability** - at the heart of local services' financial management processes, evidenced by the prudent use of public resources.

2.4 The Code is structured around seven areas of focus:

- The Responsibilities of the Chief Finance Officer and Leadership team
- Governance and Financial Management style
- Medium to Long-term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Cases
- Financial Performance Monitoring
- External Financial Reporting

Each of these areas is supported by a set of guidance standards against which Councils should be assessed. CIPFA's expectation is that authorities will have to comply with all the financial management standards if they are to demonstrate compliance with the FM Code and to meet its statutory responsibility for sound financial administration and fiduciary duties to taxpayers, customers and lenders.

2.5 Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities. Where compliance with the code is not possible, adherence to the principles is still considered appropriate.

2.6 The Council's external auditors will from 2021/22 have regard to the FM Code and will be looking to ensure that the Council is meeting it. Furthermore, CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement for 2020/21, should include the overall conclusion of the assessment of the organisation's compliance with the principles of the FM Code. Where there are outstanding matters or areas for improvement, these should be included in the action plan.

2.7 Each local authority must demonstrate that the requirements of the FM Code are being satisfied. However, the FM Code is not expected to be considered in isolation and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making and a holistic view is taken.

2.8 Demonstrating this compliance with the FM Code is a collective responsibility of Elected Members, the Chief Finance Officer (Head of Finance and



Resources) and the Corporate Leadership Team. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the Section 151 Officer (Head of Finance and Resources) will not just be recognised but also supported, to achieve the combination of leadership roles essential for good financial management.

2.9 As a first step towards ensuring that the Council meets the FM Code in 2021/22, the Council's Internal Audit Consortium carried out an audit during September 2020. The purpose was to ascertain the levels of compliance within the Council and identify any gaps to enable full implementation.

2.10 The audit concluded that the Council complied with the majority of the FM Code requirements already. Three recommendations were raised which are being implemented during 2021/22.

	<b>Recommendation</b>	<b>Priority</b>	<b>To be Implemented by</b>
<b>R1</b>	The Council's Monitoring Officer must ensure the Council's Local Code of Corporate Governance is approved to ensure that this informs the Annual Governance Statement for 2020/21.	Low	Monitoring Officer
<b>R2</b>	The Head of Finance and Resources maintains an overview of current benchmarking arrangements and adopts a methodology that can demonstrate the Council's financial resilience has been assessed.	Low	Head of Finance and Resources
<b>R3</b>	Further review of risk management by audit, once working arrangements are back to normal following Covid-19 and the implementation of the Risk Management Group.	Medium	Internal Audit Consortium Manager

### **3 Reasons for Recommendation**

3.1 Compliance with the FM Code will contribute to sound decision making. This will support the Medium Term Financial Strategy, enabling Members to monitor progress against the Council Ambition in a timely manner to ensure resources are allocated in line with the strategic priorities of the Council.

### **4 Alternative Options and Reasons for Rejection**

4.1 No alternative options are offered.

## DOCUMENT INFORMATION

Appendix No	Title
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	

**Bolsover District Council**

**Audit Committee**

**27 April 2021**

**Audit Committee Work Programme 2020/21**

**Report of the Head of Finance and Resources**

**Classification:** This report is public

**Report By:** Theresa Fletcher, Head of Finance and Resources

**Contact Officer:** Theresa Fletcher – 01246 242458  
theresa.fletcher@bolsover.gov.uk

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**PURPOSE / SUMMARY**

To enable the Committee to consider an appropriate work programme for the municipal year 2020/21.

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**RECOMMENDATIONS**

- 1 That the Committee notes and endorses the Audit Committee work programme for 2020/21 as set out in **Appendix 1**.
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**IMPLICATIONS**

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**Finance and Risk:** Yes  No

**Details:** The development of a work programme for Audit Committee will provide a structure to assist and support the Committee's work. This will help to ensure the Committee continues to operate effectively and that the Council's governance and accountability arrangements remain robust. The programme is designed to allow the Audit Committee to continue its flexible approach to its work and consider the range of matters within its remit.

On Behalf of the Section 151 Officer

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**Legal (including Data Protection):** Yes  No

**Details:**

On Behalf of the Solicitor to the Council

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**Staffing:** Yes  No

**Details:**

On behalf of the Head of Paid Service

## DECISION INFORMATION

Decision Information	
<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <b>BDC:</b> Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <b>NEDDC:</b> Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	None as a recurring report  Details: Click here to enter text.

**Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.**

### 1 Report Details

- 1.1 The Audit Committee is an important aspect of the Council's governance framework. It sets the tone from the top of the organisation and has the power to make recommendations to full council, the executive or to whomever it considers best placed to deal with the committee's concerns.
- 1.2 The Audit Committee is likely to deal with the following issues:
  - Ensuring the council has a comprehensive set of procedures and rules, such as financial regulations.

- Discussing the work of internal and external audit and other inspection agencies as appropriate.
- Risk management policies and procedures.
- Reviewing and approving the Statement of Accounts.
- Reviewing and approving the Annual Governance Statement.

1.3 A work programme is set out in **Appendix 1**. There are some items in the programme which must be approved at specific meetings such as the approval of the Statement of Accounts but there is also flexibility allowed with regular items. Matters may also be added or removed as appropriate throughout the year.

## **2 Reasons for Recommendation**

2.1 To enable the Committee to consider its work programme for 2020/21.

## **3 Alternative Options and Reasons for Rejection**

3.1 The option of not having a work programme is considered not appropriate as the absence of a clear programme of work could undermine the effectiveness of the Committee.

## **DOCUMENT INFORMATION**

<b>Appendix No</b>	<b>Title</b>
1	Audit Committee work programme 2020/21
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	

# Appendix 1

## Audit Committee work programme 2020/21

<u>Meeting Date</u>	<u>Item</u>
<p>15<sup>th</sup> September 2020</p>	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Implementation of Internal Audit recommendations</li> <li>• Internal Audit consortium 2019/20, Annual Report</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Review of the Internal Audit Charter</li> <li>• External review of internal audit</li> <li>• Report to those charged with Governance – Audit completion report</li> <li>• BDC Statement of Accounts 2019/20</li> <li>• Audit Committee proposed work programme 2020/21</li> </ul>
<p>24<sup>th</sup> November 2020</p> <p><b>MEETING CANCELLED DUE TO COVID-19 RESTRICTIONS</b></p>	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Fighting Fraud and Corruption Locally</li> <li>• Audit Committee – Self assessment for effectiveness</li> <li>• Report of External Auditor – Annual Audit letter 2019/20</li> </ul>

<p>26<sup>th</sup> January 2021</p>	<ul style="list-style-type: none"> <li>• Strategic risk register and partnership arrangements</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Report of External Auditor – Audit Strategy Memorandum 2021/22</li> <li>• Accounting policies 2020/21</li> <li>• Annual Audit Letter 2019/20</li> </ul>
<p>27<sup>th</sup> April 2021</p>	<ul style="list-style-type: none"> <li>• Progress on the work of the Risk Management Group</li> <li>• Report of Internal Audit – Summary of progress on the internal audit plan</li> <li>• Report of Internal Audit – Internal Audit Plan from 2021/22</li> <li>• CIPFA Fraud and Corruption Tracker Survey Results</li> <li>• Report of External Auditor – Audit Strategy Memorandum</li> <li>• The New Financial Management Code</li> </ul>
<p>May 2021</p>	<ul style="list-style-type: none"> <li>• Progress on the work of the Risk Management Group</li> <li>• Implementation of Internal Audit recommendations</li> <li>• Internal Audit Consortium 2020/21 – Annual Report</li> </ul>