

Agenda Item No 5(c)

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 July 2018

Report of the Director of Finance & ICT

ANNUAL GOVERNANCE STATEMENT & SYSTEM OF INTERNAL CONTROL

1 Purpose of the Report

To inform Members of progress on the review of the County Council's compliance with Best Practice requirements in respect of the annual review of the system of internal control and the production of the Draft Annual Governance Statement (AGS). In accordance with previously stated aims the AGS now also includes details of the Council's compliance with International Auditing Standards.

To request that Members consider the Draft Annual Governance Statement and recommend its inclusion in the Authority's Statement of Accounts for 2017-18.

2 Information & Analysis

Regulation 6 of the Accounts and Audit Regulations 2015 requires a relevant body to "conduct a review of the effectiveness of the system of internal control" and "prepare an annual governance statement in accordance with proper practices". Cipfa/Solace have produced a framework Delivering Good Governance in Local Government which is supplemented by an Application Note specifically developed to advise on Cipfa's Statement on the Role of the Chief Financial Officer.

The Cipfa/Solace framework outlines the approach which should be taken to review existing governance arrangements and produce an Annual Governance Statement. The Draft Annual Governance Statement for 2017-18 is attached as Appendix 1 to this Report.

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

standards against which compliance can be assessed.

The Annual Governance Statement once approved will be included in the Council's Statement of Accounts for 2017-18.

The External Auditors have specific duties placed on them under International Auditing Standards relating to fraud in the audit of financial statements, laws and regulation and litigation and claims. The Council's assurance is detailed in Appendix 2.

3 Legal Considerations

Regulation 6 of the Accounts & Audit Regulations 2015 requires the Authority to produce an Annual Governance Statement.

4 Other Considerations

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

5 Officer's Recommendation

That Members consider the information provided in this report as evidence of the Authority's effective compliance with the statutory requirement to produce an Annual Governance Statement and recommend it for inclusion in the Authority's Statement of Accounts.

PETER HANDFORD

Director of Finance & ICT

Annual Governance Statement 2017/18



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Introduction and the Purpose of the Governance Framework

Defining Corporate Governance

Corporate governance includes the systems, processes and values by which councils operate and through which they engage with, and are held accountable to, their communities and stakeholders.

Good corporate governance underpins credibility and confidence in public services. Derbyshire County Council is committed to effective corporate governance and has assessed itself against the Framework issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled “Delivering Good Governance in Local Government (2016)”

The Framework defines the seven core principles, each supported by sub-principles which should underpin the governance framework of the Council. Acting in the public interest requires a commitment to and effective arrangements for:-

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Council's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Council's Structure

The Council is composed of 64 Elected Members who are democratically accountable to residents of their electoral division. Members follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Cabinet consists of the Leader of the Council and six Members. The Cabinet is responsible for guiding the Council in the formulation of its corporate plan of objectives and key priorities. Within the policy framework, budgets and major plans approved by the full Council, the Cabinet has executive responsibility for the implementation of the Council's key goals and objectives.

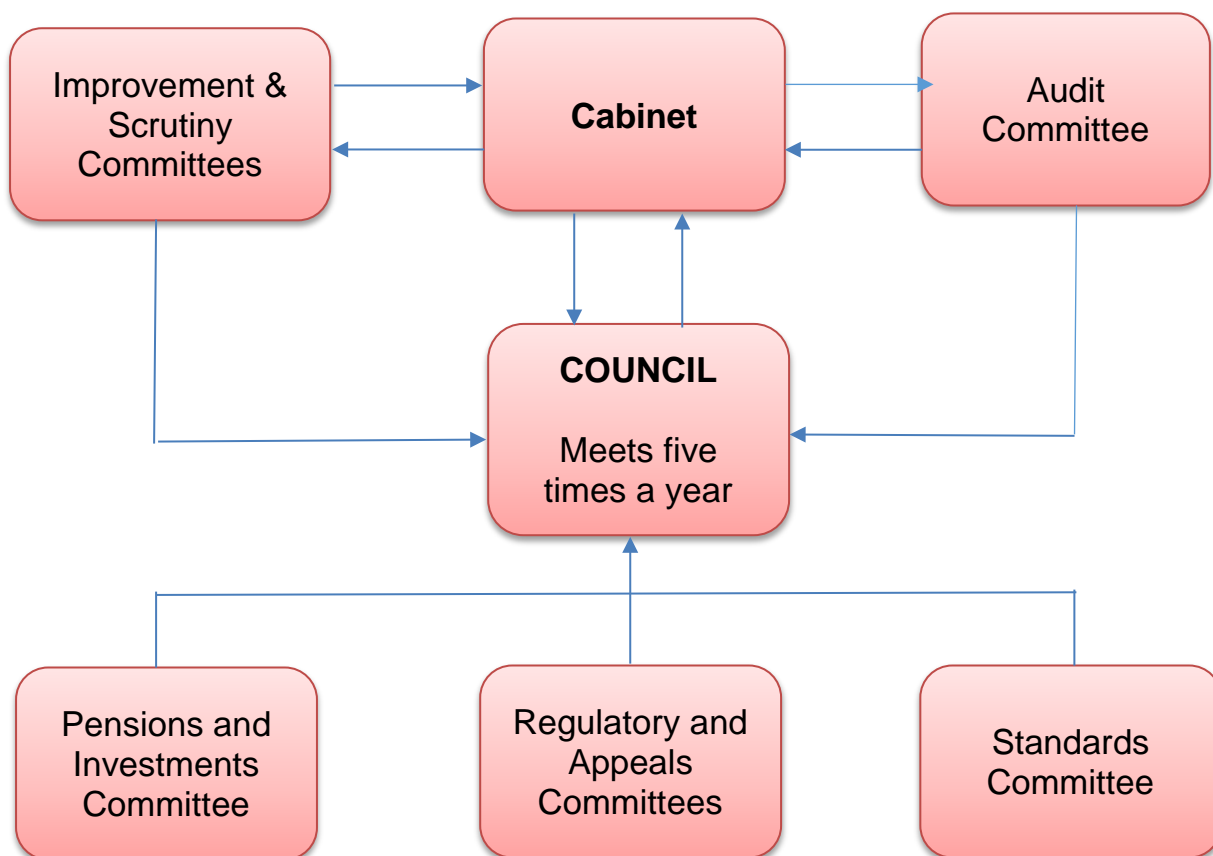
The Standards Committee promotes and maintains high standards, assists Members in observing the Code of Conduct and advises the Council on matters

relating to the Code. The Council also operates four Improvement and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. These allow citizens to have a greater say in Council matters by holding inquiries in public into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery, and other public bodies. The Improvement and Scrutiny Committees also monitor the decisions of the Cabinet. They can ‘call-in’ a decision which has been made by the Executive but not yet implemented.

All Members meet together as the Council; meetings are generally open for the public to attend except where confidential matters are being discussed. The full Council decides the overall policy framework and sets the budget each year.

The Audit Committee independently contributes to the Council's process of ensuring internal control systems are maintained and in doing so is responsible for approving and monitoring progress of the Annual Audit Plan. In addition, it considers matters referred to the Committee by the Council's external auditor, approves the Annual Statement of Accounts and the Annual Governance Statement.

The Council's structure in 2017/18, the year to which this Statement relates to is documented below:-



Derbyshire County Council's Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place at the County Council for the year ended 31 March 2018 and up to the date of the Statement of Accounts being certified by the Director of Finance and ICT.

Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has developed an approach to Corporate Governance to ensure that it is consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and demonstrates its commitment to corporate governance as “good corporate governance underpins credibility and confidence in our public services”.

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

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

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

The Effectiveness of the Council's Governance Arrangements

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

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

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council is accountable not only for how much it spends, but also for how it uses the resources under its stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes which have been achieved. In addition, the Council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, it can demonstrate the appropriateness of all its actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	Overall Assessment ADEQUATE
What the Council does well	<ul style="list-style-type: none"> ➤ The Council Plan sets out the Authority's key priorities; ➤ The Constitution details the roles of the Cabinet, Committees, full Council and Strategic Directors; ➤ Codes of Conduct define the standards of behaviour for Members and officers; ➤ The Authority operates an Equality and Diversity Policy, Whistleblowing The Confidential Reporting Code and Complaints Procedures; ➤ An Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and Anti-Money Laundering Policy demonstrate the Council's stance against fraud; ➤ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Cabinet, Committees and officers; ➤ Improvement and Scrutiny Committees support the work of the Executive and the Authority; ➤ Financial Management Arrangements conform to the Cipfa Statement on the Role of the Chief Financial Officer in Local Government (2016);

Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	Overall Assessment ADEQUATE
Areas for Improvement	<ul style="list-style-type: none"> ➤ The Standards Committee monitors and reviews the operation of the Constitution and the ethical framework; ➤ Role profiles have been agreed for Members and together with Personal Development Plans inform Member Development programmes; ➤ Clear channels of communication are in place for all sections of the community and stakeholders; ➤ Embedded Financial Regulations, Procurement policies and practices and the Derbyshire Partnership Toolkit. <ul style="list-style-type: none"> ➤ The Council should continually review how it best protects its vulnerable residents and takes on board learning from all relevant reviews whether they are Derbyshire focussed or not, e.g. safeguarding reviews, governance reviews, national research into child sexual exploitation etc.; ➤ The Council's Corporate Governance Group, chaired by the Director of Legal Services and Monitoring Officer, would operate more effectively if its profile could be raised and its activities better resourced; ➤ Officers' declarations of interests and gifts and hospitality are not consistently made and recorded; ➤ The Whistleblowing The Confidential Reporting Code could be communicated more widely.

B. Ensuring openness and comprehensive stakeholder engagement

The Council is run for the public good and therefore should ensure openness in its activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Principle B Ensuring openness and comprehensive stakeholder engagement	Overall Assessment GOOD
What the Council does well	<ul style="list-style-type: none"> ➤ The Assistant Director of Finance (Audit) produces an Annual Report which is considered by Audit Committee, highlights both significant areas of good practice and those where improvements can be made. This Report includes the annual internal audit opinion which concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; ➤ The Authority operates a partnership protocol, toolkit and database with specific requirements of partnership working defined in Financial Regulations; ➤ Partnership arrangements are subject to annual review by Audit Services; ➤ The Council publishes decisions on the website; ➤ The Council engages with the citizens of Derbyshire; ➤ The Council consults stakeholders as part of the decision making process; ➤ The Council fulfils its responsibilities on the Duty to Cooperate; ➤ Equality Impact Assessments are undertaken and considered in decision making; ➤ A Communications Strategy is in place; ➤ The Council consults with citizens, trade unions and business ratepayers when setting its budget; ➤ The Council has established an "Enterprising Council" approach designed to ensure services meet the needs of users, utilising the best delivery vehicle in each circumstance.
Areas for Improvement	<ul style="list-style-type: none"> ➤ More active use of parish/town councils and community groups could be considered.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of the Council's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including employee groups, Citizens' Panel, Youth Council, 50+ Forum, BME Forum, Local Area Fora, School Councils, service user groups and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits		Overall Assessment ADEQUATE
What the Council does well	<ul style="list-style-type: none"> ➤ The Council Plan outlines the Council's strategy and vision; ➤ Departmental and Service Plans are developed which are consistent with the overarching Council Plan and incorporate a range of performance measures; ➤ Progress against a range of targets is monitored; ➤ The Authority has in place an effective risk management framework and business continuity plans; ➤ The Strategic Risk Register is subject to regular review; ➤ Capital investment is structured and in line with the Investment Strategy. 	
Areas for Improvement	<ul style="list-style-type: none"> ➤ Ensure that decisions are taken with regard to, or based on the longer term view; ➤ More emphasis could be placed on measuring and monitoring longer term outcomes as opposed to outputs; ➤ Social Value Strategy and approach is in place and will be developed. The Council should continue to develop and embed Social Value to ensure that the economic, environmental and social benefits are realised for Derbyshire when procuring services. 	

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. Robust decision-making mechanisms are required to ensure that defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes		Overall Assessment ADEQUATE
What the Council does well	<ul style="list-style-type: none"> ➤ Financial Regulations and Standing Orders in relation to Contracts are subject to periodic review by officers and the Audit Committee; ➤ Decision making protocols are in place; ➤ Social Value consideration are included in decisions; ➤ A Financial Strategy is in place; ➤ Member Report considerations include financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, social value, property and transport considerations; ➤ The Council has Improvement and Scrutiny Committees in place. 	
Areas for Improvement	<ul style="list-style-type: none"> ➤ Development of consistent and effective business cases; ➤ The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data; ➤ Revised strategies in relation to ICT and HR will be useful to ensure consistent council wide approach and guide future investment in technology and skills; ➤ Development of a robust post implementation review process for major projects. 	

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Authority needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The Council must ensure that it has both the capacity to fulfil its own Plans and objectives and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which the Authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. The Council's leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	Overall Assessment ADEQUATE
What the Council does well	<ul style="list-style-type: none"> ➤ Members and officers work together to deliver a common purpose with clearly defined functions and roles; ➤ The arrangements for Member training and development are reviewed through the Member Development Working Group; ➤ Staff development is supported through the provision of generic and specific skills training including supporting the maintenance of professional standards and qualification training; ➤ The Council operates a My Plan process to identify training and development opportunities.
Areas for Improvement	<ul style="list-style-type: none"> ➤ Strategy to manage staff reductions and the impact on capability and capacity; ➤ Staff Inductions and MyPlans are not always provided, documented and evidenced in all service areas although there are areas of good practice; ➤ Workforce planning, succession planning, mentoring leadership training and management development is not formalised and monitored within the Council. It is inconsistent with no Council wide approach in place; ➤ Consistent training of new staff in the IT systems they are expected to use, alongside refresher training for existing staff to ensure effective use of systems.

F. Managing risks and performance through robust internal control and strong public financial management

The Council needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system which facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Principle F Managing risks and performance through robust internal control and strong public financial management	Overall Assessment GOOD
What the Council does well	<ul style="list-style-type: none"> ➤ The Audit Committee operates in accordance with prescribed terms of reference. The Committee receives, approves and monitors the Audit Plans for internal and external audit; ➤ The Audit Committee monitors the effectiveness of the Authority's risk management arrangements; ➤ Audit Committee Members are provided with relevant training; ➤ The effectiveness of the governance framework including the system of internal control is reviewed annually; ➤ Audit Services review the effectiveness of the Authority's internal controls; ➤ The Council has an embedded Risk Management Strategy; ➤ The Strategic Risk Register is subject to regular review and project specific risk logs are in place for major projects and partnerships which are subject to ongoing review; ➤ Emerging risks are identified by the reviews and from ongoing Audit work;

Principle F Managing risks and performance through robust internal control and strong public financial management	Overall Assessment GOOD
	<ul style="list-style-type: none"> ➤ Departmental risk registers are in place and regularly reviewed by management teams; ➤ Strong and effective information governance arrangements; ➤ The Council has been proactive in its preparations for the implementation of the General Data Protection Regulation (GDPR). In 2016/17 the Information Commissioner's Office (ICO) undertook an audit of the Council's data processing arrangements at the Council's request. Following this review, the Council has been actively seeking to implement and address the recommendations contained within the Audit Action Plan. ➤ The Council has a Medium Term Financial Plan and effective Budget Monitoring Procedures; ➤ The Scrutiny Committees scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions; ➤ The standards of behaviour and conduct are detailed in the Protocol for Elected Member Behaviour and Conduct; ➤ Whistleblowing The Confidential Reporting Code enables individuals or organisations to disclose information about malpractice whilst offering protection; ➤ Performance management is well embedded; ➤ The Council has established a working group to consider cyber security risks. ➤ Independence of Internal Audit and access to the Head of Paid Service; ➤ Ensuring compliance with the principles set out in the Cipfa guidance on the Role of the Chief Financial Officer in public service organisations.
Areas for Improvement	<ul style="list-style-type: none"> ➤ Data Protection arrangements will require continual monitoring and review to ensure compliance with the General Data Protection Regulation. ➤ Cyber security threats will require ongoing monitoring and development of appropriate responses; ➤ The APEX performance system is relatively new and further development is ongoing to utilise it to its full capacity.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	Overall Assessment GOOD
What the Council does well	<ul style="list-style-type: none"> ➤ The Constitution defines how the Council operates and the decision making processes to ensure the Council is efficient, transparent and accountable to local people; ➤ Council, Departmental and Service Plans set out objectives and include performance targets; ➤ Council, Cabinet and Member meetings are open to the public and minutes are published on the website; ➤ Financial Statements are produced and published on a consistent and timely basis; ➤ Departmental Schemes of Delegation supplement the Council's Financial Regulations; ➤ The Assistant Director of Finance (Audit) produces the Annual Report which is considered by Audit Committee and highlights both significant areas of good practice and those where improvements can be made; ➤ Effective partnership working arrangements; ➤ The Council routinely publishes data and meets the requirements of the Local Government Transparency Code; ➤ Schemes of Delegation have been reviewed.
Areas for Improvement	<ul style="list-style-type: none"> ➤ Continue to improve robust systems for property valuations building on the enhancements completed during 2017/18.

The Annual Governance Statement

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and that a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

Councillor Barry Lewis
Leader of the Council

Emma Alexander
Chair of the Corporate
Management Team, Strategic
Director Commissioning,
Communities and Policy and
Head of Paid Service

Date

Date

On behalf of Derbyshire County Council

Action Plan - Areas for Improvement

Area for Improvement	Proposed Method of Delivery	
Raise the profile of Governance throughout the Council	<ul style="list-style-type: none"> • Development of a Local Code of Corporate Governance; • Review the membership and role of the Council's Governance Group. 	
Staff Development	<ul style="list-style-type: none"> • Improve communication of The Whistleblowing Confidential Reporting Code; • Staff Inductions and MyPlans to be consistently provided, documented and evidenced in all service areas; • Develop a strategy to manage staff reductions and the impact on capability and capacity. 	
Improved utilisation of resources	<ul style="list-style-type: none"> • More active use of parish/town councils and community groups to be considered; • Co-production / commissioning for better outcomes; • Development of consistent and effective business cases; • Develop a more proactive approach to the use of collective intelligence to guide decision making; • Workforce planning, succession planning, mentoring, leadership training and management development to be formalised and monitored within the Council; • Consistent training of new staff in the IT systems they are expected to use, alongside refresher training for existing staff to ensure effective use of systems; • Strategies in relation to ICT and HR to be reviewed to ensure consistent council wide approach and guide future investment in technology and skills; 	

Area for Improvement	Proposed Method of Delivery	
	<ul style="list-style-type: none"> • Continue to develop and embed the Social Value Strategy to ensure that the economic, environmental and social benefits are realised for Derbyshire when procuring services. 	
Enhanced Accountability	<ul style="list-style-type: none"> • Develop systems to ensure that officers' declarations of interests and gifts and hospitality are consistently made and recorded; • Development of a robust post implementation review process for major projects. • Review and develop a robust system for property valuations. • The APEX performance system is relatively new and further development is ongoing to utilise it to its full capacity. • Schemes of Delegation are being reviewed. 	
Compliance with legislative and best practice requirements	<ul style="list-style-type: none"> • Continually review how the Council best protects its vulnerable residents and takes on board learning from all relevant reviews whether they are Derbyshire focussed or not, e.g. safeguarding reviews, governance reviews, national research into child sexual exploitation etc; • Data Protection arrangements require continual monitoring and review to ensure compliance with the General Data Protection Regulation; • Cyber security threats require ongoing monitoring and development of appropriate responses. 	

AUTHORITY'S PROCEDURES RELEVANT TO COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

ISA 240

Objective

Management assessment of the risk that Financial Statements may be misstated due to fraud and the Council's processes for identifying and responding to these risks.

Procedures in Place

The County Council's control framework which includes:

- Financial Regulations and Procedures
- Standing Orders relating to Contracts
- Strategic Departmental Risk Registers supplemented by Project Risk Registers
- Project Management Toolkit
- Partnership Protocol
- Schemes of Delegation
- Ongoing activities of the Governance Group
- Continuous Internal Audit process driven by Strategic and Annual Audit Plans which are kept under continuous review to reflect changing risk profiles and emerging risks and overseen by the Audit Committee
- Audit Services Audit Manual
- Regular bank reconciliations
- Regular reconciliations of all feeder systems and interfaces
- Budget monitoring procedures
- Procurement controls

Objective

Communication to employees of business practice and ethical behaviour.

Procedures in Place

- Induction process
- Code of Conduct for Employees
- Anti-Fraud/Anti-Corruption Strategy Policy statement
- Confidential Reporting Code
- Workforce articles and payslip messages
- Financial Regulations
- Dnet
- Procedure notes and manuals

Objective

Communication to those charged with governance the processes for identifying and responding to fraud.

Procedures in Place

- Audit Committee Terms of Reference
- Audit Committee training
- Regular review by the Audit Committee of:
 - the Annual Governance Statement, Action Plan and work of the Governance Group
 - Financial Statements
 - detailed progress reports against Plan of the activity of Audit Services
 - Audit Services Annual Report and Assurance Statement
 - External Audit reports
 - the Authority's Strategic Risk Register
 - annual reports on the effectiveness of Internal Audit
 - annual reviews of Financial Regulations and Standing Orders, the Anti-Fraud Anti-Corruption Policy Strategy Statement, Confidential Reporting Code, Codes of Conduct for Officers and members
 - specific reports on the Authority's progress in relation to specific initiatives eg Schools Financial Value Standard and National Fraud Initiative
- Review and approval of Internal and External Audit Plans

Objective

Awareness of any actual or alleged instances of fraud.

Procedures in Place

- Specific requirements of Financial Regulations
- Anti-Fraud Anti-Corruption Strategy Policy statement
- Confidential Reporting Code
- Protocol for consideration of Audit Reports following Special Investigations
- Audit Services Audit Manual
- Membership of National Anti-Fraud Network
- Membership of Better Governance Forum
- Membership of national, regional and County Audit Groups and other professional groupings
- Role of the Monitoring Officer and the Standards Committee
- Audit Services distribute letters to Chief Officers on potential frauds, scams etc.

ISA 250**Objective**

Requires that auditors understand how management gain assurance that all relevant laws and regulations are complied with.

Procedures in Place

All Member Reports must include legal considerations which reflect the impact of statutory/regulatory requirements. The Monitoring Officer (Director of Legal Services) has a specific responsibility to ensure that the Authority operates lawfully. Legal officers are present at Member meetings to provide advice and the inclusion in identified posts for office holders to maintain an up-to-date knowledge of appropriate legislation eg Strategic Directors, Director of Finance & ICT, Director of Legal Services (Monitoring Officer), Assistant Director of Finance (Audit).

ISA 501**Objective**

Requires that auditors obtain confirmation from management around the potential for litigation and claims that would affect the Financial Statements.

Procedures in Place

- The Director of Finance & ICT seeks specific assurance from the Head of Paid Service and Director of Legal Services whether or not there are material claims or potential claims which would affect the Financial Statements.
- The Director of Legal Services also raises this as an item at his Departmental Management Team.
- Should the potential for any such claim be identified by Audit Services this would be raised directly with the Director of Finance & ICT.
- As part of Audit Services review of insurance the procedures for identifying potential claims/risk exposure and potential mitigation are reviewed.