



Please ask for Brian Offiler
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The Chair and Members of Standards
and Audit Committee

29 March 2017

Dear Councillor,

Please attend a meeting of the STANDARDS AND AUDIT COMMITTEE to be held on WEDNESDAY, 5 APRIL 2017 at 2.00 pm in the Council Chamber, Town Hall, Rose Hill, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to Items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 3 - 10)

Minutes of the Meeting of the Standards and Audit Committee held on 8 February, 2017.

4. External Audit Plan 2016-17 (Pages 11 - 28)
5. External Audit Progress Report - April 2017 (Pages 29 - 42)
6. Internal Audit Plan 2017-18 (Pages 43 - 54)
7. Outstanding Internal Audit Recommendations (Pages 55 - 68)

8. Progress Report on Implementation of Audit Report Recommendations on Health and Safety (Pages 69 - 72)
9. Derbyshire Audit Forum (Pages 73 - 132)
10. Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report to Standards Committee 2017 (Pages 133 - 154)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Randy', with a stylized flourish at the end.

Local Government and Regulatory Law Manager and Monitoring Officer

STANDARDS AND AUDIT COMMITTEE

Wednesday, 8th February, 2017

Present:-

Councillor Rayner (Chair)

Councillors A Diouf
Derbyshire
Hollingworth

Councillors Brown
Tidd

*Matters dealt with under the Delegation Scheme

30 DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS RELATING TO ITEMS ON THE AGENDA

No declarations of interest were received.

31 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Caulfield.

32 MINUTES

RESOLVED -

That the minutes of the Standards and Audit Committee meeting held on 23 November, 2016 be approved as a true record.

33 EXTERNAL AUDIT TECHNICAL UPDATE AND PROGRESS REPORT

Kay Meats of KPMG presented the external audit progress report and technical update.

The external auditor had concluded work on the 2015/16 accounts and value for money conclusion, the results of which would feed in to the external audit plan for 2016/17, which would be presented to a future meeting of the Committee.

It was noted that key members of the Council's finance team were due to attend training workshops run by KPMG for local government staff involved in preparing the statement of accounts.

The Local Government and Regulatory Law Manager would check the Council's position regarding the calculation of licence fees following a recent judgement in the Court of Justice of the European Union.

It was noted that consultation had been undertaken on proposals for the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

***RESOLVED –**

That the External Audit Progress Report and Technical Update be received and noted.

34 EXTERNAL AUDIT ANNUAL REPORT ON GRANTS AND RETURNS 2015/16

Kay Meats of KPMG presented the external audit annual report on the Council's 2015/16 grant claims and returns.

This included certification of the Housing Benefit Subsidy claim and the pooling of Housing Capital receipts claim. The Housing Benefit Subsidy claim had been subject to a qualification letter due to a minor unreconciled difference and a transcription error. The Council had claimed the correct subsidy amount, and no adjustments had been required as a result of the certification work.

The report made one recommendation regarding full reconciliation of future returns and an action plan had been agreed with the Council to do this for 2016/17.

***RESOLVED –**

That the External Audit Annual Report on the Council's 2015/16 grant claims and returns be received and noted.

35 EXTERNAL AUDIT REPORT - REDEFINING INTERNAL AUDIT

Kay Meats of KPMG presented the report 'Redefining Internal Audit' produced by the KPMG Local Government Team.

The report set out the key challenges and opportunities for internal audit in local government and provided a useful reference for audit committees when considering internal audit plans.

***RESOLVED –**

That the KPMG report 'Redefining Internal Audit' be noted.

36 TREASURY MANAGEMENT STRATEGY REPORT 2017-18

The Director of Finance and Resources presented a report recommending for approval the Treasury Management Strategy Statement and the Annual Investment Strategy Statement for 2017/18 and the Minimum Reserve Provision (MRP) Policy for 2017/18.

The report outlined the key aims of the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice for Treasury Management in the Public Services', adopted by the Council in 2003. The Council was required to approve the Treasury Management and Investment Strategies and reaffirm its adoption of the Code before the start of each financial year.

The report detailed the Council's estimated capital expenditure, how this would be financed and the Council's borrowing need, along with the proportion of income used to finance the debt and the impact on Council Tax and housing rents.

The Treasury Management Strategy Statement 2017/18 was attached to the report, and the economic and interest rate forecast provided by the Council's financial advisers, including details of permitted investments, was provided at Appendix A.

In response to questions from Members it was confirmed that the Council took advice from its financial advisers when arranging its investments, taking account of risk factors, in order to protect public money. Predicted capital receipts were based on estimated valuations, and the borrowing

need and the proportion of income to finance debt would be impacted where the level of actual receipts varied from this.

***RESOLVED –**

That Full Council be recommended to:

- (i) affirm its adoption of CIPFA's Code of Practice on Treasury Management;
- (ii) approve the Treasury Management Strategy Statement and Annual Investment Strategy, including the Prudential Code Indicators;
- (iii) approve the Minimum Revenue Provision Policy.

37 EXTERNAL REVIEW OF INTERNAL AUDIT

The Internal Audit Consortium Manager presented a report informing members of the results of the external review of internal audit which had taken place in October 2016.

The Public Sector Internal Audit Standards (PSIAS) required an external assessment of internal audit be undertaken at least once every five years. The assessment had been undertaken by an experienced External Quality Assessor.

The assessment concluded that the Internal Audit Consortium complied with the expectations of PSIAS. The assessor's report was attached to the report at Appendix 1.

The assessor's report included a number of recommendations and an action plan had been developed to address these, which was attached to the report at Appendix 2.

The key theme from the assessment and recommendations related to enhancing and developing the use of risk based auditing in order to be able to provide increased levels of assurance.

In respect of the recommendation on providing assurance relating to the IT risks, it was noted that the Council had now achieved PSN accreditation following external assessment, and in respect of the recommendation on the internal audit plan providing wider assurance in

support of the governance statement, it was noted that the format of the annual audit plan would be reviewed to ensure it covered all significant risks.

It was noted that the assessment provided a positive reflection on the internal audit team.

***RESOLVED –**

- (1) That the results of the external review of internal audit be noted.
- (2) That the action plan developed to address the recommendations from the review be approved.

38 PROPOSED NEW SYSTEM OF INTERNAL AUDIT CONSORTIUM
OPINION CLASSIFICATIONS

The Internal Audit Consortium Manager presented a report for Members to consider a revised system of classification for the internal audit opinions issued as the conclusion for each audit report.

Based on current best practice and the recommendations of the external reviewer of internal audit, it was proposed to revise the classifications issued to focus more on the level of assurance that could be given with regard to the area being audited.

The report gave a definition for each of the four proposed classifications – substantial assurance, reasonable assurance, limited assurance and inadequate assurance.

Arising from discussion it was proposed that the Standards and Audit Committee be provided with copies of audit reports with a limited or inadequate assurance classification and that the relevant officers be requested to attend the Committee for reports with an inadequate assurance classification.

***RESOLVED –**

- (1) That the revised internal audit report opinion classifications be introduced from the commencement of the 2017/18 internal audit plan year.

- (2) That the Standards and Audit Committee be provided with copies of audit reports with a limited or inadequate assurance classification and that the relevant officers be requested to attend the Committee for reports with an inadequate assurance classification.

39 **SUMMARY OF INTERNAL AUDIT REPORTS ISSUED - JANUARY 2017**

The Internal Audit Consortium Manager presented a report summarising the Internal Audit reports issued during the period 5 November, 2016 to 13 January, 2017 in respect of reports relating to the 2016/17 internal audit plan.

The Committee noted that the classification of the reliability of internal controls was 'satisfactory' in five cases and 'unsatisfactory' in one case (Health and Safety). No issues in respect of fraud had been identified.

Pursuant to Minute No. 4 (Standards and Audit Committee 2016/17), a copy of the unsatisfactory report in respect of Health and Safety was attached to the report.

The Health and Wellbeing Manager updated the Committee on the progress of the implementation schedule in respect of the audit recommendations on Health and Safety, and he responded to Members' questions on this.

It was noted that the main Health and Safety policy would be reviewed in mid 2017 and that a prioritised plan of other policies to be reviewed or deleted would be produced by April 2017. In the meantime existing policies remained in place and were available to managers and staff on the Council's intranet.

It was recognised that the majority of the current officer resource time was currently being taken up with major projects, particularly in respect of asbestos management work and management of contractors. It was expected that completion of the asbestos surveys across the Council and development of an action plan would take approximately 12 months. Options to provide additional support in the short term to undertake some of the immediate work required were being considered, following which the resource required in the longer term would be reviewed.

It was confirmed that the corporate health and safety audits focused on working processes and systems and that discussions were ongoing with Kier in respect of surveys of facilities.

*** RESOLVED –**

- (1) That the report be noted.
- (2) That a progress report on the implementation of the audit recommendations on health and safety be provided to the next meeting of the Committee on 5 April, 2017.

40 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC

*** RESOLVED –**

That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act.

41 REVIEW OF COUNCILLOR COMPLAINTS

The Monitoring Officer presented a report to give Members an overview of complaints about councillors from the introduction of the current standards system in July 2012 to the present and to recommend updates to the current system.

The Council had adopted a new code of conduct in June 2012 as required by the Localism Act 2011 to deal with complaints about Chesterfield Borough councillors, Staveley Town Council councillors and Brimington Parish Council councillors. It was emphasised that the code only covered behaviour in the capacity as a councillor.

The procedure for considering complaints was attached to the report as an appendix, and the report detailed the number of complaints received between July 2012 and December 2016, the themes of the complaints and the outcomes. Of the total number of 30 complaints received, nine had been withdrawn before assessment, 16 had been assessed by the Monitoring Officer (or his nominated deputy) as not being within the remit of the code of conduct and in one case it had been assessed that an investigation should take place.

It was noted that under the current system to date it had not been necessary to apply any sanctions, although appropriate training had been recommended in some cases. If a complaint related to a town or parish councillor, any sanction would be a recommendation to the town or parish council to consider and implement.

The report outlined some comments on the effectiveness of the current standards system and proposed updates to the current procedure for considering complaints in respect of the timescale in which assessments should be completed and the frequency at which summary reports should be submitted to the Standards and Audit Committee.

It was noted that the code of conduct would be reviewed to consider if updates or improvements could be made and that a separate report would be submitted to a future meeting of the Committee as appropriate.

*** RESOLVED –**

- (1) That the report be noted.
- (2) That the following changes be made to the Council's procedure for considering complaints:
 - (i) 'That complaints will be assessed within 20 working days where practicable, but in some more complex cases or where clarification is needed longer may be required and the complainant should be kept informed';
 - (ii) 'That a report will be submitted every 6 to 12 months to the Standards and Audit Committee';
 - (iii) That further clarification be provided of the reason why a complaint may be found to be outside the remit of the code.



External Audit Plan 2016/2017

Chesterfield Borough Council

March 2017

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£1.4 million**.

We are obliged to report uncorrected omissions or misstatements other than those **£55,000**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Business rate appeals; and
- Disclosure associated with retrospective restatement of CIES, EFA and MiRS.

See pages 3 to 5 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial resilience - delivery of future savings and other measures to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience.

See pages 6 to 10 for more details.

Logistics



Our team is:

- Tony Crawley – Director
- Kay Meats – Manager
- Joseph Mugwagwa – Assistant manager

More details are on **page 14**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £52,445 (£52,445 2015/2016) see **page 12**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement)*: Providing an opinion on your accounts; and
- *Use of resources*: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

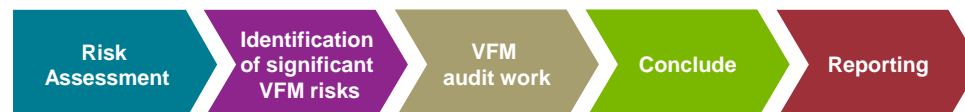
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 7 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.





Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

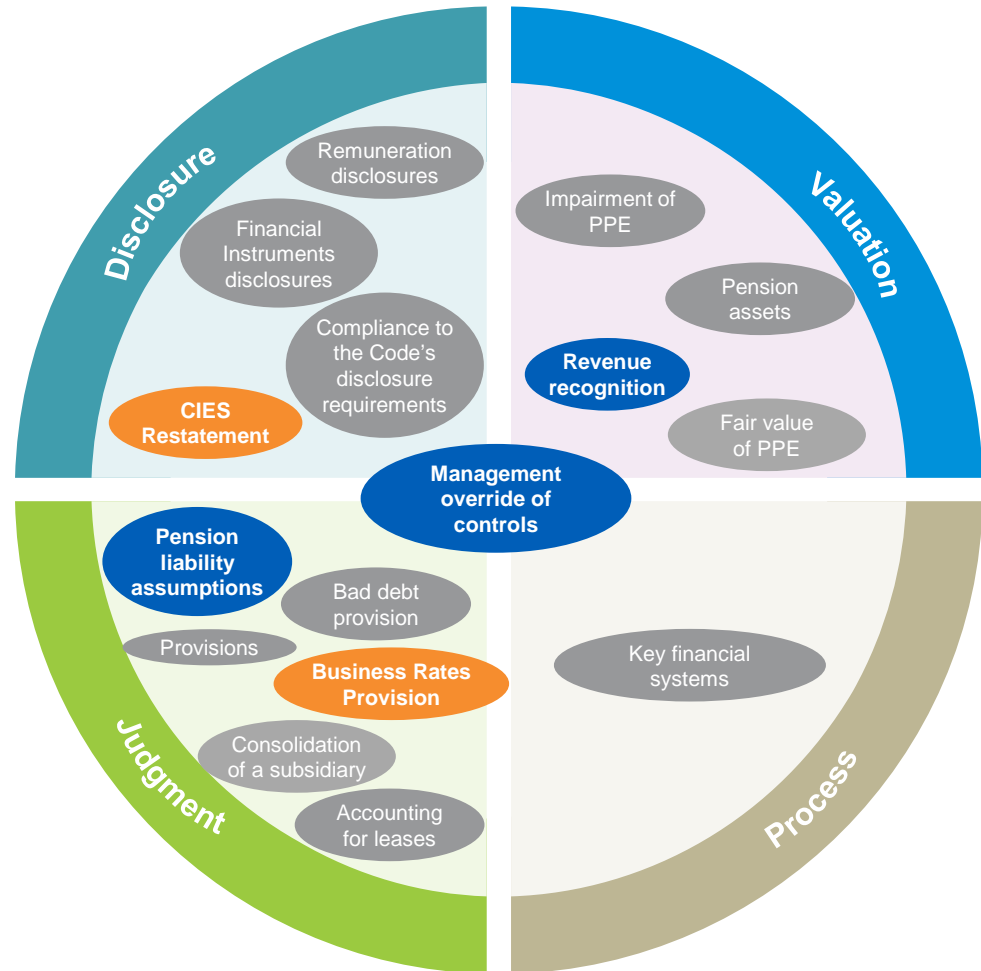
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme (the Pension Fund) for the Authority has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Derbyshire County Council, who administer the Pension Fund.

Approach : As part of our audit, we will agree the relevant data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team where are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy of that data.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Risk : Business rates provision

The provision for business rate appeals is an area of audit focus since local authorities have little control over the level of appeals and their outcome. It is difficult to anticipate the financial impact of successful appeals as the potential change in rateable value cannot be predicted. Also, there is usually no indication of timescales to settle an appeal, making it a matter of judgement as to when the financial impact will fall.

Approach : We will review the Authority's approach to estimating its provision for business rate appeals against the requirements of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Risk : Disclosure associated with retrospective restatement of CIES, EFA and MiRS

CIES has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how councils are funded and how they use the funding to serve the local population. The outcome of this project has resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (the Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note.

As a result of these changes, retrospective restatement of the CIES (cost of services), EFA and MIRS is required from 1 April 2016 in the Statement of Accounts. The new disclosure requirements and the restatement of the accounts require compliance with relevant guidance and the correct application of applicable Accounting Standards. Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts, worthy of audit understanding.

Approach : We will liaise with the Authority's Finance team regarding the new requirements and agree the new disclosures, including the restatement of the prior year comparators.

Financial statements audit planning (cont.)



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £1.4 million which equates to 1 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

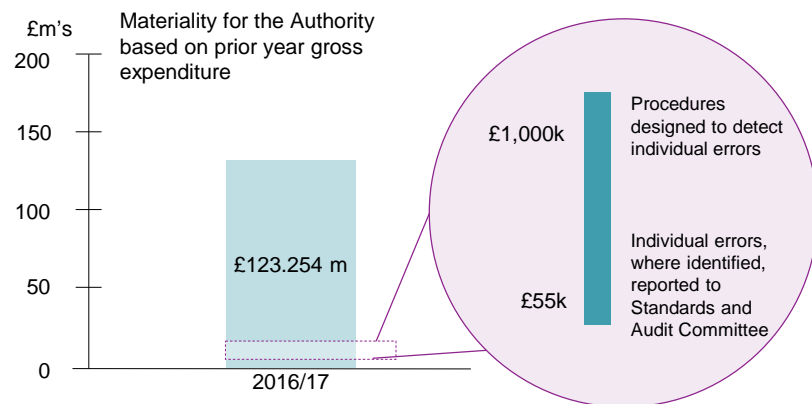
Reporting to the Standards and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Standards and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £55,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Standards and Audit Committee to assist it in fulfilling its governance responsibilities.



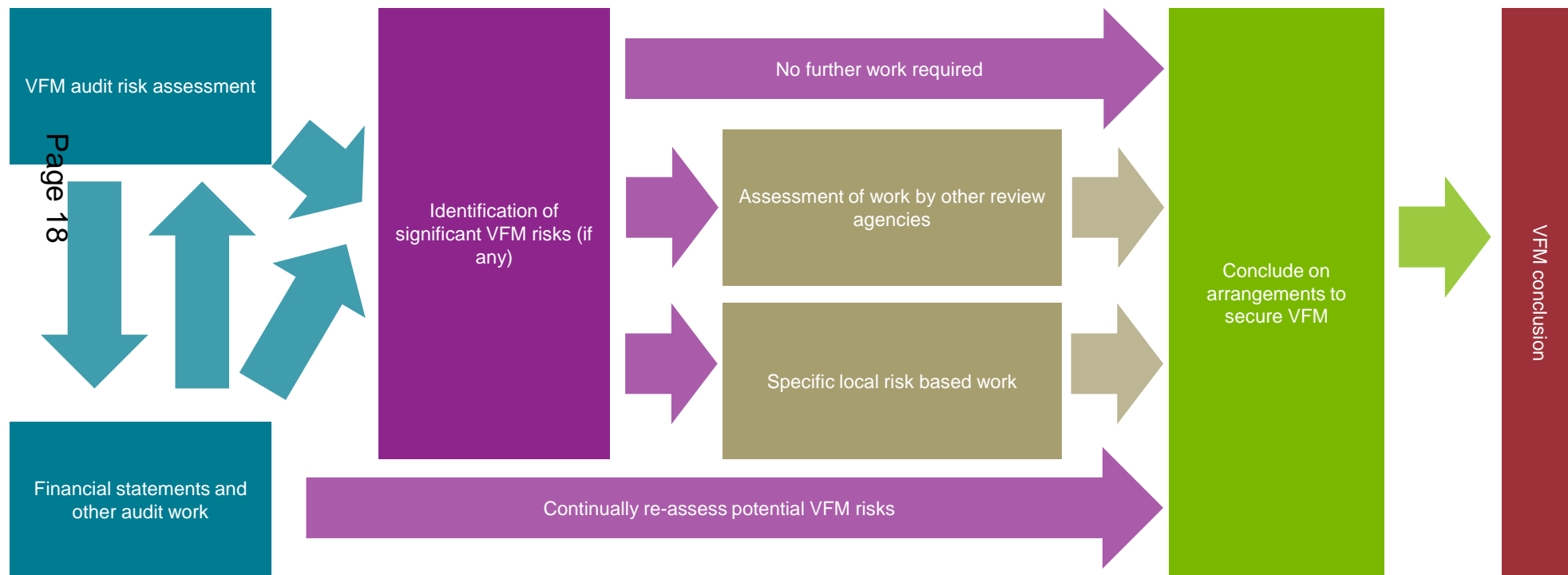


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; and ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Financial Resilience

Risk: The original budget set by the Authority for 2016/17 showed a deficit position of £236k after allowing for planned savings of £1,051k. As at February 2017, the Authority was forecasting that it will deliver its 2016/17 budget and achieve a surplus of £105k. The Medium Term Financial Plan (which for clarity does not factor in the projected 2016/17 surplus) shows that the current estimated savings required in the next two years is relatively low compared with those previously achieved, but will still be challenging given that it is inevitably becomes increasingly difficult to reduce costs year after year. A deficit of £209k and £458k is being forecast for 2017/18 and 2018/19 respectively.

Approach: Our value for money work will assess the arrangements the Authority has in place to maintain its record of meeting efficiency savings to address national funding changes. We will rely on our accounts audit work where relevant, underpinned by a review of the Authority's budget setting process, financial management processes, and discussions with the senior management team. As a part of our VFM work we will critically assess the controls the Authority has in place to ensure a sound financial standing and review how the Authority is planning and managing its savings plans.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Tony Crawley who will provide continuity to the audit. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Standards and Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

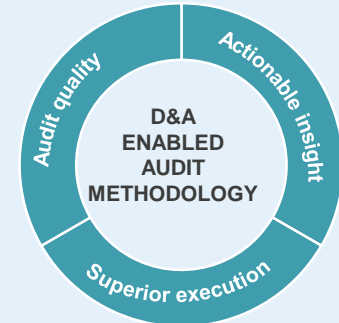
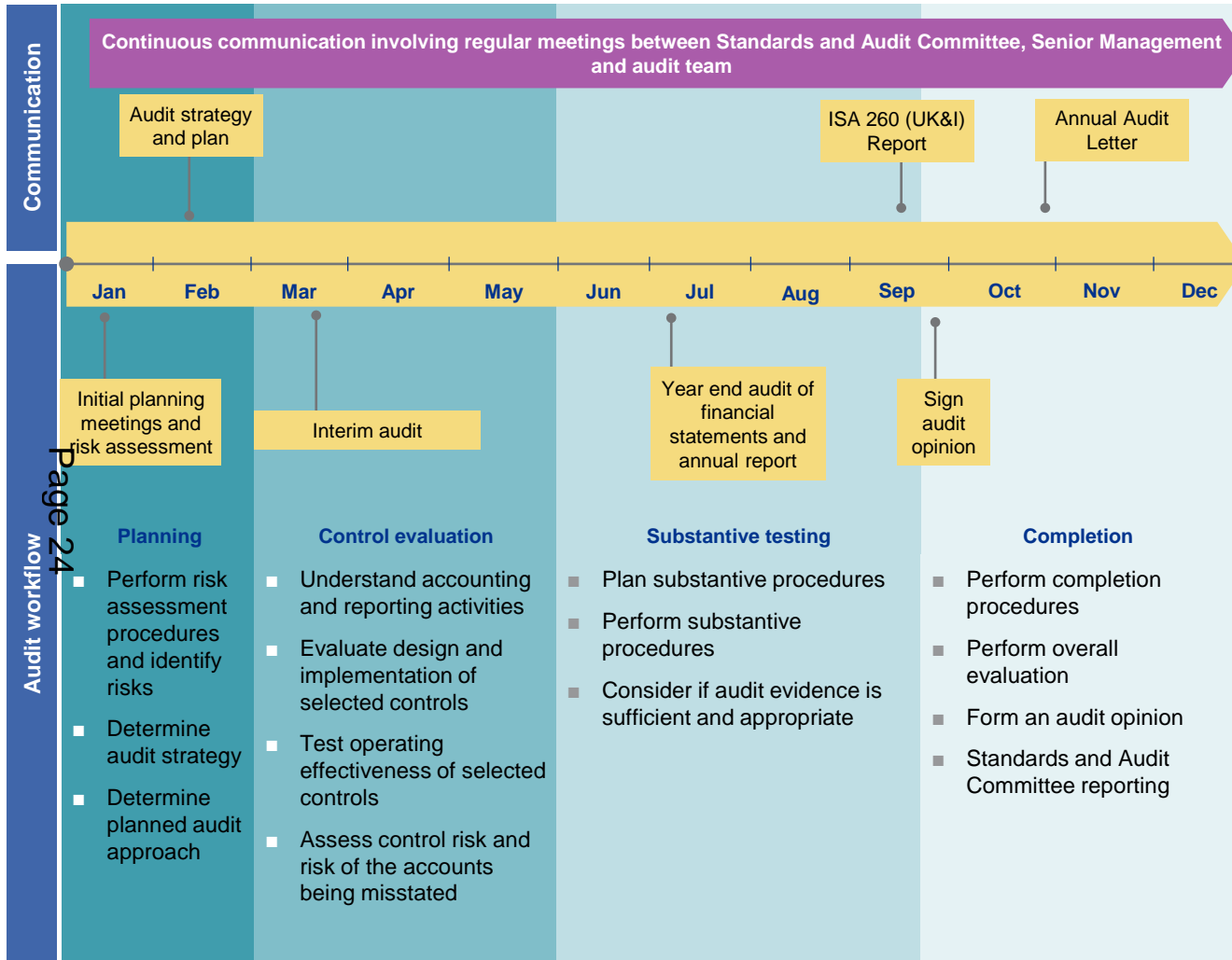
Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2016/17 is £52,445. Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Our audit fee may be varied later, subject to agreement with PSAA, for changes in the Code, specifically this year the changes in relation to the disclosures associated with retrospective restatement of the CIES, EFA and MIRS.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We will consider using data and analytics in our work around key areas such as accounts payable and journals. We will aim to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Tony Crawley and Kay Meats were part of the Chesterfield Borough Council audit last year. Joseph Mugwagwa will join the audit team as Assistant Manager.



Tony Crawley
Director

tony.crawley@kpmg.co.uk
0116 256 6067

Name	Tony Crawley
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Standards and Audit Committee and Chief Executive.'</p>



Kay Meats
Manager

kay.meats@kpmg.co.uk
0782 482 1375

Name	Kay Meats
Position	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with the director to ensure we add value.</p> <p>I will liaise with the Director of Finance and Resources and other Executive Directors.'</p>



Joseph Mugwagwa
Assistant Manager

joseph.mugwagwa@kpmg.co.uk
0121 232 3175

Name	Joseph Mugwagwa
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Standards and Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of March 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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External Audit: Progress Report and Technical Update

Chesterfield Borough Council

Standards and Audit Committee – April 2017

Contents

The contacts at KPMG in connection with this report are:

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This report provides the Standards and Audit Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights some of the recent communications and other publications on the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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External audit progress report

External audit progress report – April 2017

This document provides the Standards and Audit Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At Appendix 1 we have provided a technical update on relevant reports and publications by National Audit Office, CIPFA and other bodies.

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Commentary	
2016/17 audit	<p>Since the last Standards and Audit Committee meeting in February 2017 we have:</p> <ul style="list-style-type: none"> Met with officers to update our risk assessment of the Authority and support the development of our External Audit Plan; Completed our planning work for the 2016/17 audit, the outcome of which was reported to the Chief Financial Officer in our External Audit Plan in March 2017, and is due to be received by the Standards and Audit Committee in April 2017. Carried out our interim audit visit during March 2017. There are no matters arising which were necessary to be separately reported to you at this stage; and Started our Value for Money (VFM) conclusion work. Our approach follows guidance specified by the National Audit Office in terms of the scope and focus of the work. We have performed an initial assessment of the use of resources risks identified through our risk assessment and the action that management is taking to achieve value for money. There is nothing that we need to report to you at this stage. We are aware of the uncertainties that remain in relation to the future of local government funding, and we will continue our assessment of your arrangements for planning for the future. <p>Our work over the next quarter will include:</p> <ul style="list-style-type: none"> Commencing our audit of your financial statements. Our year end audit visit has been confirmed and is due to commence on 3 July 2017; and Completing our assessment of your arrangements to provide VFM.
Technical Update	At Appendix 1 we have provided a technical update on relevant reports and publications by National Audit Office, CIPFA and other bodies.
Actions	<p>We ask the Standards and Audit Committee to:</p> <ul style="list-style-type: none"> NOTE this progress report.



Appendices

Appendix 1 - Technical update - National Audit Office publications

Area	Comments
<p>Round-up for Audit Committees</p>	<p>This interactive round-up (published in October 2016) is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. The round-up includes a focus on risk, summarising some of the learning points in NAO reports that provide particularly useful lessons for key aspects of risk management.</p> <p>The round-up will normally be published each autumn and spring and look back over six months. As the inaugural edition, this publication highlights NAO reports published over the last year, including an introduction by Sir Amyas Morse, Comptroller and Auditor General.</p> <p>The NAO's full report can be found at:</p> <p>https://www.nao.org.uk/wp-content/uploads/2016/10/Round-up-for-audit-committees.pdf</p>
<p>Overview of Local Government and DCLG</p>	<p>The NAO has recently published two overviews drawing on their recent work in the local government sector which may be of interest to Audit Committee members.</p> <p>Overview: Local government (November 2016)</p> <p>This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as the NAO's work with local authorities. It covers:</p> <ul style="list-style-type: none"> • how local government is constituted and funded; • local government spending; • findings from the NAO's work on local government; and • a look ahead to the coming year for local government. <p>The report can be found via the following link:</p> <p>https://www.nao.org.uk/report/overview-local-government/</p> <p>Departmental Overview 2015-16: Department for Communities and Local Government (November 2016)</p> <p>This Departmental Overview looks at the Department for Communities and Local Government and summarises its performance during the year ended March 2016, together with NAO's recent reports on it.</p> <p>This guide is designed to provide a quick and accessible overview of the Department and focuses in particular on where the NAO believe the Department's performance could be improved, using examples from its published work. It covers:</p> <ul style="list-style-type: none"> • the department's responsibilities and how it spends its money; • financial management; • reported performance; and • issues identified in NAO reports. <p>The report can be found via the following link:</p> <p>https://www.nao.org.uk/report/departmental-overview-2015-16-department-for-communities-and-local-government/</p>

Appendix 1 - Technical update - CIPFA publications

Area	Comments
<div data-bbox="93 565 132 705" data-label="Page-Header">Page 35</div> <div data-bbox="105 308 254 391" data-label="Section-Header"> The Commercial Imperative </div>	<p>This July 2016 report published by Civica, in partnership with CIPFA, outlines the need for councils to improve their commercial skills and seek new income streams in order to close the current funding gap. The report explores the role of commercialisation as a way for authorities to tackle current financial challenges and become self-sufficient and provides step-by-step guidance on how to find the right path to achieve a sustainable commercial model.</p> <p>Independent research spanning 45 local authorities found that:</p> <ul style="list-style-type: none"> • 40% of local authority leaders say commercialisation plays some part in their current strategy, however, only 4% of public sector CEOs and CFOs say they have significant commercial expertise; • positive progress is being held back by a lack of understanding of what the market needs (36%) and concerns about the risks involved (56%); • a restrictive culture (40%) and discomfort about new models (56%) is also having an impact; and • those with a commercial strategy say commercialisation gives them more control over developments in the community, builds closer relationships with the people they serve and supports the creation of new jobs. <p>Following increased financial uncertainty and another tough financial settlement for councils in England, where government grants have been cut by 25% and organisations are expected to be financially self-sufficient by 2020, local authorities are looking beyond service reduction towards commercialising services. While commercialised approaches and options are plentiful, finding the right strategy that delivers genuine returns is a task that few local authorities have found easy.</p> <p>The report outlines critical success factors influencing commercial journeys, four ways to generate revenue and six practical steps to help local authority leaders build a sustainable commercial model.</p> <p>http://www.cipfa.org/policy-and-guidance/reports/civica-the-commercial-imperative</p>

Appendix 1 - Technical update - CIPFA publications

Area	Comments
CIPFA Annual Chief Financial Officer Survey	<p>In December 2016 CIPFA published the results of its annual CFO confidence survey. The survey found that CFOs of English councils claim adult and children's social care services are facing the most significant budgetary pressures in comparison to other services.</p> <p>When asked which three areas are under the greatest budget pressures, 86% of CFOs identified adult social care, with virtually the same percentage also naming children's social care (85%).</p> <p>CIPFA reported that this came as reports indicate the government is set to encourage local authorities in England and Wales to raise the social care precept even further to boost adult and children's services. CIPFA questions whether the precept is the fairest solution to the funding shortfall.</p> <p>The survey also reveals that CFOs are significantly less confident in the ability of their council to keep delivering services in the next financial year in comparison to this year. Thirty-eight percent of CFOs are 'less confident' in their organisation's ability to deliver services in 2017/18, compared to 15% for 2016/17.</p>
Other CIPFA publications	<p>In recent months CIPFA has issued guidance covering the following topics which are relevant to the authority:</p> <ul style="list-style-type: none"> • 2016/17 Accounts – CIPFA has published Guidance Notes for Practitioners for the Code on LA Accounting, and example accounts and disclosure checklist for the LGPS Accounts • Local Authority Capital Accounting – a reference manual for practitioners • The Guide to Local Government Finance (2016 edition) • A Practical guide to Alternative Models - This guide gives clear explanations of the different types of alternative models and vehicles, their structures and frameworks • Investment Pooling Governance Principles for LGPS Administering Authorities - This guidance supports authorities in demonstrating best practice governance during the implementation of, and when participating in, LGPS asset pooling arrangements. • Property Asset Valuation: A Handbook for Property and Finance Professionals in Local Authorities (2016 Edition) - This examines complex issues surrounding local authority property assets including classification, valuation and component accounting. This new edition provides guidance around the requirements of IFRS 13 for property asset valuations.

Appendix 1 - Technical update - NAO/CIPFA publications

Area	Comments
<div data-bbox="93 568 134 706" data-label="Page-Header">Page 37</div> <div data-bbox="107 311 273 505" data-label="Section-Header"> <p>'Financial Sustainability of Local Authorities' and 'National Treasury Risk Study'</p> </div>	<p>In June 2016 the National Audit Office (NAO) published its report to the Department for Communities and Local Government (DCLG) into the financial sustainability of local authorities: capital financing and resourcing. Since the demise of the Audit Commission this is the first report providing a national perspective on the state of the financial health of local authorities.</p> <p>Their report considers the capital spending and resource implications over the same period and has some expected and more surprising findings. Despite the fall in revenue resources, capital grants over the same period actually increased albeit by 0.2% and the use of other capital resources such as capital receipts has also increased.</p> <p>The major issue around capital financing has been minimising the impact on revenue spending. The report is complimentary of the approaches taken by authorities using prudent treasury management strategies to minimise external borrowing and reviewing MRP (Minimum Revenue Provision). The use of internal borrowing has avoided revenue interest payments and minimised investment cash balances.</p> <p>The report also looks at the role of DCLG in overseeing the systems in place to ensure sustainability and overall concludes that 'assurance' can be taken from the capital framework based upon CIPFA's Prudential Code. However, there are areas where DCLG can improve performance particularly around identifying issues and trends in the sector. Concerns are raised that with the inevitable focus on short-term revenue pressures some decisions such as changing MRP policies and reducing maintenance programmes may not prove to be prudent decisions in the longer term.</p> <p>In order to help the sector and DCLG, CIPFA re-launched its National Treasury Risk Study on 30 September 2016. Aimed at all local authorities the Risk Study provides objective quantification of an authority's treasury position set against the best practice CIPFA treasury risk framework. The analysis is carried out based on portfolio positioning, the latest balance sheet position and projected spending plans. The results are to be provided to each authority free of charge and will set individual positions and risk strategies against participating peers. The results will also be shared with DCLG to aide with their identification of long term trends within the sector. CIPFA encouraged all authorities to participate to enhance their own decision making and benefit all stakeholders in the sector.</p> <p>NAO's full report and CIPFA's survey can be accessed via the links below:</p> <p>https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/</p> <p>http://www.cipfa.org/services/advisory-and-consultancy/financial-resilience-advisory-report/risk-management-study</p>

Appendix 1 - Technical update - NAO and PSAA publications

Area	Comments
<div data-bbox="51 282 207 368">Updated Guidance to Auditors</div> <div data-bbox="51 789 232 961">Report on the results of auditors' work 2015/16: local government bodies</div> <div data-bbox="89 714 134 853" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 38</div>	<p>The Local Audit and Accountability Act 2014 provides the Comptroller and Auditor General with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. The Act requires auditors to have regard to such guidance.</p> <p>To support auditors in their work and facilitate the consistency of approach between auditors, the NAO publishes a series of Auditor Guidance Notes (AGNs). Auditor guidance notes, and supporting information (where relevant) are published on the NAO's website:</p> <p>https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</p> <p>In December 2016 the NAO updated:</p> <ul style="list-style-type: none"> • <i>Auditor Guidance Note 1 (AGN 01) – General Guidance.</i> This is relevant to all auditors of local bodies. It sets out the overall framework for issuing guidance and for providing other support to local auditors. AGN 01 explains the status of statutory guidance issued by the NAO on behalf of the C&AG. It also explains that the NAO issues supporting information and describes arrangements for engagement between the NAO and auditors. There continues to be a section in the AGN on co-operation between local auditors and a section on whistle-blowing. The AGN also continues to set out the protocol that auditors should follow when dealing with technical and legal queries. The main revision to the AGN is to update explanatory and supplementary guidance on meeting the requirements in the <i>Code of Audit Practice</i> to safeguard integrity, objectivity and independence in the conduct of local audit. • <i>Auditor Guidance Note 7 (AGN 07) – Auditor Reporting.</i> This is relevant to all local auditors of bodies covered by the Local Audit and Accountability Act 2014 (the Act) and the Code of Audit Practice (the Code) including auditors of foundation trusts. The updated AGN 07 reflects some minor consequential changes arising from revisions to AGN 01, and to refer to NHS Improvement instead of Monitor where relevant.
	<p>This Public Sector Auditor Appointments (PSAA) December 2016 report summarises the results of auditors' work at 497 principal bodies and 9,756 small bodies for 2015/16. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.</p> <p>PSAA concluded that the timeliness and quality of financial reporting for 2015/16, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. The number of principal bodies that received an early unqualified audit opinion (by 31 July) doubled compared with 2014/15. In spite of the challenges they are facing, principal local government bodies are working hard to maintain high standards of financial reporting. The latest results of auditors' work on the financial year to 31 March 2016 show a good position for the majority of organisations.</p> <p>PSAA's report can be accessed via the link below:</p> <p>http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/</p>

Appendix 1 - Technical update - DCLG and Home Office

Area	Comments
<p>The provisional 2017-18 local government finance settlement</p>	<p>In December 2016 DCLG published the provisional settlement. The publication set out DCLG's proposals for:</p> <p><u>The distribution of central resources</u> – it outlines:</p> <ul style="list-style-type: none"> the second year of the multi-year settlement offer for those councils that accepted the Government's offer, and arrangements for those that did not the reforms to the New Homes Bonus, following consultation earlier this year the introduction of an Adult Social Care Support Grant to be funded from additional savings from the New Homes Bonus in 2017-18 the confirmed approach to distributing funding through the Better Care Fund and the allocation methodology. <p><u>Changes to local resources</u> - including:</p> <ul style="list-style-type: none"> the Government's proposals for the council tax referendum principles for 2017-18; changes to the approach for adjusting Business Rates (BR) tariff and top ups to manage the impact of the 2017 BR revaluation on local authorities' income; confirmation of the methodology, for the final settlement, for calculating amongst other things the agreed changes in the local share of retained BR; and confirmation of the mechanism for voluntary transfer of funding between the Mayoral Combined Authority and constituent authorities. <p>The consultation period ended 13 January 2017.</p>
<p>Organised Crime Procurement Pilot Report</p>	<p>The Home Office has produced an <i>Organised Crime Procurement Pilot Report</i>, which has been circulated to all local authorities, police forces and police and crime commissioners in England and Wales. The report provides findings from pilot studies it has undertaken on the threat that serious and organised crime poses to publicly procured services in local authorities and how to respond to that threat. The report estimates that of the £2.1 billion of local government fraud in 2013, £876m related to procurement fraud. Local government spent around £60 billion on procurement (excluding central services) in 2014-15, so this area is considered to be attractive to serious and organised criminals.</p> <p>The pilots indicated the sectors most at risk were waste services, taxi/transport services and low value spending (generally payments in the hundreds of pounds and in schools for property maintenance services). These sectors can be more vulnerable because they are predominantly cash-based businesses; enable high-value cash transactions; can have market domination within geographical areas; have predictable returns or high levels of potential profit; and present opportunities to launder cash by, for example, acting as a 'front' company. Local authority taxi contracts were identified as being at particular risk. The main focus of those contracts is to provide transport for some of the most vulnerable members of society, and criminal groups can use taxis to gain access to the vulnerable.</p> <p>The Home Office is recommending that local authorities share the report and its findings with senior management teams to raise awareness among those responsible for procurement, finance, fraud investigation, internal audit and licensing. The Home Office recommends that authorities liaise with the police as well as organised crime local multi-agency partnership groups in order to identify the greatest areas of risk.</p> <p>The report includes suggestions to strengthen arrangements, and in addition, the Home Office has also produced tools to both raise awareness and protect and reduce vulnerability:</p> <ul style="list-style-type: none"> <u>A Serious and Organised Crime Checklist</u> - this enables local authorities to quickly assess their serious and organised crime risks within their organisation. <u>A Serious and Organised Crime Audit</u> - a more developed methodology that allows local authority internal audit teams to scrutinise business operations to establish where there may be vulnerabilities.

Appendix 2 - 2016/17 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2016	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	April 2017	Complete
Substantive procedures			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Authority's value for money arrangements.	September 2017	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2017	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2017	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2017	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	January 2018	TBC



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For publication

CHESTERFIELD BOROUGH COUNCIL **INTERNAL AUDIT PLAN 2017/18**

Meeting:	Standards and Audit Committee
Date:	5 th April 2017
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 Purpose of report

- 1.1 To present to Members for consideration and agreement the Internal Audit Plan for 2017/18.

2.0 Recommendations

- 2.1 That the Internal Audit Plan for 2017/18 be agreed.

3.0 Report details

- 3.1 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.
- 3.2 The internal audit plan is linked to the Council's Corporate Plan in respect of its aim to provide value for money services. Audit reviews assess the controls and procedures in operation and make

recommendations for improvement.

- 3.3 A note explaining the role, purpose and some of the terminology used in the internal audit plan is attached at Appendix 1.
- 3.4 An annual report summarising the outcome of the 2016/17 internal audit plan will be presented to this Committee after the year-end.
- 3.5 A summary of the internal audit plan for 2017/18 is shown below and the detailed plan is shown as Appendix 2.

Internal Audit Plan 2017/18

Summary	Audit Days
Main Financial Systems	176
Other Operational Audits	160
Computer / IT Related	28
Fraud and Corruption	38
Corporate / Cross Cutting	94
Location / Regularity	5
Special Investigations & Contingency	34
Training/Updating test schedules	10
Audit Committee / Client Liaison	15
Grand Total	560

- 3.6 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;
 - The organisations assurance framework;
 - 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;
 - The views of the Corporate Management Team.
- 3.7 Resource availability has been based on the Consortium Business Plan. The plan allocates 560 days to Chesterfield Borough Council for 2017/18, this is the same allocation as in 2016/17.

3.8 There is no formula that can be used to establish the ideal number of audit days however the Internal Audit Consortium Manager is of the view that the resource level is sufficient, to be able to provide an opinion on internal controls at the end of the year.

3.9 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.

4.0 **Human resources/people management implications**

4.1 There are no human resource considerations.

5.0 **Financial implications**

5.1 Financial - the internal audit budget for 2017/18 has been approved by the Joint Board and includes a contingency to cover for any unforeseen circumstances.

6.0 **Legal and data protection implications**

6.1 There are no legal and data protection implications.

7.0 **Consultation**

7.1 Not Applicable

8.0 **Risk management**

8.1 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 2017/18 internal audit plan will be sufficient upon which to base an opinion.

9.0 **Equalities Impact Assessment (EIA)**

9.1 Equalities – there are none arising from the contents of this report.

10.0 **Alternative options and reasons for rejection**

10.1 Not Applicable.

11.0 **Recommendations**

11.1 That the Internal Audit Plan for 2017/18 be agreed.

12.0 **Reasons for recommendations**

12.1 To comply with the Public Sector Internal Audit Standards and to determine the internal audit work plan for the year.

Decision information

Key decision number	
Wards affected	
Links to Council Plan priorities	Value for money

Document information

Report author	Contact number/email
Jenny Williams	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix 1	Internal Audit Plan – Background Note
Appendix 2	Internal Audit Plan – 2015/16 – 2017/18

INTERNAL AUDIT PLAN

BACKGROUND NOTE

1. Definition of Internal Audit

Internal Audit is defined in the Public Sector Internal Audit Standards as:

'... an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

2. The Purpose of Internal Audit

Internal audit is not a substitute for management. It is the purpose of internal audit to assist and support management by appraising the arrangements and procedures established.

There is also a statutory requirement for internal audit in local government contained in The Accounts and Audit Regulations 2015. These regulations require the authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards and guidance.

3. The Difference Between Internal Audit and External Audit

External audit is completely independent of the authority. The Council's external auditors are KPMG. Much of the external auditors' work is determined by statutory responsibilities. Internal audit's terms of reference are determined and approved by management.

However, there is nevertheless considerable scope for co-operation to avoid duplication of work and to make maximum use of audit resources.

4. The Scope of Internal Audit Work

One of the essential elements for effective internal auditing is that the internal auditor should adequately plan, control and record their work.

To determine priorities and to assist in the direction and control of audit work the internal auditor will prepare a plan based on a risk assessment.

The audit plan is divided into the following sections: -

- **Main Financial Systems**

This covers the fundamental accounting and income collection systems of the authority such as payroll, creditor payments, council tax etc. Most of these systems are reviewed on an annual basis due to their importance.

- **Other Operational Audits**

Audits to be undertaken in services include reviewing the controls and procedures in place in areas such as commercial waste and car park income.

- **IT Related**

Topics in this area of the plan include a review of network security and cyber risks. It should be noted that some IT work is included in most of the audit areas reviewed.

- **Fraud and Corruption**

Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan e.g. money laundering. It should be noted that a significant number of other audits include an anti-fraud element e.g. income audits.

- **Cross Cutting Issues**

This area of the plan includes audit subjects that cover all services or are corporate Issues. Examples include work on the Annual Governance Statement and health and safety.

- **Special Investigations**

A contingency provision is included in the plan to cover the investigation of irregularities or cases of suspected fraud and other problems.

5. **Delivering the Internal Audit Service**

A three year strategic audit plan is compiled based on an internal audit risk assessment of auditable areas. This risk assessment takes into account the following factors:

- Materiality – the amount of funds passing through the system
- Control Environment / vulnerability – assessed level of control based on previous audit findings
- Sensitivity – profile of the system in relation to customer service
- Management concerns – any specific issues relating to the operation of the system
- The Council's Strategic Risk Register

Using a scoring system, audits are then categorised as High, Medium or Low risk. This ranking is then used to compile the annual audit plan.

The areas of audit work set out in the agreed plan are split into individual audit assignments.

An audit assignment can involve:

- preparation of system notes and a review/analysis of system controls;
- extraction of background information;
- extraction and testing of sample transactions and controls;
- notes of interviews and meetings.

All work undertaken is recorded on detailed working papers. To ensure that all areas have been covered and appropriate conclusions reached, all working papers are independently reviewed.

A report on the findings and recommendations arising from the audit is sent to the appropriate Service Head and CMT member at the conclusion of the audit. A response to the recommendations is requested within a set time.

A summary of internal audit reports issued each quarter is reported to the Standards and Audit Committee and an Annual Report is submitted after the end of the year detailing the outcome of the audits completed.

Chesterfield Borough Council Internal Audit Plan 2015/16 – 2017/18

	Main Financial Systems	2015/16	2016/17	2017/18	Priority	Last Review	Risk Factor
	Main Accounting and Budgetary Control	18	18	15	H	Annual	Main System failure, (Corporate Risk 1)
	Bank Reconciliation	8	8	0	M	2016/17	Fraud
	Payroll	15	25	20	H	Annual	Main System failure, reputation (Corporate Risk 10)
	Creditor Payments (Accounts Payable)	25	25	25	H	Annual	Main System failure, financial penalties (Corporate Risk 10)
	Debtors (Accounts Receivable)	15	15	15	H	Annual	Main System failure, Loss of income (Corporate Risk 10)
	Treasury Management – Loans and investments	18	16	15	H	Annual	Main System failure, loss of funds
	Cash and Banking	15	15	15	H	Annual	Main System failure, loss of income (Corporate Risk 10)
	Council Tax	10	10	15	H	Annual	Main System failure, loss of income (Corporate Risk 10)
	Non Domestic Rates	15	15	15	H	Annual	Main System failure, Loss of income (Corporate Risk 10)
	Housing / Council Tax Benefits	22	21	21	H	Annual	Main System failure, Reputation (Corporate Risk 10)
	Housing Rents including Universal credit implications	20	20	20	H	Annual	Main System failure, loss of income (Corporate Risk 10)
	Housing Repairs	20	20	0	M	2016/17	Main system failure, reputational damage
	Total	201	208	176			

	Other Operational Audits	2015/16	2016/17	2017/18	Priority	Last Review	Risk Factor
	Building Control Fees	10	0	0	M	2015/16	Fraud, loss of income
	Business Continuity Planning	10	0	0	L	2015/16	Public safety (Corporate Risk 5)
	Choice Based Lettings	0	10	0	L	2016/17	Fraud, reputational damage
	Car Parks Income	25	25	20	H	Annual	Fraud, reduced income
	Contract final accounts	10	10	5	H	Ongoing	Incorrect payment (Corporate Risk 9)
	Commercial Waste	0	10	0	M	2013/14	Loss of income
	Elections	10	0	0	L	2015/16	Fraud, incorrect payments
	Expenses and Allowances	0	0	8	L	2012/13	Fraud, Incorrect payments
	Gas Servicing	10	0	0	M	2015/16	Public safety, reputational damage
	Healthy Living Centre	0	20	0	M	2016/17	Loss of income
	Homelessness	0	10	0	L	2016/17	Reputational damage
	Joint Crematorium	12	12	12	H	Annual	Income loss, reputational damage (Corporate Risk 10)
	Markets	15	10	0	M	2016/17	Fraud, loss of income
	Members and civic expenses	0	0	10	L	2012/13	Fraud, incorrect payments
	Planning Fees	0	10	0	M	2016/17	Fraud, loss of income
	PPP Client Monitoring Procedures	15	5	5	H	Annual	Poor contract management (Corporate Risk 10)
	Property Rents	0	8	15	M	2014/15	Loss of income, reputational damage (Corporate Risk 10)
	Property Repairs – non housing	15	0	8	H	2016/17	Loss of income, reputational damage, poor VFM, buildings not fit for purpose (Corporate Risk 14)
	Queens Park Sports Centre	0	25	14	M	2016/17	Loss of income, reputational damage,
	Refuse Collection - Domestic	10	0	0	L	2015/16	Reputational damage
	Sale of Council Houses (Right to Buy)	0	0	10	M	2014/15	Fraud
	Section 106/CIL Follow up	0	12	8	H	2016/17	Loss of income, reputational damage,
	Stores	10	0	0	M	2015/16	Fraud

	Taxi Licences	0	0	15	M	2012/13	Loss of income, safeguarding issues, (Corporate Risk 12) public safety
	VAT	8	0	0	L	2015/16	Poor accounting
	Venues	24	0	30	M	2015/16	Loss of income, reputational damage
	Total	174	167	160			
	Computer and IT Related	2015/16	2016/17	2017/18	Priority	Last Review	Risk Factor
Page 53	BACS	0	8	0	L	2016/17	Fraud
	Cyber risks/Network Security	10	10	10	H	Annual	System failures, operating capability, reputational damage (Corporate Risk 7)
	Data Protection/FOI follow up	15	8	8	H	2016/17	Financial penalty, reputational damage, (Corporate Risk 8)
	New system review (Mentor replacement)	0	10*	10	M	N/A	Reputational damage, loss of income
	Total	25	36	28			
	Cross Cutting Issues						
	Corporate Governance and Annual Governance Statement	30	20	17	H	Annual	Poor Governance, reputational damage
	Brimington Parish Council	5	5	5	N/A	Annual	Fraud, poor record keeping
	Financial Advice / Working Groups/Transformation Projects	35	35	25	H	Annual	Appropriate controls not in place
	Sheffield City Region Projects and grants/Loans (CBC)	0	0	10	H	N/A	Lack of Governance, financial loss (Corporate Risk 10)
	Performance Management, Corporate Targets	0	0	14	M	2012/13	Poor Governance, reputational

							damage
	Health and Safety	0	15	10	H	2016/17	Death or injury, reputation, financial loss (Corporate Risk 6)
	Risk Management	0	6	0	M	2016/17	Failure to meet objectives
	Safeguarding	0	13*	13	M	2016/17	Reputational damage (Corporate Risk 13)
	Total	70	94	94			
	Fraud and Corruption						
	Anti-Fraud and Corruption Strategy	5	5	0	M	2016/17	Fraud, poor culture
	Money Laundering	0	0	3	L	N/A	Fraud
	National Fraud Initiative	10	0	10	M	2015/16	Fraud
	Procurement	15	0	15	H	2015/16	Fraud, poor value for money (Corporate Risk 9)
	Sale of Land and Property	0	0	10	L	2009	Fraud, Loss of income
	Total	30	5	38			
	Location / Regularity						
	Petty Cash	5	5	5	N/A	Annual	Fraud
	Total	5	5	5			
	Special Investigations/Contingency	30	30	34	N/A		
	Updates/review of test schedules			10	N/A		
	Audit Committee / Client Officer Liaison	15	15	15	N/A		
	Planned Total Days 2017/18	560	560	560			

- Safeguarding audit and new system review deferred from 2016/17 to 2017/18

For publication

Outstanding Internal Audit Recommendations

For publication

Meeting:	Standards and Audit Committee	1.0
Date:	April 5th 2017	
Cabinet portfolio:	Governance	
Report by:	Internal Audit Consortium Manager	

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f report

- 1.1 To present for members' information a summary of outstanding internal audit recommendations and the progress being made to implement them.
- 2.0 **Recommendations**
- 2.1 That the report be noted.
- 2.2 That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.
- 2.3 That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in September 2017.
- 3.0 **Report details**
- 3.1 It has previously been agreed by the Standards and Audit Committee that a report detailing outstanding internal audit recommendations be brought to the Standards and Audit Committee every 6 months.
- 3.2 The implementation of audit recommendations is being monitored by the Corporate Leadership team on a regular basis and they have committed to being pro- active in ensuring that recommendations are implemented as agreed where possible.

- 3.3 Attached, as Appendix A, is a summary of outstanding internal audit recommendations as at the beginning of March 2017. The front page of Appendix A provides an analysis of the number of recommendations made against the number outstanding.
- 3.4 The majority of outstanding recommendations relate to the areas of Procurement, Data Protection, Non Housing Property Repairs, Crematorium, Queens Park Sports Centre, Section 106, IT Network Security and Health and Safety. The draft 2017/18 plan includes time to revisit all of these areas.
- 4.0 **Human resources/people management implications**
- 4.1 There are no Human Resources Implications.
- 5.0 **Financial implications**
- 5.1 There are no financial implications.
- 6.0 **Legal and data protection implications**
- 6.1 There are no legal or data protection implications.
- 7.0 **Consultation**
- 7.1 Not Applicable
- 8.0 **Risk management**
- 8.1 The timely implementation of internal audit recommendations helps to ensure that the risk of error or fraud is reduced and that internal controls are operating effectively.
- 9.0 **Equalities Impact Assessment (EIA)**
- 9.1 Not applicable.
- 10.0 **Alternative options and reasons for rejection**
- 10.1 The report is for information.
- 11.0 **Recommendations**

- 11.1 That the report be noted.
- 11.2 That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.
- 11.3 That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in September 2017.
- 12.0 **Reasons for recommendations**
- 12.1 To inform Members of the internal audit recommendations outstanding so that they can assess if appropriate action is being taken.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	This report links to the Council's priority to provide value for money services.

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	

Appendices to the report	
Appendix A	Summary of outstanding audit recommendations as at beginning of March 2017

Outstanding Internal Audit Recommendations as at 15th March 2017

Recommendations Made	2014/15	2015/16	2016/17
Number of High Priority	54	58	40
Number of Medium Priority	34	42	48
Number of Low Priority	25	21	30
Total	113	121	118
Recommendations Implemented	109	107	73
Number of high recommendations outstanding	2	7	1
No of medium recommendations outstanding	2	5	0
Number of Low recommendations outstanding	0	1	1
Outstanding but not overdue/ response not received	0	1	43
Total Outstanding	4	14	45
Percentage due implemented	96%	89%	97%

- Where recommendations have been raised in more than 1 year they are just shown below in the first year raised

Outstanding Internal Audit Recommendations 2014/15

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
IT Security December 14	R1 It is essential that the current Council's Use of ICT by Employees Policy is reviewed to determine if it is still fit for purpose. If it is deemed not fit for purpose that a new ICT policy should be devised in accordance with the risk appetite, strategies and direction of business of the Council.	H	End May 2015 Revised date end March 2017	Manager Responsible : Tony Smith/Mick Blythe/James Drury/Rachel O Neil Jan 17 ICT policies are being reviewed and updated. The suite of policies will be implemented by the end of March 2017. The Council's use of ICT by employees' policy has been drafted and is currently being reviewed by Councillor Blank informally, before formal adoption.
Procurement – February 2015	R3 The Council should publish a procurement toolkit on the Council's intranet and provide relevant Service Managers/Managers with compulsory training. This should include: <ul style="list-style-type: none"> • The Council's contract procedure rules. • EU legislation requirements. • Local Government Transparency Code 2014. • Confirmation of the respective roles in the procurement process. • Procurement methods and best practice. <p>Also raised March 16</p>	H	September 15 Extended to 3 months after SLA sign off date	Manager Responsible : Rachel O'Neil January 2017 – Procurement toolkit developed. Aspire being updated. Procurement training being added to new E learning system and will be ready for launch in February 17. Member training scheduled for 19/01/17.

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
Procurement Feb 2015	<p>R4 The Council should formulate an updated procurement strategy. This should be reported to Members and adopted by the Council as soon as possible.</p> <p>Also raised March 16</p>	M	<p>March 2016</p> <p>Extended to 3 months after SLA sign off date</p>	<p>Manager Responsible : Rachel O'Neil</p> <p>January 2017 – Strategy developed and presented to GPGS Executive Board, Scrutiny and Standards and Audit Committee. Scheduled for adoption at Cabinet March 2017.</p>
Car Parks March 2015	<p>R4 To ensure compliance with part 4 of the Council's Constitution quotations should be obtained for the supply of car parking tickets or an exemption documented by the Service Manager.</p> <p>Also raised March 2016</p>	M	<p>September 2015</p> <p>Revised Date January 2017</p>	<p>Manager Responsible : Andy Bond/Mike Brymer</p> <p>January 2017 – Procurement of new Pay and Display machinery was completed in November 2016, implementation to commence in January 2017. At this point we will go to the market through a procurement exercise for a new supplier of tickets.</p>

Outstanding Recommendations 2015/16

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Data Protection May 2015 <div>Page 62</div>	R1 It is essential that the programme of training embarked on in April 2015, is monitored to ensure all staff fully complete the training and that the anticipated further training to data asset owners occurs and is completed within a prescribed timescale.	H	November 2015 Revised Date April 2017	Manager Responsible: Rachel O'Neil/Tony Smith/Gerard Rogers (as SIRO) January 2017 - Training programme developed, Data Protection module is one of the Council's launch modules for the new e learning system. Information Asset Owners and Information Asset Assistants (IAA) are being identified. Training to begin for this group of staff in February 17. 21 IAA's in place so far – awaiting names from Environment, Resources and Regeneration to complete training schedule.
Data Protection May 2015	R2 On completion of the training programme it should be ensured that refresher training is undertaken at regular intervals.	H	Ongoing	Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO) Training programme assigned to staff members automatically via e

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
				learning module. Line Managers will be able to easily identify those staff members who have failed to complete mandatory training, including refresher training. CMT to receive monitoring reports on half yearly basis.
Data Protection – May 2015 Page 63	R3 The review of Council forms used to collect personal data, be concluded by the revised implementation date 1 st June 2015, with appropriate action being taken on any forms which are considered not to have a robust and consistent fair processing notification.	H	End July 2015 Revised Date March 2017	Manager Responsible: Rachel O’ Neil/ Tony Smith/Gerard Rogers (as SIRO) January 2017 – review underway. Will be completed by March 2017.
FOI Procedures – May 2015	R1 It must be ensured that refresher training as planned, is undertaken on a regular basis by the FOI champions.	H	January 16 Revised date April 2017	Manager Responsible: Rachel O’ Neil /Tony Smith /Gerard Rogers (as SIRO) January 2017 - Training programme assigned to staff members automatically via e learning module. Line Managers will be able to easily identify those staff members who have failed to complete mandatory training, including refresher training. CMT to receive monitoring reports

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
				on half yearly basis.
Non Housing Property Repairs July 2015	R3 As previously agreed, a report to the Council should be prepared indicating the outcomes of the property condition surveys undertaken and the levels of maintenance required, subsequent to which liaison must occur between the Council and the service provider to provide guidance on the levels of contributions available and the level of maintenance affordable (both revenue and capital).	H	September 2015 Revised date October 2017	Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan Report to be produced by Kier January 2017 - Given other work and delays, this is still some time off. A date in the future needs to be set. We have discussed the work feeding in to budget setting in the Autumn so that we have re set budgets for 18/19.
Non Housing Property Repairs July 2015	R5 In conjunction with R2, when the new 10 year cycle is established it must be transparent as to what works are included within the cycle with the programme being adhered to as much as is practical. In instances where works are deferred or brought forward for any reason the plan should be updated to reflect the changes.	H	Ongoing	Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan January 2017 – agree and will look to set up regular (i.e. perhaps every 3 – 4 year) reviews as well as the annual budget setting. This will await the work on R3.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Corporate Credit Cards March 2016	R1 To strengthen controls procedure notes / guidance outlining acceptable usage and control / security of cards should be documented and issued to corporate credit card holders.	H	September 2016 Revised date April 2017	Manager Responsible: Richard Staniforth Procedure notes to be produced and distributed.
Data Protection May 2015 Page 65	R4 To accord with good practice as determined by the ICO, it would be prudent to incorporate the Privacy Impact Assessment process within the data protection policy and to ensure that key officers are trained on how to undertake these.	M	December 15 Revised to September 2017	Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO) January 2017 - Data protection policy will be revised by March 2017 and will include privacy impact assessment requirements. DPA training will include the completion of privacy impact assessments.
Data Protection – May 2015	R11 Consideration is given to utilising the information gathered from the review of Council forms as a building block to create a Council Personal Data Asset Register to comply with proposed EU legislation.	M	December 15 Revised to September 17	Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO) January 2017 – To be undertaken as part of a work package.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Non Housing Property Repairs July 2015	R6 It should be clarified that the condition surveys relate to Council premises (as opposed to assets e.g. Car parks) and is a finite 5 year exercise and not a rolling exercise.	M	Further discussion required	Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan Matt Sorby to clarify with Michael Rich.
Non Housing Property Repairs July 2015	R7 It is essential that on conclusion of the 5 year review, a comprehensive comparison to the estates list is undertaken to ensure that there have been no omissions e.g. Coach station, public conveniences.	M	31 st March 2016	Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan Matt Sorby to confirm to Michael Rich that this has been actioned.
Procurement March 2016	R6 The CBC website requires updating with the Contracts Register to comply with the Local Government Transparency Code 2015.	M	Within 3 months of SLA sign off	Responsible Manager: Rachel O'Neil January 2017 – Contracts register will be published from 1 April covering contracts over £50k.
Bank Reconciliation August 2015	R1The bank reconciliation procedure notes should be updated to reflect any changes in procedure once the transfer of the Councils bank account to Lloyds Bank has been fully implemented. Also raised July 2016	L	31 st October 2015 Revised date June 2017	Manager Responsible : Helen Fox Awaiting accountancy restructure to complete.

Outstanding Recommendations 2016/17

<p>Queens Park Sports Centre June 2016</p> <p>Page 7</p>	<p>R19 It is recommended to review the coding of the parties. Currently activity party deposits get coded to activity party's account but further payments get coded to the main hall account.</p>	<p>L</p>	<p>July 2016</p>	<p>Manager Responsible: Chris Wright/Martin Key</p> <p>Administration process for parties to change so that one pre-payment is required for payment of booking.</p> <p>No confirmation that this has happened received.</p>
<p>Bank Reconciliation July 2016</p>	<p>R2 The receipts not credited figure detailed in the period 1 bank reconciliation should be recorded as the actual receipts not credited figure and not recorded as the net of receipts not credited and bill payment transfers.</p>	<p>H</p>	<p>31st August 2016</p> <p>Revised date June 2017</p>	<p>Manager Responsible : Helen Fox</p> <p>Awaiting review.</p>

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Internal Audit Report – Implementation Schedule – Updated 28 March 2017

Report Title:	Health and Safety	Report Date:	18 th November 2016
		Response Due By Date:	9 th December 2016

Recommendations		Priority (High, Medium, Low)	Action	To be Implemented By:		Comments
				Officer	Date	
R1	A review of all Health and Safety policies, protocols and guidance should be undertaken to ensure they are up to date and reflect the most current legislation and approved codes of practice.	High		MJ	July '17	It is proposed to review the main health and safety policy and look to integrate and consolidate much of the supporting guidance documents.
				MJ	Dec '16	The list of all policies and processes has been produced and reviewed and a report will be submitted to the April H&S committee with a prioritized plan – it is proposed that many of the documents can be integrated into the main policy and others can be substantially consolidated.
				H&S Cttee	Apr '17	
R2	To ensure all Health and Safety related information and guidance is available to employees the Intranet should be updated to contain links to relevant policies.					COMPLETED
R3	Generic training needs for all employees should be reviewed to ensure training is up to date.	Medium		MJ	Apr '17	The responsibility for ensuring training is identified and implemented sits with the relevant service and CMT managers. Generic training will in future be provided through the on-line Learning Pool and this has now become live. A further review of training needs will be undertaken more widely and reported to the April H&S committee.

Recommendations		Priority (High, Medium, Low)	Action	To be Implemented By:		Comments
				Officer	Date	
R4	It must be ensured all corporate Health & Safety training is recorded on the SHE System against the individual employee record	Medium		KH/MJ	May '17	There is a need to ensure that training is recorded in a central location and the circumstances are changing with the introduction of Learning Pool. This is being further reviewed with HR colleagues.
R5	Procedures for monitoring and measuring performance in respect of the Corporate Health and Safety Unit should be identified and reported on a periodic basis.	Medium		MK/ H&S Cttee	Jun '17	There is an on-going review of the role of health and safety unit and the role of the improvement plan under the direction of the Health & Safety Committee. The current improvement plan is also being reviewed and new performance measures will be considered by the Health & Safety Committee alongside development of strategic aims and objectives.
R6	It is essential that the programme of Health and Safety audits are recommenced as soon as possible.	High		MK/ SLT	Apr '17	There is currently insufficient resource in the health and safety unit to address existing urgent and priority issues – options for service redesign and to be considered by SLT in April 2017.
				CMT / H&S Cttee	Jun '17	The audit programme needs to be reviewed by CMT and the Health & Safety Committee as part of a wider review of the role and functions of the health and safety unit.
R7	It is essential that the Corporate Asbestos Management Plan is reviewed as soon as possible.	High		MK	May '17	The initial focus of the Asbestos Steering Group has been establishing a baseline assessment of the condition of asbestos in Council premises and design of a centralized recording system (Keystone). This will be a key part of the Asbestos Management Plan. The Asbestos Steering Group will oversee the development of a new Asbestos Management Plan once the survey and recording has been finalized (see R8).

Recommendations		Priority (High, Medium, Low)	Action	To be Implemented By:		Comments
				Officer	Date	
R8	It is essential that the programme of inspections and surveys of the Council-owned non-domestic premises to make a materials assessment for asbestos is commenced as soon as possible.	High		MK	Jan '17	The survey of Council-owned non-domestic premises is progressing - the majority of corporately occupied buildings have been surveyed and reported and the commercially let premises surveys will commence in April 2017.
R9	Closer working between the Health and Safety Unit and other Council departments should take place during the early stages of organisational developments e.g. office moves / structural changes.					COMPLETED The Project Management Office will ensure that all relevant impacts and resource requirements are considered and provided for before the project commences. Also where there are organizational developments that may need health and safety input, these will be highlighted at CMT and actioned accordingly.
R10	The possibility of benchmarking against other local authorities should be considered.	Low		MK	Sep '17	Benchmarking health and safety performance is complex as it is essential that benchmarked organisations have the same mix of operations. The Health & Safety Committee have requested that key incident, accident and health statistics are reviewed and presented differently. Once this has been completed (due January 2017) trends across services will be more easily identified. Once the data has been recorded for a period to allow trends to be identified the opportunity for benchmarking will be reviewed.
R11	It must be ensured that the Managing contractors code of practice and related procedures must be adhered to. If departmental failings are identified the appropriate reminders / training should be given	High		MK/MJ	Mar '17	A task and finish groups to review the policies, processes and arrangements for Contractor Assessment and management has been established by the H&S Committee. The first meeting will be April 2017.

Recommendations		Priority (High, Medium, Low)	Action	To be Implemented By:		Comments
				Officer	Date	
R12	The Health and Safety Units budget should be closely monitored with adverse variances in respect of professional fees having already being identified. The Health and Wellbeing Manager should continue to investigate the possibility of the virement / centralisation of budgets regarding health and safety expenditure.					COMPLETED The budgets are already monitored and any variances are analysed. The budgets have been reviewed in detail as part of the budget setting for 2017/18.

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:		Date:	Revised 28 March 2017
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Note: In respect of any High priority recommendations please forward evidence of their implementation to internal audit as soon as possible.

For publication

DERBYSHIRE AUDIT FORUM

For publication

Meeting:	Standards and Audit Committee
Date:	5 th April 2017
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

1.0 Purpose of report

- 1.1 To inform Members of the establishment of the Derbyshire Audit Forum Group by KPMG and to feedback to Members details of the topics discussed by this group on the 26th January 2017.

2.0 Recommendations

- 2.1 That the presentations and slides produced in respect of the recent meeting of the Derbyshire Audit Forum be noted.
- 2.2 That Members consider if they feel that Member attendance at future meetings of the Derbyshire Audit Forum would be useful.

3.0 Report details

- 3.1 In January 2017 KPMG established the Derbyshire Audit Forum Group. Members, Finance Heads and Heads of Audit were invited from various sectors including the County Council, District Councils, Hospitals and Colleges to attend the groups meeting.
- 3.2 This Group was established on the basis that it would be useful for Members, Finance Officers and Heads of Audit to discuss and share best practice ideas in terms of what makes an effective Audit Committee. The forum also offers the opportunity to discuss "hot topics" such as cyber security and key risk areas.

3.3 The forums first meeting was held on the 26th January 2017 and was facilitated by KPMG and hosted by Derbyshire County Council. The event was attended by the Chair of the Audit Committee and the Internal Audit Consortium Manager.

3.4 Attached at Appendix 1 and 2 are the slides and presentations resulting from the Groups meeting.

3.5 At the end of the meeting the Group agreed that it would be useful for the forum to meet every 6 months. Attendees are encouraged to put forward ideas and topics for discussion.

4.0 **Human resources/people management implications**

4.1 There are no human resource considerations.

5.0 **Financial implications**

5.1 There are no financial implications

6.0 **Legal and data protection implications**

6.1 There are no legal and data protection implications.

7.0 **Consultation**

7.1 Not Applicable

8.0 **Risk management**

8.1 By attending the group best practice and ideas can be shared and disseminated which may help to ensure that the audit committee is as effective as possible and meets its responsibilities.

9.0 **Equalities Impact Assessment (EIA)**

9.1 Equalities – there are none arising from the contents of this report.

10.0 **Alternative options and reasons for rejection**

10.1 Not Applicable.

11.0 **Recommendations**

11.1 That the presentations and slides produced in respect of the recent meeting of the Derbyshire Audit Forum be noted.

11.2 That Members consider if they feel that Member attendance at future meetings of the Derbyshire Audit Forum would be useful.

12.0 **Reasons for recommendations**

12.1 To inform Members of the Derbyshire Audit Forum and to provide details of the topics and discussions at the January 2017 meeting.

Decision information

Key decision number	
Wards affected	
Links to Council Plan priorities	Value for money

Document information

Report author	Contact number/email
Jenny Williams	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	

Appendix 1	Derbyshire Audit Forum Slides
Appendix 2	KPMG Effective Audit Committee meetings: worrying signals and potential responses



Derbyshire Audit Forum

Venue – Derbyshire County Council
26 January, 2017

John Cornett
Tony Crawley

Agenda

14:00

Welcome and
Introductions

14:00 – 14:30

What makes an
effective Audit
Committee?

14.30 – 15.00

Risk
management –
the basics

15.00 - 15.20

Break

15.20 – 16.00

Cyber security

16.00 - 16.40

Hot Topics

16.40 - 17.00

Closing
remarks
Future events?

17:00

Close

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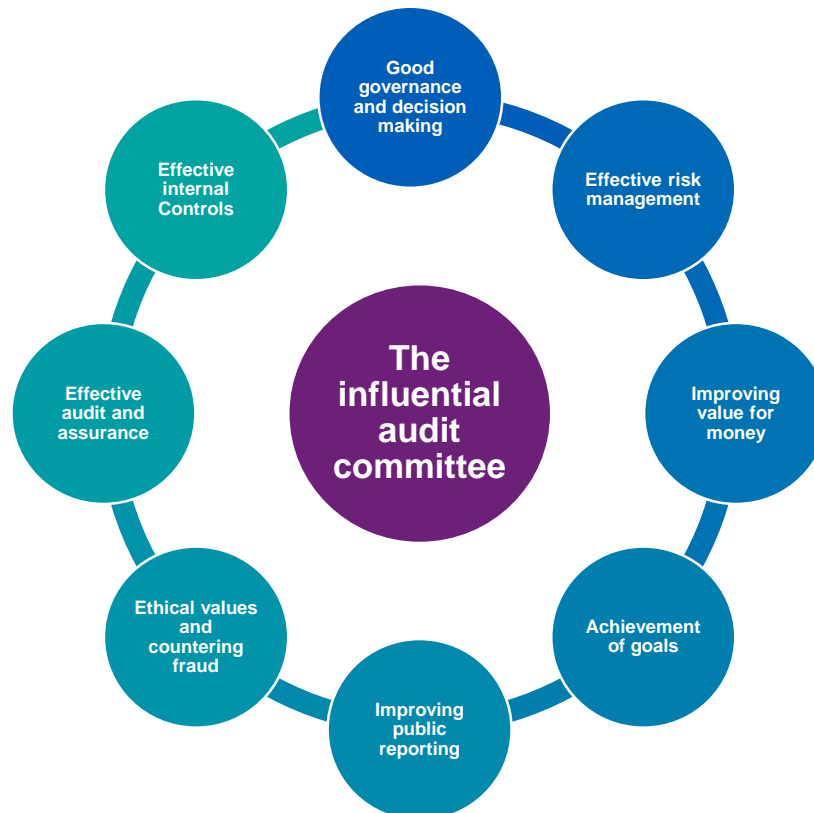


Effective audit committees

Effective Audit Committees

‘Audit Committees are a key component of corporate governance. They are a key source of assurance about the organisation’s arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.’

CIPFA



Audit Committees: Practice
Guidance for Local
Authorities and Police.
CIPFA December 2013

Effective Audit Committees

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What do you think makes an Audit Committee effective?

Effective Audit Committees

Characteristics of an effective Audit Committee

- **Membership** – Ensuring that the audit committee has the expertise and experience to provide robust oversight of financial reporting, audit quality, and other risks on the committee's agenda.
- **Active involvement** – In-depth knowledge of the organisation gained from (pro)active engagement and genuine interest in the organisation (beyond the boardroom).
- **Driving the audit committee's agenda** – The audit committee must shape its own agenda to ensure that it's risk-based, focused, and manageable.
- **Effective communication** – Open lines of communication with senior and middle management, internal and external auditors, and the full board based on mutual trust and constructive debate. "White space" time on the agenda for open dialogue.

Effective Audit Committees

Characteristics of an effective Audit Committee

- **Getting the right information** – Information provided to the audit committee must be relevant, concise, and timely.
- **Informal meetings** – Informal and ad-hoc meetings (in between regularly scheduled meetings) are essential to stay fully informed.
- **Tone at the top** – Sensitivity to the tone at the top of the organisation – and, indeed, throughout the organisation.
- **Leadership** – The attitude, skillset, and engagement of the audit committee chair are essential to achieving all of the above – which collectively drive the audit committee effectiveness.

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Effective Audit Committees

Agenda management

- Is there a plan for the year to enable the Committee to meet its ToR?
- Who sets the agendas?
- Do reports map to the terms of reference?
- Do all Committee reports pass the 'so what' test?
- Do you assess whether you get the necessary assurance from each item?
- Is it clear who attends the Committee meetings and what you want from them?
- Do attendees know why they are there and the assurance you are looking for?

Effective Audit Committees

Meetings

- Is there sufficient debate?
- Are decisions open?
- Do Committee members contribute evenly?
- Is the focus on quality of discussion rather than quantity of topics covered?
- Is there enough challenge and fresh thinking?
- Does the Committee take time to self-reflect, and ask for independent views?
- Do you recognise any of the issues in the ACI paper?

Effective Audit Committees

The Committee's accountability for its role

- **How do you provide assurance that you have delivered your ToR?**
- **Have Members' training needs been assessed and addressed?**
- **What impact has the Committee had?**
- **Have you assessed your effectiveness, and taken action where needed?**
- **Do you provide assurance that you have met your ToR – eg an Annual Report?**



Risk management (and the AGS)

Risk management – the basics

Simply.....

**The means to better identify and manage risks in a more co-ordinated manner
in order to meet goals and objectives**

Risk management is NOT...

...One event

...One size fits all

...Just about being compliant

...About eliminating risk

...The only answer to improving
performance

Risk management IS:

...A series of actions

...About understanding your corporate
objectives and how risks could affect
their achievement

...A journey to improving performance
and operational excellence

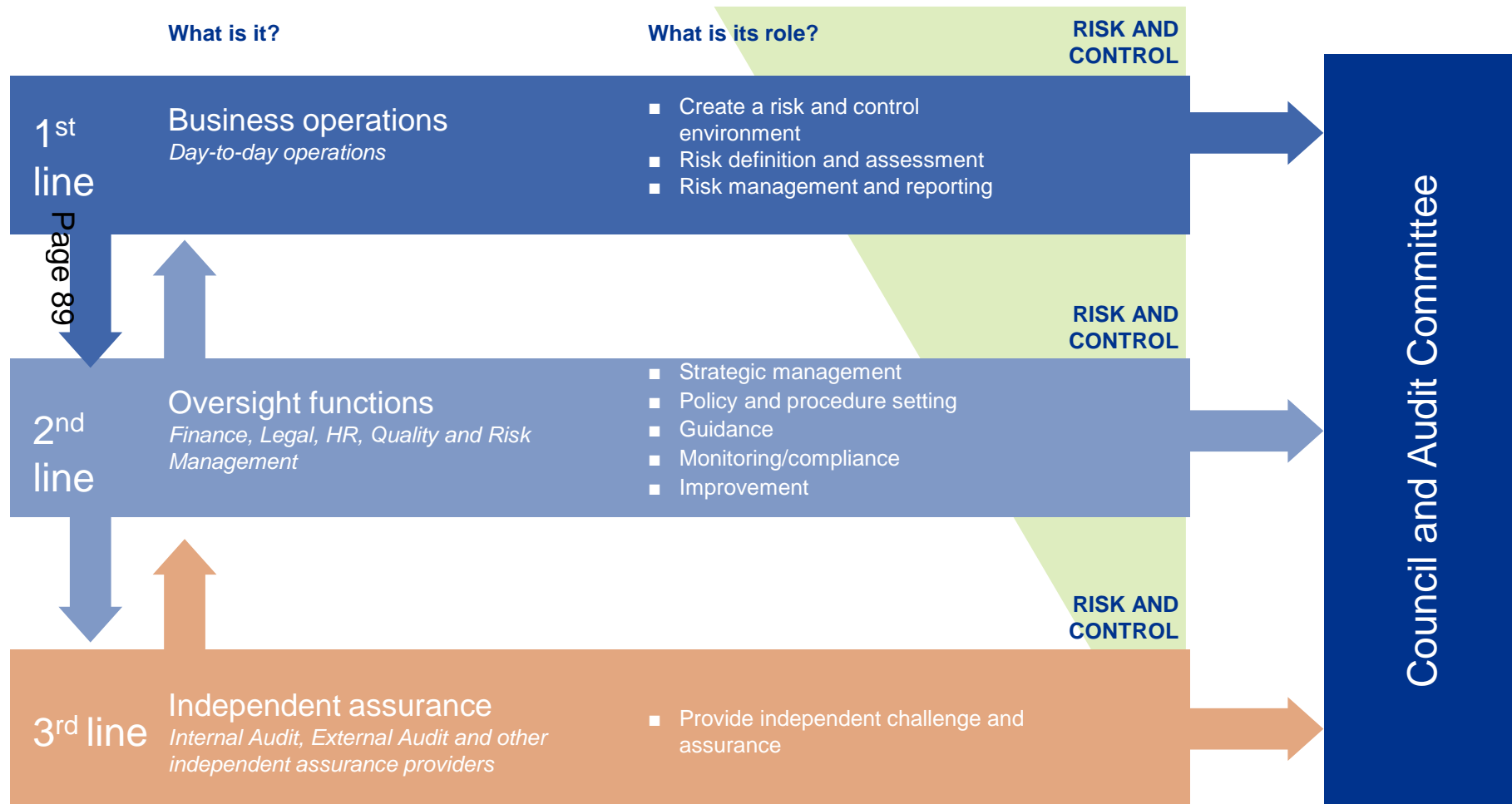
...Subject to the integrity of those
accountable

...More than a process: “enterprise-wide”
- culture, structure, policies, practice

...Owned by the Board – Practised by
management

Risk management - the basics

An assurance structure includes each of the following three lines of defence:



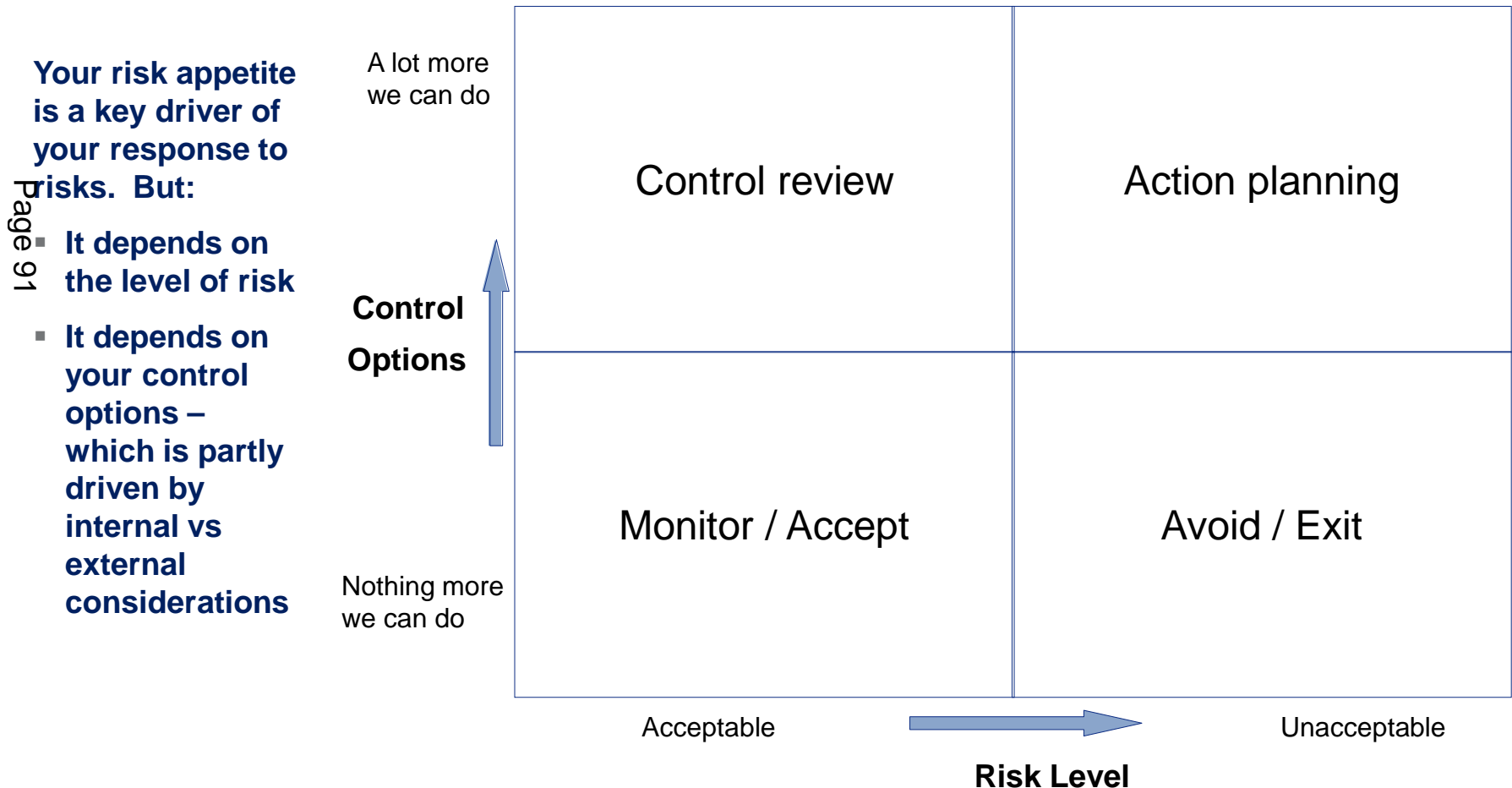
Risk management – common issues

CONTENT	1	The risks contained in the risk register often don't reflect the real risks the organisation is running – identification/ measurement is wrong
	2	The risk assessment process by itself won't help manage risk better – you've got to understand the control environment and behavioural aspects
	3	Reporting of risk information is still largely compliance driven with observations focusing on the priority of risks rather than on control and improvement actions or developments of the risk management process itself
PROCESS	4	Selling the business case for risk management is still in the 'too hard' tray – many organisations don't have dialogue with their key stakeholders on risk management - investment and return are not clear, risk appetite is not known
	5	In many organisations executive management need to take more sponsorship and accountability for risk information and actively use it to improve performance and compliance
	6	Often there is no clear framework that co-ordinates risk management and internal control across the organisation – this can lead to confused management structures and policies surrounding risk and lack of focus for internal audit and assurance on what matters

Do you recognise any of these?

Risk management - choices

Risk appetite and control options



Risk management and the audit committee

The view from CIPFA

The role of the audit committee is to:

- 1) Seek assurance over governance risk
- 2) Keep up to date with the risk profile and the effectiveness of risk management;
- 3) Monitor the effectiveness of risk management arrangements and embedding good practice

Assurance over risk management is key to **THE** key element underpinning the Annual Governance Statement.

The audit committee should not manage or score the risks

Annual Governance Statement

What is it?

- **A review of the effectiveness of the council's system of internal control across all its activities.**
- **A Public report – promotes accountability.**
- **An open and honest self-assessment.**
- **An action plan to address significant and potentially significant risks.**

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Annual Governance Statement

A good AGS should be

- **Open and honest**
- **A clear statement of actions**
- **Built upon a robust assurance framework**
- **Approved and owned at corporate level**
- **Reviewed and approved by Members separately from accounts**

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Annual Governance Statement

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What do you need to review the Annual Governance Statement (AGS)?

- Knowledge of the governance framework of the organisation
- Understand the assurance framework that underlies the AGS
- Knowledge of the risks and internal control issues that have emerged during the year
- Be satisfied that the review of effectiveness is adequate
- Be satisfied that the action plans are realistic and meaningful



Cyber risk

Cyber risk – the key questions

High Level Question	Supplementary Questions
How secure are you currently?	What have been the most serious security and privacy incidents that you (and your peers) have faced in the past 12 months, what have you learned from those experiences, and what are you now doing differently to prevent them from re-occurring?
Are you getting more or less secure?	What key indicators are on your security dashboard, how is the organisation achieving those objectives, and how does this compare to your peers?
How do you set priorities and risk appetite ?	What is your organisational risk appetite for downtime, data loss and privacy incidents, how do you set your appetite level, and how are you tracking against that? What are the 'crown jewels' that require the highest levels of protection? Which business processes are critical to survival of the organisation?
How are you organised to manage the issue?	How is your first line and second line of defence set up? How do you report on the risk? How do you co-ordinate across multiple responsible functions?
Are you spending at the right level? And getting value for money for that spend?	What are you spending on security over the next three years? Is it enough to appropriately respond to the threat? Where are you under-invested and where can you make savings? Can you defend your investment compared to your peers?
How do you manage third party suppliers?	How do you ensure your suppliers (and their suppliers in turn) do not expose you to unacceptable cyber risk?

Cyber-Extortionists Targeting the Financial Sector Are Demanding

Millions affected after cyber attack on HSBC
HSBC's websites across the world have been hit by one of the largest cyber attacks to strike a bank in an attack that left millions of customers unable to access their accounts.

Ransoms

'Cryptolocker' Virus Holding
Data For Ransom
By Y. Peter Kang

Caught, cyber bank
robbers who tried
siphon off millions

ROBBED BY CYBER HACKER

Conmen who stole TalkTalk customer
details are raiding their bank accounts
had no idea who was behind the attack
or exactly what was stolen.
And, as leaks showed the personal data
for sale online, it emerged that
the information has been demanded for the

been By Katherine Rushton
Cyber and Technology Editor

JPMorganChase
STATEMENT
"Companies of our size
unfortunately experience
cyber attacks nearly
every day."

ASHLEY
MADISON®
Life is short. Have an affair.®
Get started by telling us your relationship status:
Please Select
See Your Matches »
Over 32,875,000 anonymous members!

Morgan Stanley Acknowledges Insider Breach
A former financial adviser allegedly stole 10 percent of the company's 3.5 million Wealth Management customers' account information.
By Jeff Goldman | Posted January 07, 2015

Morgan Stanley this week began notifying almost 10 percent of its
Wealth Management clients that an employee had stolen their



Ransomware attack

Background



Email Received

- A member of Lincolnshire County Council opened a malicious email disguised as an invoice on the 26th Jan 2016.
- The email was opened and the malicious software was downloaded.
- The type of attack is known as a “zero day” attack. This is when the malware enters the system it can propagate itself easily as the antiviral software is unfamiliar with the software.



Data Encrypted

- Once on the system, all files on the council's server were encrypted becoming inaccessible to those wishing to use them.
- The types of data seized includes: names, addresses, and medical conditions documented and dates of birth.
- The Council reported that there was no evidence that any of this information has been stolen.



Ransom Received

- The council received a ransom demand of £350 equivalent of the online currency, Bitcoin. The council refused to pay up.
- This was initially reported to be a much larger sum of £1 million.
- Once paid, the encrypted data would, in theory, be released.



Computer shutdown

The council was forced to suspend all use of their servers causing many services to be reverted back to pen and paper methods. Two days later, services were resumed as normal. No data appears to have been lost or stolen during the attack.

Page 100

Lincolnshire County Council hit by £1m malware demand

29 January 2016 Lincolnshire



TechTank

Late

Ransomware shuts down UK council



Home > Government

Police investigate Lincolnshire County Council 'ransomware' attack



Security

Pay up, Lincolnshire, or your data gets it.
Systems still down after ransomware hits
 Council has shut down entire IT network to prevent spread



Cyber Essentials – Would it have saved Lincolnshire County Council?

1 February 2016 Written by Ralfes Security

15 Leave a Comment

Cyber Essentials is a UK Government driven scheme which is designed to help businesses of all size reduce the risk and impact from malware attacks. It is mandatory for those who provide services to the MOD. Cyber Essentials is becoming mandatory for those who provide services to any other government department - including local government and councils.

This is a good thing.

Despite there being some criticisms of Cyber Essentials, the scheme does what it says on the tin. It helps businesses prevent things like ransomware knocking them out.

Sadly, not every government department practices what they preach.



Cyber Essentials - Foundational Cyber Security



Lincolnshire County Council - Hit by ransomware Jan 2016

Around 26 January 2016, Lincolnshire County Council was hit with a ransomware attack. Initial reports from the BBC claimed the demands were for £1m. However by the end of the week this had been corrected to the more normal £300.

Ransomware can be devastating for home users. It has the potential to destroy priceless data. Few home users take proper back-ups and end up having to pay. This means there is a lot of money to be made.

Organisations are different. The assumption is they will have backups. There is also an assumption they will never pay. This all means criminals very rarely target businesses with ransomware. What is likely to have

happened is simply a user made a mistake with their email.

This happens a lot. It is also one of the reasons why Cyber Essentials was created and why it is so valuable for businesses.

Would Cyber Essentials Have Helped?

Within the Cyber Essentials framework there are five security control areas. These are the foundations of good security.



Cyber extortion is a growing threat



Warwick Ashford
Security Editor
01 Feb 2016 10:25

Security industry warns of increased attacks as Lincolnshire County Council ransomware demand

8+ in

What was the impact?

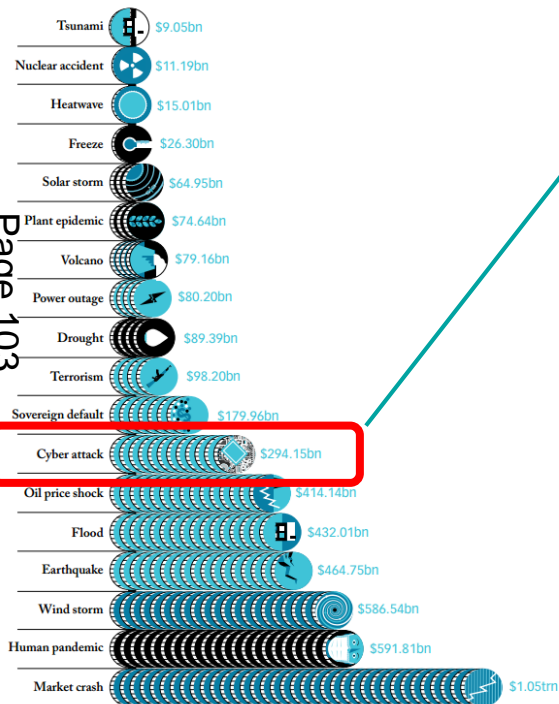
- The council suffered reputational damage;
- Library systems down (books were manually stamped);
- Online booking systems failed;
- Council main site halted;
- Financial losses;
- Productivity stifled.



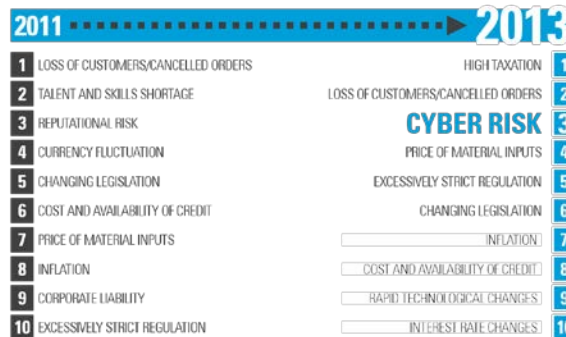
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What did they do about it?

- Lincolnshire County Council acted as soon as the malware was detected preventing further damage
 - Therefore, only a small amount of their data was affected.
 - The Council had everything backed up so data affected could be restored.
- They worked with an outsourced security company to get their services back and running.
- The Council said it had notified the Information Commissioner's Office (ICO) about the incident, but said no personal data had been compromised.



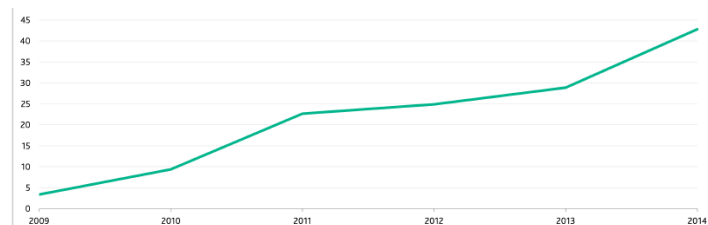
Lloyd's City Risk Index 2015-2025 Executive Summary



Source: Lloyd's Board Risk Index - <http://www.lloyds.com/news-and-insight/lloyds-board-risk-index>

CHANGES RISK RANKING

Exhibit 2
Detected Cyber Incidents Are Rising at a Fast Pace
Millions of Incidents



Source: PWC, Managing Cyber Risk in an Interconnected World, 30 September 2014, page 7.

Cyber Security Landscape

This is a “wicked” problem – multi-dimensional, unpredictable, intangible and constantly changing



Cyber Threats – It's a connected world

Who is being targeted?

Page 105



Local Government



Healthcare



Automotive



Aerospace



Energy providers



Retail banks



Professional & legal services



Defence



Advanced manufacturing



Renewable energy



Investment banks



Research institutes



Pharmaceuticals & biotechnology



Mining & natural resources



Communications



Wider financial services



Academia





INFORMATION

- CUSTOMER, SUPPLIER AND PERSONNEL DATA
- INTELLECTUAL PROPERTY
- COMMERCIALLY SENSITIVE INFO
- BUSINESS PROCESSES



SERVICES

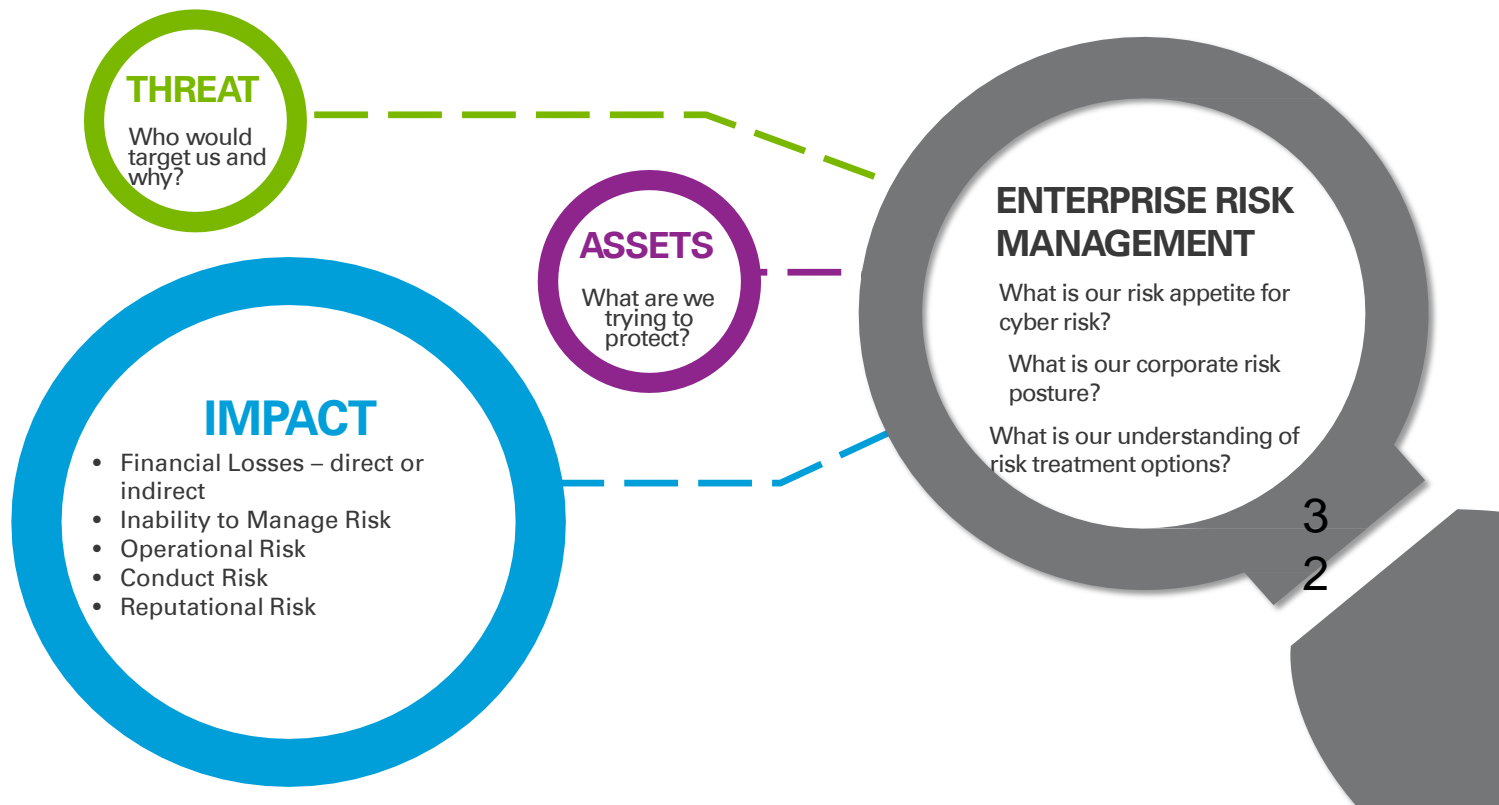
- CUSTOMER CHANNELS
- TREASURY / PAYMENTS FUNCTIONS
- INFRASTRUCTURE



TRANSACTIONS

- CUSTOMER INSTRUCTIONS
- B2B TRANSACTIONS E.G. INVOICING, SETTLEMENTS
- PAYMENT CARD DATA (INC. CVC)

**WHAT IS BEING
TARGETED?**



Key Questions – Different levels

Page 109

Are we a security resilient organisation?

Will future acquisitions
Change our security posture

The Board



Do our long term business plans
change our information security risk
position?

What do our clients think about our
approach to information security?

Is our information security strategy
adequately mitigating the threats?

Are we taking a consistent and efficient
approach to information security risk globally?



COO & CIO

Are we spending the right amount on
information security?

Do we have effective governance and
control in place for information security?

Do I have the right strategy?

How does our security capability
compare to our peers?



Head of Information Security

Am I investing in the right
improvement projects?

Do I have the right talent and skills in
my team?

Defending the Realm



A photograph of a museum display featuring a crown and a scepter. The crown, made of gold and set with pearls, rubies, and a large blue gemstone, sits on a red velvet pedestal. A scepter with a long ivory handle and an ornate jeweled head lies in the foreground. To the left, another jeweled object is partially visible. A blue text box is overlaid on the image.

Know thy Crown
Jewels!

... but don't forget
dependencies



A museum room with blue walls, densely packed with maritime artifacts. Large brass searchlights are prominent in the foreground. The walls are covered with various items including clocks, globes, framed pictures, and a canoe hanging from the ceiling. A woman is seated in a wooden chair on the right, holding a small globe. The room is filled with a variety of nautical instruments and decorative objects.

Where are your
crown jewels?

Could your crown jewels be.....

- **Shared with 3rd parties?**
- **In your supplier's networks?**
- **Scattered all around the place?**

Make some plans?



Build some defences

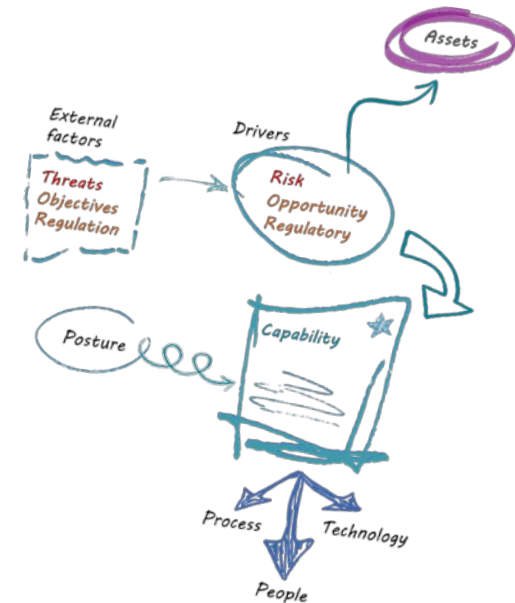


Key things to have in modern cyber defence

- **Determination**
- **Data**
- **Knowledge base**
- **Team**
- **Money**

Response - How can these risks be mitigated

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Common Mistake – The natural desire to find a technical solution to an inherently human problem leads to significant risks left unmitigated or inefficiently addressed

Getting the basics right – Cyber Essentials Scheme



Of the basic but successful cyber attacks against UK businesses and citizens of which Government has detailed knowledge, the large majority would have been mitigated by full implementation of the controls under the following, selected categories:

1. Boundary firewalls and internet gateways
2. Secure configuration
3. Access control
4. Malware protection
5. Patch management

To implement these requirements, organisations will need to determine the technology in scope, review each of the five categories and apply each control specified. Where a particular control cannot be implemented for a sound business reason (e.g. is not practical or possible) alternative controls should be identified and implemented.

Source: Cyber Essentials Scheme Requirements

The Cost of Doing Business in the 21st Century

- Assume your organisation is a target.
- Assume your existing security controls can be bypassed.
- Apply the basics (patching, malware, education, leadership)
- Ensure you are able to detect and react to critical risk events quickly.
- Tap into external intelligence through providers and communities

Questions?



Hot topics

Hot topics

As a starter . . .

EU General Data Protection Regulation (GDPR)

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Hot topics - EU GDPR



Scale of fines for non-compliance - maximum fine capped at the greater of €20 million or up to 4% of total worldwide turnover.

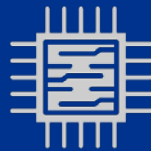


Mandatory breach reporting within 72 hours

Requirement for Privacy Impact Assessments (PIAs)



No Safe Harbour



Required use of processors

Significant changes to consent requirements



Mandatory appointment of a Data Protection Officer (for some)



Right to erasure



Enhancement of Data Subject rights



Privacy by design

Increased security requirements



Inventory required



Requirement to register as a Data Controller likely to disappear



Mandatory Privacy policies



Increased transparency needed



Hot topics

What are your burning issues?

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Closing remarks

What next?

Are you interested in a Derbyshire Audit Forum?

If so.....

- **Would it benefit other members of your audit committee?**
- **What topics do you want to see covered?**
- **How often would you like to meet?**

But for now, thanks for coming today!

Thank you

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Effective audit committee meetings: Warning signals and potential responses



Agenda overload is not a new issue for audit committees, but our latest ACI survey shows that it's becoming a major concern: 75 percent of the 1,500 audit committee members responding to our 2015 Global Audit Committee Survey said the amount of time required to carry out their audit committee responsibilities has increased moderately (51 %) or significantly (24 %) over the past two years.

So actual face-time across the audit committee table is really precious. Audit committee meetings should be well thought-out and structured in a way that allows the committee to make the most of its time together.

Effective planning and organisation can help ensure that meetings, are used effectively.

In brief, this could include:

- Mapping out the calendar to ensure meetings cover all critical subject matter, but are still flexible enough for inclusion of urgent business when the need arises.
- Avoiding items that should be addressed in board or management meetings.
- Planning the specific agenda for each session ahead of time. Where possible the

planned conversation should also be effectively framed so that the committee members know the purpose of each item. e.g. whether an item is for challenge, debate or "for information."

- Ensuring that committee members have access to the right information and papers in advance of the meeting.
- Identifying clear outcomes i.e. whether a decision or agreed position, and appropriate follow-up.

Inevitably there will be times where, despite a robust planning process, well thought out agenda and timely papers, meetings are still not as effective as they might be. The table overleaf identifies potential issues, the likely warning signals and offers some suggestion as to how the issues might be addressed.

Effective audit committee meetings: Warning signals and potential responses

		Potential responses		
Underlying issue	Warning signals	Audit committee chair	Audit committee members	Management
Overly dominant personalities or groups in the audit committee meetings controlling the debate	<ul style="list-style-type: none"> ■ Dissenting voices marginalised ■ Difficult issues not sufficiently discussed ■ Debate becomes personalised not issue focused ■ Special insights not used ■ Individuals appear reticent to speak up ■ Third parties stereotyped as out of touch ■ Management team is defensive or aggressive 	<ul style="list-style-type: none"> ■ Build trust and respect with all members. Speaking with them ahead of meetings and make sure they are sufficiently briefed to contribute effectively ■ Give weight to the views raised ■ Lead by example showing that uncertainty and questioning of assumptions is appropriate ■ Play ‘devil’s advocate’ by offering a counter-argument to provide balance ■ Encourage and give air time to new committee members, by asking for opinions ■ Address directly with the chairman of the board if dominance continues 	<ul style="list-style-type: none"> ■ Speak up but avoid dominating airtime ■ Ensure you are fully briefed to offer alternative insights ■ Add value by adding fresh insight ■ Build relationships with other members and rehearse difficult questions or concerns before the audit committee meeting 	<ul style="list-style-type: none"> ■ Seek to understand the knowledge levels amongst the committee members and address when members may be out of their depth and reluctant to contribute. ■ Encourage calling out from induction onwards ■ Consciously ask for input and advice ■ Seek input from specific directors outside board meeting – does overall consensus reached reflect majority of individual opinions?
The audit committee is being ‘managed’ by the executive team in attendance	<ul style="list-style-type: none"> ■ Executive present answers rather than options ■ Insufficient focus on the big picture/too much focus on operational matters ■ Probing challenge not welcomed by the executive team ■ Insufficient emphasis on risk ■ Papers not tailored to board needs 	<ul style="list-style-type: none"> ■ Use the company secretary actively in preparation of papers ■ Pre-agree with relevant executives how particular issues should come to the committee ■ Personally demonstrate behaviour required by querying judgements and assumptions ■ Insist on meeting relevant executives ahead of papers coming to committee 	<ul style="list-style-type: none"> ■ Respect the executive need for a instant decisions, but push back in the discussion ■ Get to know the business and the people below the top executive team ■ Be active conduits to the external world 	<p>Where management team is enlightened and keen to redress the balance:</p> <ul style="list-style-type: none"> ■ Use scenarios to show the range of options being considered ■ Use ‘reverse stress testing’ to demonstrate risk awareness and control ■ Show willingness to suspend own assumptions and seek feedback on approach
‘Groupthink’ - The audit committee lacks diversity of thought	<ul style="list-style-type: none"> ■ Constant drive to get through the agenda and move on to next topic ■ Scenarios rarely used ■ Lack of any external input or challenge ■ Assumptions not tabled openly ■ Different options or ideas not presented or evaluated ■ ‘Out of the box’ thinking discouraged 	<ul style="list-style-type: none"> ■ Use a facilitative style to manage the debate ■ Use third party briefings or facilitation to increase insight and facilitate opposing views ■ Review the committee membership or their working styles to identify potential gaps in thinking – openly discuss this as a risk ■ Review the style and effectiveness of the boardroom conversation 	<ul style="list-style-type: none"> ■ Use ‘intelligent naivety’ to ask the ‘non-obvious questions’ ■ Keep asking questions in different ways until satisfied ■ Suspend prevailing assumptions ■ Change the angle of debate 	<ul style="list-style-type: none"> ■ Present options and alternatives rather than a fait accompli ■ Actively request debate when positioning difficult issues seen as hanging in the balance ■ Overtly welcome the committee’s views ■ Ensure the committee has all the relevant information to take a balanced view
The audit committee is overly focussed on process	<ul style="list-style-type: none"> ■ Overemphasis on ticking the boxes at the expense of open discussion or debate ■ Inappropriate allocation of time to critical issues ■ Sense of pressure to get through the agenda ■ Failure to stand back and look at the big picture ■ Unwillingness to challenge the way things are done 	<ul style="list-style-type: none"> ■ Involve multiple inputs when setting the agenda ■ Differentiate agenda items by importance ■ Listen hard for signals of discomfort ■ Don’t be afraid to park items for further review where necessary ■ Be prepared to call additional meetings where necessary 	<ul style="list-style-type: none"> ■ Raise concern either in meeting or offline with the audit committee chair ■ Offer to lead the discussion on a specific upcoming issue ■ Specifically cover during the annual evaluation process 	<ul style="list-style-type: none"> ■ Ensure committee members are properly briefed on critical issues and audit committee priorities ■ Provide meaningful and constructive feedback if asked to contribute to the evaluation process ■ Proactively volunteer constructive thoughts from outside the committee
Low commitment, engagement or capability of some audit committee members	<ul style="list-style-type: none"> ■ Attendance in person but not in spirit ■ Lack of preparation is evident ■ Consistent lack of contribution ■ Focus narrowly on own perspective ■ Too much shooting from the hip 	<ul style="list-style-type: none"> ■ Get to know each member by spending time with them outside formal committee meetings ■ Be clear and realistic with members about the contribution and commitment required from outset ■ Encourage that mobile phones are switched off ■ Change the committee’s constitution if appropriate 	<ul style="list-style-type: none"> ■ Raise any issues promptly with the audit committee chair ■ Consider whether this is the right NED appointment for you and whether another position may provide greater engagement and job satisfaction 	<ul style="list-style-type: none"> ■ Be sensitive to committee members feeling out of their depth or marginalised ■ Discuss offline and encourage greater contribution, even in areas outside their domain specialisation ■ Share own thinking process with committee members ■ Set expectations of level of commitment and engagement early on at induction stage
Lack of reflection time about the committee’s own performance, style and way of operating	<ul style="list-style-type: none"> ■ Little discussion on how debate could be improved ■ No opportunities to consider ‘what might be done differently or better next time’ ■ Process suggestions are put down ■ Annual committee evaluation does not get to the real core issues 	<ul style="list-style-type: none"> ■ Encourage occasional wide ranging discussion on meeting evaluation at post meeting dinners. ■ Meet with each director to gather their views on the quality of conversation/debate and get their suggestions for improvement ■ Consider use of other tools to provide additional awareness e.g. team or personality profiling/evaluation or external facilitation 	<ul style="list-style-type: none"> ■ Insist on the maintenance of high standards ■ Use external experience to support behavioural change 	<ul style="list-style-type: none"> ■ Provide meaningful and constructive feedback if asked to contribute to the evaluation process ■ Proactively volunteer constructive thoughts from outside the committee

Warning signals to look out for during your audit committee meetings:



Discussion and debate is insufficient or even stifled/discouraged



Decisions are frequently presented as answers rather than options



There is over-dominance or under-contribution from certain individuals



Focus is on the quantity of areas covered rather than the quality of the discussion



The level of challenge and consideration of fresh ideas is limited



The group rarely self-reflects or accesses third parties for input

Based on Tomorrow's Company's Good Governance Forum's publication 'Improving the Quality of Boardroom Conversations'.

Contact

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Further reading and resources:

The ACI Audit committee handbook is packed full of useful tools:

[Download handbook](#)

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FOR PUBLICATION

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

ANNUAL REPORT TO STANDARDS COMMITTEE 2017

MEETING: STANDARDS AND AUDIT COMMITTEE

DATE: 5 APRIL 2017

REPORT BY: MONITORING OFFICER

WARD: ALL

FOR PUBLICATION

1.0 PURPOSE OF REPORT

- 1.1 To give an annual report to members on activities relating to surveillance by the Council and policies under the Regulation of Investigatory Powers Act 2011.

2.0 RECOMMENDATION

- 2.1 To note the report.

3.0 BACKGROUND

3.1 RIPA

Chesterfield Borough Council has powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct authorised directed surveillances (DI) and use of human intelligence sources (CHIS) in certain circumstances in connection with the conduct of criminal investigations.

3.2 Reporting to Members

This report is submitted to members as a result of the requirement to report to members under paragraph 3.35 of the Home Office Code of Practice for Covert Surveillance and Property Interference. Further reports will be submitted annually whether or not there has been any authorised surveillance.

3.3 Background

All directed surveillances (covert, but not intrusive) and use of covert human intelligence sources (CHIS) require authorisation by a senior Council officer and the exercise of the powers is subject to review. The controls are in place in accordance with the Human Rights Act, particularly the right to respect for family and private life.

3.4 The Office of the Surveillance Commissioner (OSC) oversees the exercise by Councils of their surveillance powers.

3.5 A Confidential database of authorised surveillances is maintained, charting relevant details, reviews and cancellations. There have been no authorisations since 2010.

3.6 Substantial changes were made to the powers of Local Authorities to conduct directed surveillance and the use of human intelligence sources under the Protection of Freedoms Act 2012.

3.7 As from 1 November 2012 Local Authorities may only use their powers under the Regulation of Investigatory Powers Act 2000 to prevent or detect criminal offences punishable by a minimum term of 6 months in prison (or if related to underage sale of alcohol and tobacco – not relevant to this Council). The amendment to the 2000 Act came into force on 1 November 2012.

3.8 Examples of where authorisations could be sought are serious criminal damage, dangerous waste dumping and serious or serial

benefit fraud. The surveillance must also be necessary and proportionate. The 2012 changes mean that authorisations cannot be granted for directed surveillance for e.g. littering, dog control, fly posting.

- 3.9 As from 1 November 2012 any RIPA surveillance which the Council wishes to authorise must be approved by an authorising officer at the council and also be approved by a Magistrate; where a Local Authority wishes to seek to carry out a directed surveillance or make use of a human intelligence source the Council must apply to a single Justice of the Peace.
- 3.10 The Home Office have issued guidance to Local Authorities and to Magistrates on the approval process for RIPA authorisations.

4.0 Activity over past year

- 4.1 During 2016 no directed surveillances (DS) or use of human intelligence sources (CHIS) were authorised by the Council under the Act.
- 4.2 Officer training was carried out by Weightman's solicitors in February 2016.
- 4.3 A routine inspection of the Council's procedures took place in March 2016 (see below).
- 4.4 The annual request for statistical returns to the Surveillance Commissioner has been received by the Council's Local Government and Regulatory Law Manager, for return by April 2017.
- 4.5 A report has been submitted to the Cabinet Member for Finance and Governance reviewing the Council's surveillance policy and practices.

5.0 OSC Inspection

- 5.1 In March 2016 a surveillance inspector conducted a routine inspection of the Council's procedures. All surveillance authorities

are inspected every few years. The previous inspection was in 2012 and before that in 2010.

5.2 The inspector, while noting that no authorised surveillance had taken place since 2010, recommended various changes to practices so the Council could maintain a state of readiness in case it ever needed to seek authorisation. The recommendations are set out in the report to Cabinet Member attached, but are summarised as follows. The Council should:

- (a) maintain a state of preparedness
- (b) ensure regular corporate training for appropriate officers and access to procedures and guidance
- (c) understand more about Arvato and Kier's knowledge about and involvement with the process
- (d) review who should be the Senior Responsible Officer overseeing the process
- (e) carry out biannual audit of processes
- (f) regularly review policy and guidance
- (g) report at least annually to members, regardless of any activity
- (h) ensure up to date CCTV procedures are in place
- (i) ensure liaison with local magistrates court

6.0 Relevant Portfolio

6.1 To reflect the significance of RIPA in terms of governance, responsibility for this function has now been moved by the Leader to the Cabinet Member for Finance and Governance.

6.2 Previously RIPA matters were with the Lead Member/Cabinet Member with responsibility for functions relating to criminal proceedings.

6.3 The Constitution will be updated to reflect this change.

7.0 Surveillance Policy

7.1 The Council's RIPA Policy and Procedure Guide reflects the current law. It has also been updated to take account of new CMT structure, recommendations of the 2016 OSC Inspection and

current best practice. The revised policy has been approved by the Cabinet Member for Finance and Governance.

- 7.2 The revised policy is attached and is available on Aspire at:
<https://aspire.interactgo.com/Interact/Pages/Content/Document.aspx?id=1782>

8.0 Activity in the current year

- 8.1 Looking forward, the council's procedures continue to be strengthened in the light of best practice and the OSC's recommendations, while noting that corporately authorisation process is very rarely appropriate or necessary and has not been used since 2010.
- 8.2 A new training system for relevant staff is being developed and implemented using Aspire Learning, with appropriate training modules. This will ensure officers receive relevant and appropriate mandatory training which can be monitored. As there will be a lead-in time for the system to be implemented it will be supplemented by early refresher training (face to face, circulation of training materials etc). Legal staff will continue to attend online and face to face seminars to keep up to date with the law.
- 8.3 A greater understanding is to be obtained of the overt surveillance carried out by services of the Council and its partners organisations Arvato and Keir.
- 8.4 A RIPA update has been sent to relevant officers. More detailed information will be placed on the RIPA pages of the Council's intranet.
- 8.5 New guidance will be developed, for example, on the use of body cams by Council enforcement staff.

9.0 RECOMMENDATION

- 9.1 To note the report.

10.0 REASON FOR RECOMMENDATION

10.1 To enable the Council to operate the RIPA system effectively and as required by law and guidance.

GERARD ROGERS
RIPA SENIOR RESPONSIBLE OFFICER

Further information from Gerard Rogers, Monitoring Officer and Regulatory & Local Government Law Manager, Legal Services - Tel 345310 or gerard.rogers@chesterfield.gov.uk

For publication

Review of Surveillance Policy (FG000)

Meeting:	Cabinet
Date:	4 April, 2017
Cabinet portfolio:	Finance and Governance
Report by:	Local Government and Regulatory Law Manager

For publication

1.0 Purpose of report

- 1.1 To inform members about the effects of the Regulation of Investigatory Powers Act 2000, actions following an inspection in 2016 and current best practice.
- 1.2 To make recommendations for updates to the current policy and procedures.

2.0 Recommendations

- 2.1 To note the report and actions.
- 2.2 To formally adopt the suggested changes to the Council's RIPA policy and procedures.
- 2.3 To delegate to the Cabinet Member for Finance and Governance decisions on all matters relating to investigatory powers.
- 2.4 That Standards and Audit Committee receive annual reports on RIPA policy and practices.

- 2.5 To delegate to the Local Government and Regulatory Law Manager any necessary and consequential amendments relating to RIPA procedures.

3.0 Background

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) regulates different types of surveillance. Regulation is to ensure that surveillance is carried out in a way that conforms with the Human Rights Act (the right to privacy and the right to a fair trial).
- 3.2 This council very rarely uses the types of surveillance regulated by the Act. This is because any surveillance carried out by the council tends to be overt (ie open and known about) surveillance, with nothing secretive or hidden about it.
- 3.3 Under RIPA any secret (covert) surveillance must be properly authorized by the Council and, since 2012, also by the Magistrates Court.
- 3.4 This note updates members on use of the powers, though the Council has not needed to obtain any authorisations since February 2010.

4.0 Surveillance

- 4.1 RIPA controls the use of various methods of investigation, in particular the use of:
- covert surveillance
 - covert human intelligence sources (known as "CHIS") - informants and
 - accessing communication data
- 4.2 There are two types of surveillance covered by the Act:

Intrusive surveillance is covert surveillance in residential premises or a vehicle by a person or a device. *Local authorities are not allowed to use intrusive surveillance.*

Directed surveillance is covert (but not intrusive) planned surveillance for the purposes of a specific investigation. *Local authorities are allowed to use directed surveillance in certain circumstances, but only if properly authorised and regulated.*

- 4.3 Any surveillance must be both necessary and proportionate:
- *Necessary*: It must be for the purpose of preventing or detecting crime or disorder and the authorising officer must be satisfied that it is necessary to use covert surveillance in the investigation.
 - *Proportionate*: It must not be used where open methods of investigation will be adequate, it must be proportionate to the activity being investigated and the intrusion on the persons caught by the surveillance.
- 4.4 Participation by a person in an interview, or core public functions (such as staff disciplinary investigations) do not fall within the RIPA regime and authorisation is not needed.
- 4.5 Overt surveillance is not regulated. Public CCTV, such as the CCTV in the town centre generally observing the public, is not covert as people are made aware that it is there.
- 4.6 Even where surveillance is overt (eg CCTV) data protection considerations relating to personal information will still be relevant.
- 4.7 The Office of Surveillance Commissioners produces detailed procedures and guidance relating to their oversight of arrangements relating to public authorities. It also inspects local authorities every few years.

5.0 Authorisation

- 5.1 Before surveillance is carried out it must be authorised by specified officers.
- 5.2 Since 2012 surveillance can only be authorised:
- for preventing or detecting a crime punishable by a maximum term of at least 6 months imprisonment or
 - if related to the underage sale of alcohol or tobacco.

This significantly limits the types of local authority matters where authorisation is permitted.

- 5.3 A detailed record must be kept of all authorisations, which must be reviewed and a specific end date set. Authorisations for directed surveillance must not last longer than 3 months. Any authorised surveillance must be reviewed and cancelled at the end of the authorised period.
- 5.4 The Council has a surveillance policy which is reviewed periodically to keep it up to date and a secure database of authorisations (all cancelled).
- 5.5 Members are never involved in making decisions on specific authorisations but have a role in overseeing the process.

6.0 Authorised Surveillance

- 6.1 Since February 2010 there has been no surveillance carried out requiring authorisation at the council.
- 6.2 Since the Protection of Freedoms Act 2012 RIPA authorisations can only be used for detecting serious crimes (see above).
- 6.3 As an additional test, authorisations approved by the Council also must be approved by the Magistrates Court following an application.

7.0 OSC Visit

- 7.1 The council has visits from the Office of Surveillance Commissioners every few years. The most recent inspection was in 2016 and before that in 2012. Inspections result in a report containing any recommendations for review of policies and practices. It is usual to receive recommendations to ensure best practice.
- 7.2 The 2016 inspection report, carried out by a Surveillance Inspector, was received in July. While recognizing that the Council rarely, if at all, carries out covert surveillance, the report confirmed

that the council should do more to keep itself ready for doing so, in case the need arose.

7.3 In brief, the key recommendations of the report were that the council:

- (a) maintains a state of preparedness
- (b) ensures regular corporate training for appropriate officers and access to procedures and guidance
- (c) understands more about Arvato and Kier's knowledge about and involvement with the process
- (d) reviews who should be the Senior Responsible Officer overseeing the process
- (e) carries out biannual audit of processes
- (f) regularly reviews policy and guidance
- (g) reports at least annually to members, regardless of any activity
- (h) ensure up to date CCTV procedures are in place
- (i) ensure liaison with local magistrates court

The full recommendations are contained in **Appendix A**

7.4 The report recognises that

Given such a prolonged absence of use of RIPA powers and the unlikelihood of an application being made in the future it is understandable at least, that the subject of RIPA does not occupy a high profile within the Council.

8.0 Surveillance Policy

8.1 The Council's surveillance policy (see **Appendix B**) incorporates proposed changes to take account of the 2016 Inspection report, changes relating to RIPA best practice and also recent senior officer restructures.

8.2 There is also opportunity for further rationalization of authorizing officers given how little the system is needed to be used. The inspection report recommends the council should have one or more authorizing officers. Formerly there were authorizing officers in relevant services, meaning the need for greater dissemination of knowledge about the law and practices of RIPA. The opportunity

exists to concentrate authorizing officers within the legal service, where knowledge of RIPA is greatest.

- 8.3 Inspections tend to focus on themes and liaison with other authorities has shown that the focus in 2017 inspections is on social media and surveillance. Accordingly further amendments to the policy have been made.

9.0 Training and Information

- 9.1 It is important that relevant officers regularly receive appropriate training and updates.
- 9.2 The council's regulatory solicitors periodically attend RIPA seminars (either face to face or online) and will continue to do so regularly to keep up to date with the law and guidance. In addition to routine updates the Senior Responsible Officer will undertake online training about Investigations using Social Media Sites (in March).
- 9.3 For more than a year the regulatory team of solicitors was short staffed for a variety of reasons. Now staffing levels are restoring there are opportunities to ensure knowledge of RIPA powers and duties right across, and to share authorization responsibilities within, the new team. Greater capacity has also now enabled progress on review of systems following the 2016 inspection report.
- 9.4 Relevant investigation and authorizing officers have previously received training, and a comprehensive and well received training course was provided to many of them in early 2016 by Weightmans solicitors through EM Lawshare.
- 9.5 However, the need for regular training was an outstanding recommendation from the 2012 inspection. Senior leadership team changes and corporate restructures meant, in any case, that some previously with responsibility under the council's policy (and trained) are no longer with the council.
- 9.6 A new and effective training system, focused on the needs of those who might need to apply RIPA is overdue. The 2016 inspection report commented that

it is important that its officers are able to recognise when the activity which they undertake as part of their role, may be intrusive and fall within the legislation.

- 9.7 Various means of delivering regular training have been considered, including external online training, face to face delivery by external providers (as the 2016 training) or in house staff. None satisfactorily fulfilled the need to ensure that mandatory training was undertaken regularly by the relevant officers and records kept centrally and monitored.
- 9.8 During the course of 2016 due to the needs of the authority generally, a decision was made to acquire a corporate online training system.
- 9.9 The Council is now rolling out an online development resource from Learning Pool, accessible to all staff via the intranet, branded Aspire Learning.
- 9.10 While there is currently no RIPA training module on the system one is being developed at Chesterfield. This will enable identification of relevant officers, ensure relevant mandatory training is undertaken and renewed and also enable training activities to be monitored by management.
- 9.11 Liaison with other authorities shows that inspection reports are now also recommending training on controlling/handling 'covert human intelligence sources' to ensure preparedness should the need ever arise.
- 9.12 There are already pages of information on Aspire, the Council's intranet, about RIPA with links to the current Surveillance Policy and guidance. These pages will be refreshed and expanded as appropriate.
- 9.13 If the number of authorizing officers is reduced it will be easier to ensure that all the relevant officers receive regular training.

10.0 Senior Responsible Officer

- 10.1 The 2016 Inspection Report recommended that the current Senior Responsible Officer should not be an authorizing officer, as the SRO oversees the process, including activities of an authorizing officer. The Local Government and Regulatory Law Manager is currently the SRO and also an authorizing officer. This overlap in responsibilities came about as the result of the deletion of the Head of Government post when many of the head of service's responsibilities passed on to him.
- 10.2 While the SRO role could be passed to an Executive Director or CMT Manager, the opportunity now exists to make regulatory solicitors authorizing officers instead, leaving the Local Government and Regulatory Law Manager as SRO. This is commensurate with his role also as statutory Monitoring Officer and Senior Information Risk Owner. This would be consistent with retaining the management of RIPA within a legal team with a thorough knowledge of the relevant law behind RIPA.
- 10.3 Liaison with other authorities shows that 2017 inspection reports recommend that the SRO should also be an authorizing officer, but should only authorize in exceptional circumstances. There is an inference in Home Office Guidance on directed surveillance that the SRO should also be an authorizing officer. It is proposed that the dual role is retained, but only exercised in exceptional circumstances.

11.0 Reporting to Members

- 11.1 Members have an important role in overseeing the use of surveillance, but as there has been no surveillance in recent years there has been nothing to update them about. The OSC wishes members to be kept informed, even when there are no authorisations. This will help ensure proper procedures are in place and applied with member oversight.
- 11.2 It is proposed that Standards and Audit Committee is updated at least annually (as required) as to use (or non-use) of the surveillance policy. Members will also have the opportunity to consider any substantive amendments to the Surveillance Policy prior to approval. A copy of a report, to go to the next Standards and Audit committee, is attached at **Appendix C**.

12.0 Arvato and Kier

- 12.1 Both Arvato and Kier are being liaised with to ensure that any investigative and enforcement staff are appropriately aware of RIPA, have relevant training and follow Council procedures.

13.0 Magistrates Court

- 13.1 Local authorities in the area liaised with the North East Derbyshire and Dales Magistrates Court in Chesterfield at the time of the 2012 changes.
- 13.2 It was not considered by the court at that time that any special procedures should be introduced.
- 13.3 Recent contact with the court confirms that they do not deal with authorizations on a regular basis (this confirms feedback from other nearby local authorities), but that applications have been made to the court in the past.
- 13.4 No local protocol exists, but the court confirms that it would follow relevant procedures in the Home Office Guidance to Magistrates Courts on RIPA Authorisations (issued in 2012).

14.0 Relevant Portfolio

- 14.1 Matters relating to RIPA were previously referred to the portfolio holder with responsibility for ensuring the Council exercises its functions with due regard to the effect on prevention of crime and disorder (delegation reference HW1140L), currently the Cabinet Member for Health and Wellbeing.
- 14.2 In recognition of the significance of RIPA in terms of proper governance, responsibility for this function has now been moved by the Leader to the Cabinet Member for Finance and Governance. The Constitution will be updated to reflect this.

15.0 Conclusion

- 15.1 The Council has not needed to use RIPA authorisations since 2010. Since 2012 there is a much higher threshold before covert surveillance can be used and a double authorization procedure

involving first the council and then an application to the Magistrates Court. Evidence suggests that the procedures are also rarely used by local authorities in the wider area.

- 15.2 However it is important for procedures to be kept up to date and for relevant Council and partner staff to have knowledge of the law and procedures to ensure RIPA is complied with. Members must be kept informed regularly.
- 15.3 Accordingly it is recommended that the changes in procedures outlined in this report, and any consequential changes, are put into effect.

16.0 Human resources/people management implications

- 16.1 There are no HR or people management implications other than an identifiable training need for staff and proposed training through face to face / Aspire Learning delivery.
- 16.2 RIPA controls do not apply to core employment functions of the council.

17.0 Financial implications

- 17.1 There are no significant cost implications.
- 17.2 There is no financial penalty for non-compliance with RIPA. However, admissibility of evidence obtained in breach of RIPA could be questioned in a criminal prosecution, with potential to affect the outcome of the case and any penalties and costs order imposed.

18.0 Legal and data protection implications

- 18.1 Legal duties are set out in detail throughout this report. While the council rarely has had need to use the RIPA in recent years, and since 2012 the controls on use have restricted how it is used, it must periodically review the procedures in place to ensure it complies with the law, relevant guidance and best practice.

19.0 Risk management

19.1 The risks relating to the changes to procedures set out in this report are considered below.

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Regulated surveillance is carried out without any necessary authorisation	High	Low	Continue to ensure that where possible overt surveillance is carried out. Ensure knowledge of RIPA and restrictions through training.	Low	Low
Relevant officers lacking relevant knowledge as do not receive adequate and regular RIPA training	Medium	High	Regular training that is monitored. Limit number of authorizing officers	Medium	Low
Court enforcement action is prejudiced by failure to follow RIPA procedures	High	Medium	Ensure the council and its officers are prepared, ensuring appropriate action is taken in compliance with law and guidance	Medium	Low

20.0 Equalities Impact Assessment (EIA)

20.1 As there are some recommendations for changes to the Surveillance Policy arising from the 2016 Inspection Report a preliminary EIA has been carried out. An EIA was previously carried out in respect of the policy in connection with a report to Cabinet dated 19th May 2010.

20.2 No negative impacts from the revised policy are anticipated. The policy is implementing legislative requirements and guidance in place to protect human rights.

21.0 Alternative options and reasons for rejection

21.1 The changes recommended come about as the result of the 2016 OSC inspection.

- 21.2 The proposals are the minimum reasonable, given that the council has not sought any authorisations since 2010, but must be ready to identify the need and seek them when necessary.

22.0 Recommendations

- 22.1 To note the report and actions.
- 22.2 To formally adopt the suggested changes to the Council's RIPA policies and procedures.
- 22.3 To delegate to the Cabinet Member for Finance and Governance decisions on all matters relating to investigatory powers.
- 22.4 That Standards and Audit Committee receive annual reports on RIPA policy and practices.
- 22.5 To delegate to the Local Government and Regulatory Law Manager any necessary and consequential amendments relating to RIPA policies and procedures.

23.0 Reason for recommendations

- 23.1 To enable the Council to operate the RIPA system effectively and as required by law and guidance.

Decision information

Key decision number	<i>n/a</i>
Wards affected	all
Links to Council Plan priorities	to improve the quality of life for local people

Document information

Report author	Contact number/email

Gerard Rogers	01246 345310 gerard.rogers@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Background documents: RIPA Surveillance Policy and Inspection Report - Legal Services	
Appendices to the report	
Appendix A	Inspection Report Recommendations
Appendix B	Draft Amendments To Surveillance Policy
Appendix C	Draft Annual Report to Standards and Audit Committee
Appendix D	Preliminary EIA

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APPENDIX A

2016 Inspection Report Recommendations

10 Recommendations

10.1 Recommendation 1 - The Council should ensure that it remains in an appropriate state of corporate preparedness in order to effectively discharge its responsibilities under the terms of the Regulation of Investigatory Powers Act 2000. To that extent it is recommended that it periodically reviews its internal arrangements so as to ensure that they include the following characteristics as a minimum. There should be:

- a) a clearly identified Senior Responsible Officer who is knowledgeable in RIPA matters and understands their responsibilities. Their identity and role should be communicated to all relevant personnel,
- b) readily accessible, relevant and up to date policy and practitioner guidance which is regularly updated,
- c) ready access to the RIPA legislation, the Codes of Practice and the most current OSC Procedures and Guidance document,
- d) one or more clearly identified authorising officers who receive training and regular knowledge/awareness refresher provision which ensures they remain appropriately competent for their role, and their identities and role should be communicated to all relevant personnel,
- e) coherent and clearly communicated and understood RIPA authorisation processes together with appropriately formatted RIPA documentation,
- f) a Central Record of authorisations which contains the information required by the RIPA Codes of Practice,
- g) coherent processes and audit trails which ensure that those called upon to undertake activities in accordance with the terms of an authorisation granted are suitably trained and equipped for their role and supported by clear processes pursuant of *R v Sutherland*,
- h) a workforce which has a level of understanding of RIPA which is commensurate with their role within the organisation,
- i) effective liaison arrangements with the local magistrates in order that the requisite judicial approval considerations in relation to RIPA authorisations can be diligently and expeditiously applied.

10.2 Recommendation 2 – The Council should ensure that arrangements are in place so as to comply with the legislative requirement to report RIPA policy to elected members on at least an annual basis in accordance with paragraph 3.35 of the Code of Practice for Covert Surveillance and Property Interference.

10.3 Recommendation 3 - The RIPA Senior Responsible Officer (SRO) for Chesterfield Borough Council establishes the degree of awareness relating to RIPA amongst the investigative and enforcement staff of Avarto and where this is considered to be deficient, to ensure that appropriate provision is made. In addition, the SRO should satisfy himself that clear and effective procedures exist to appropriately accommodate RIPA related activity by Avarto when acting as agents of Chesterfield Borough Council and these matters should be included within the existing Council RIPA policy.