STATEMENT ON INTERNAL CONTROL

RECOMMENDATIONS

1.1 To approve the Statement on Internal Control.

1.2 To request the Leader and the Chief Executive to formally sign the Statement on Internal Control.

SUPPORTING INFORMATION

2.1 Regulation 4 of the Accounts and Audit Regulations (2003) requires audited bodies to conduct a review, at least once a year, of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements. The Council's SIC for 2006/7 is shown in Appendix 2.

2.2 The SIC enables the Council to have a better overview of its controls, how they work and whether they are up to date. In particular

- the departmental controls, i.e. the processes which Chief Officers have in place within their departments;
- the corporate controls which comprise a large number of processes and strategies by which the Council exercises control over the operation of all activities within its remit, such as the Constitution, the Council's financial and service planning processes and codes of conduct; and
- the independent view, which is provided by Internal Audit, external Audit (PwC), the Audit Commission and various other inspection regimes

   CIPFA's proper practice requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the SIC.

2.3 The purpose of the SIC is to provide:
- openness
- accountability
- assurance to stakeholders
- a framework for improvement of corporate governance and risk management arrangements
- a source of evidence for CPA.

2.4   The SIC is about providing an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

2.5   External Audit has a specific role in that it will review the SIC for compliance with proper practice and review the disclosures in it for consistency with its knowledge of the Council.

2.6   The SIC should be reviewed at least once a year. However, it should not be an end of year task. Therefore, assurances on the effectiveness of controls over key risks should be obtained throughout the year.

2.7   Assurances for the 2006/7 SIC have been taken from a number of sources. These include:

- Risk-management and risk identification
- Internal audit
- Quality management systems where the Council receives external accreditation or certification for them, for instance Investors in People and ISO 9000
- External audit provide assurance on the accuracy of the financial statements and on the operation of internal controls
- Performance management system.
- Inspection/regulatory reports that the Council receives.

2.8   As in 2005/6, each Chief Officer has been asked to provide an assurance statement to cover 2006/7. The purpose is to ensure that Chief Officers have considered the processes that are used in their respective departments, how they are set out and how they can get assurance that everything is working properly. The statements highlight how they respond to the external view about their services and how they approach risk, quality management and ensure their services improve. Each statement will be signed off by the respective Chief Officer.

2.9   At the corporate level, assurances were gained through the use of a framework that records evidence to support practices and processes already in place across the authority. This framework was used for the 2004/5 and 2005/6 SIC and was reviewed and updated for this year. This evidence is shown in Appendix 3.

For more information contact:	Richard Boneham, Head of Audit and Risk Management, 01332 255688
	richard.boneham@derby.gov.uk
Background papers:	Corporate Director – Assurance Statements
List of appendices:	Appendix 1 – Implications
	Appendix 2 – Statement on Internal Control 2006/7
	Appendix 3 – Evidence to support the assurance gathering process

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. The statutory reporting requirement for the SIC is linked to the publication of the authority's financial statements, which is 3 months after the deadline for approval.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate priorities

5. None directly arising.

STATEMENT ON INTERNAL CONTROL

1.   SCOPE OF RESPONSIBILITY

Derby City Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2.   THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at Derby City Council for the year ended 31 March 2007 and up to the date of approval of the Statement of Accounts.

3.   THE INTERNAL CONTROL ENVIRONMENT

The key elements of Derby City Council's internal control environment are as follows:

Establishment and monitoring the achievement of the authority's objectives

The Council's priorities and objectives are reviewed on an annual basis as part of the corporate planning cycle. Priorities are established by Council Cabinet in consultation with Chief Officers, taking account of the Council's performance improvement priorities, inspection findings such as CPA, the national agenda for public service improvement and public consultation.

The corporate plan identifies actions and resources over a three year period, most recently 2005-08 and the BVPP establishes specific targets to measure progress. Performance is reported to Council Cabinet on a quarterly basis,

and is monitored by the Overview and Scrutiny Commissions. Performance information is available across the Council through the Performance Eye information system.

Facilitation of policy and decision making

- Derby City Council has adopted a constitution which came into effect on 3 December 2001. This sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

- The Council Cabinet is the part of the Council that is responsible for most day-to-day decisions. When major decisions are to be discussed or made, these are published in the Council Cabinet's forward plan in so far as they can be anticipated. The Council Cabinet has to make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

- In 2006/7 there were five Overview and Scrutiny Commissions, plus a Scrutiny Management Commission which support the work of the Council Cabinet and the Council as a whole. Within Derby City Council Scrutiny has two main roles:-

  - To act as a check and balance on the Council Cabinet, holding it to account for its decisions.

  - To review and help to develop Council policies to ensure that they have a positive impact on the people of Derby.

- The Council has also created five area panels which provide local citizens with a greater say in council affairs. These provide a forum to discuss local issues with the Council's partner organisations and local residents.

Ensuring compliance with established policies, procedures, laws and regulations

The Council has designated the Corporate Director of Corporate and Adult Services and Deputy Chief Executive as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.

Responsibility for compliance with operational policies rests with the relevant Corporate Directors, Assistant Directors and Service Heads.

The City Council is subject to internal and external audit and inspection regimes.

A Standards Committee containing 3 members of the Council and 3 members from outside the Council ensures the maintenance of high standards of conduct and deals with complaints against elected members. The Chair of the Standards Committee is an independent member.

Identifying, assessing and managing risks to the authority's objectives

The Council has robust systems in place for identifying and evaluating significant business risks. The key elements of the system include:

- The Council has adopted a Risk Management Strategy which aims to embed risk management into the culture and operations of the Council. The aim is to manage risk in accordance with best practice and to make sure that departments have clear accountability for both the ownership and cost of risk and the tools to effectively reduce it.

- The Council has established clear roles and responsibilities and reporting lines within the Council for risk management. incorporating risk management in to all new projects and reviews and into the Council's decision-making, business planning and performance management processes

- The Council has developed risk registers at both corporate and departmental levels. These registers are reviewed annually and are reported through to Cabinet.

- The Council has a Strategic Risk Group which is developing a formal framework to assist the organisation to manage business risks to achieve the Council's strategic priorities and deliver services to the community.

- The Council has produced a Business Continuity Plan that sets the framework for our planning and response arrangements for a disruption that might seriously affect our ability to deliver services. The Plan has been produced under the auspices of the risk management group, with ownership of local arrangements the responsibility of service departments. It sets out the structure for responding to a major service disruption, details of our major vulnerabilities, information on service continuance/restoration priorities and communication mechanisms. The Plan includes a development programme for areas identified as requiring further investigation to improve Business Continuity resilience.

- The Council has a corporate H&S team which aims to promote and protect the health and safety of all Council employees and anyone affected by their activities, by:
    - providing competent advice on current health and safety law and best practice
    - developing health, safety and welfare strategy and policy
    - working in partnership with stakeholders, including managers, the departmental health and safety advisers and trade union health and safety representatives
    - auditing for compliance with duties under the Health and Safety at Work etc. Act 1974
    - helping managers to comply with these duties
    - providing training on duties and compliance.

During the year the External Auditor's CPA assessment of the Council's risk management arrangements was a score of 3 out of 4.

Ensuring the economical, effective and efficient use of resources and ensuring continuous improvement by virtue of the Best Value Duty.

Even as a four star Council, we are committed to ongoing improvement. The Council has an on-going programme of service reviews.

Overarching this is the 'Building on Excellence' change management programme. Building on Excellence is a key part of the Council's commitment to continuous improvement, addressing areas we know we still need to improve and involving people from across the organisation. Our achievements are recognised by Government Departments, a range of inspections including our '4 star' CPA category and most importantly the people who use our services. The Building on Excellence programme will take this a stage further by building our ability to maintain improvements. Building on Excellence is based on the following five themes…

- Improving organisational and service performance.

- Delivering efficiency and value for money.

- Improving communication and community engagement.

- Developing a culture of excellence and learning.

- Providing excellent customer service.

Building on Excellence provides a structured approach to change and project management, based on Prince2 principles.

Our review programme includes change management reviews, mainly concerned with business process re-engineering. We have developed a BRP toolkit to support this.

Financial management of the authority and reporting of financial management

To comply with s151 of the Local Government Act 1972, the Corporate Director – Resources is the responsible Financial Officer.

The system of internal financial control is based on a framework of regular management information, financial procedure rules, and a scheme of delegation and accountability.

The Council has continued to improve its financial management at an operational level through the continued development of financial reporting, profiling of budgets and strategically through its medium term planning of financial commitments. This is underpinned by:

- Professional finance function

- Financial Procedure Rules and Contract Procedure Rules

- Regular revenue and capital monitoring reports are provided at Cabinet meetings

- Comprehensive budgeting and closedown guidance notes are issued

- The council has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services

- Budget planning generally takes place over a three year period, with indicative budgets being approved for the second and third years. This has allowed the Council to ensure that its plans are affordable over the medium term and to consider early action in the context of any pressures that emerge, relative to affordable levels of council tax

- Consultation is a key part of the budget process

- Specific budget risks are highlighted and managed

- Prioritisation within financial planning is closely aligned with the Council's wider corporate planning processes, the aim being to ensure that where funds become available, they are applied to ensure that developments can be prioritised as planned

- Maintaining general reserves at no less than minimum recommended levels and by ensuring that the purpose for which reserves are earmarked are regularly reviewed.

- The Council has a strategy for securing efficiency gains which reflects a continuation of the Council's existing approach to identifying and recycling savings through the annual forward budgeting process.

- Participation in the National Fraud Initiative and other data matching exercises

- The verification framework for the administration of Council Tax and Housing Benefits

Performance management of the authority and reporting of performance management.

The Council has an agreed performance management strategy, which sets out the established performance framework and vision to embed performance management through creating 'an outcome driven environment where all staff understand their contribution to delivering key priorities and feel supported and motivated to manage their own performance effectively'.

Key elements of this strategy are the collation and dissemination of robust performance information through the Performance Eye system, which

establishes ownership and accountability for performance among responsible officers, and the regular reporting of performance and improvement actions, both corporately and departmentally.

The strategy also sets out the Council's commitment to good data quality, which underpins the provision of sound and evidence based information for decision makers. The strategy includes a number of measures to support and develop data quality arrangements.

Performance is reported against all national and local BVPP targets to Chief Officer Group and Council Cabinet each quarter, based on exception reporting according to variance from target with explanation for the causes – and improvement action if below target. Scrutiny Commissions review performance against indicators within their domain of responsibility, using Performance Eye, and have included the review of performance indicators as a standing agenda item.

Performance Eye also provides information to support performance management within departments, including through departmental management teams, and the information it contains is being expanded to include more local indicators.

The effectiveness of our performance management strategy, data quality arrangements and implementation of Performance Eye have been reviewed by our external auditors.

4.   REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of internal auditors and the senior managers within the authority and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports. Managers have the responsibility for the development and maintenance of the internal control environment,

The following process has been applied in maintaining and reviewing the system of internal control:

- The role of the Audit and Accounts Committee

- Reports to the Council and Cabinet

- Reports to Scrutiny Commissions on specific areas of responsibility

- Existence of the Council's Financial Procedure Rules, Contract Procedure Rules and Scheme of Delegation

- The council has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government

- Corporate Directors are responsible for ensuring that proper standards of internal control operate within their Departments. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place.

- Reports by external audit and other inspection agencies

- Participation in the National Fraud Initiative and other data matching exercises

- The verification framework for the administration of Council Tax and Housing Benefits

- Development of the Corporate Plan and specific projects

- Adoption of Treasury Management Practices in line with the Code of Practice on Treasury Management

- The Corporate Complaints procedure

5. SIGNIFICANT INTERNAL CONTROL ISSUES AND PROPOSED ACTION

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the Council's objectives have been mitigated.

Following the review of effectiveness the following significant internal control issues have emerged during 2006/7.

Debt Recovery/Sundry Debtors System

Allegations were made against the Debt Recovery Manager in the Debtors Section of the Resources Department concerning the inappropriate write-offs and credit notes issued against invoices. Following an investigation by Internal Audit, the following control weaknesses were discovered:
- Inadequate separation of duties in the Debtors Section in respect of cash collection and full systems access
- Ineffective controls over the issue of Council receipt books
- A lack of control over the authorisation of write-offs and the reconciliation of write-offs
- An absence of system and procedural controls over the raising of credit notes
- A lack of appropriate management of credit balances in the debtors system

- The failure to undertake routine management checks due to the pressure of implementing a new financial management system
- Inadequate record keeping to support transactions

Following the investigation, Management will be carrying out a detailed review of the internal controls within the system for debt recovery.

Environmental Services

Following allegations raised under the Council's Confidential Reporting Code investigations were carried out in Environmental Services. The investigation highlighted serious control weaknesses in a number of areas of the department, in particular:
- the non-compliance with the Council's Contract Procedure Rules in respect of tendering
- an absence of effective control over the receiving of gifts and hospitality by officers
- private use of Council contractors
- officers operating private businesses/outside interests without the appropriate authorisation
- non-adherence to the Council's Internet and e-mail policy
- misuse of Council vehicles
- inadequate controls in the recruitment and selection process

It was clear from the investigations that the culture in the department had a major contribution to the ineffective control environment in place. The further review of controls in Environmental Services is one of the key themes in the 2007/8 internal audit plan.

There are a number of issues which are considered important enough to identify within the Statement on Internal Control for 2006/7 for the purpose of noting. These are issues that require attention to address certain weaknesses and ensure continuous improvement of the system of internal control. The issues are as follows:-

Control weaknesses in departmental systems:

There were a number of departmental systems that received unsound or unsatisfactory overall ratings of the control environment following internal audit reviews. These are reported to the Audit and Accounts Committee, and the progress on implement of audit recommendations is monitored by the Committee. In 2006/7, the following reports were called in for further review by the Committee:

- IT Disaster recovery
- IT Site Security
- Home To School transport (progress update)
- Dale Community Primary School
- Markets – Car Park Income
- Payroll – missing cash

- Recruitment Agency Contract
- Derby Advertising & Video Information Screen

Governance of partnerships:

The audit review of the Derby Advertising & Video Information Screen highlighted weaknesses in the governance arrangements that were in place which exposed to the Council to a number of significant risks.

Hardwick Primary School:

An audit investigation highlighted the non adherence to the Council's contract procedure rules for the purchase of IT equipment. Following a review of the failings at the school, delegated powers were removed.

6. PROGRESS ON PROPOSED ACTION TO RECTIFY SIGNIFICANT INTERNAL CONTROL ISSUES RAISED IN 2005/6 SIC

In the 2005/6 SIC, control weaknesses were identified in 2 corporate systems

The progress made on these areas is shown in the table below.

Control Issue	Progress Made
An internal audit of the Council's IT Disaster Recovery Plan reported 2 fundamental weaknesses and rated the system as "unsatisfactory".	We now have in place a mobile disaster recovery service based on providing a minimum core service which can be up and running within 24 – 48 hours of any major disaster. This minimum service covers the following areas: • Core network logon including firewall and security, desktop and access to personal storage. In essence, access to network and domain services. This also will include e-mail • Systems to pay people, and covering core social care. In essence Payroll (Vision), Revenues and Benefits, Financial systems (currently CODAS), and Social Services systems Swift, and Electronic and Social Care Records (ESCR) including Citrix • Telephony servers located at Mallard House In essence, this solution covers all critical systems and services. Longer term we are looking at initiatives around partnership working and shared services. With this in mind, we have had

Control Issue	Progress Made
	discussions with the East Midlands Regional Centre of Excellence and they have indicated that they would consider making the provision of a shared/joint DR service across the East Midlands as one of their major work streams over the next few years. This would seem a sensible approach as any DR service is about providing back up systems and services, redundant until required, duplicated across many local authorities and partner organisations. There must be areas here for savings by taking a shared approach to the provision of such services. We also intend to pick up on the longer term provision of DR services as part of the IT facilities management contract re-tender process.
An IT site security survey was carried out by internal audit to identify the level of protection that had been afforded to the Council's IT systems. The review found that the overall level of security for IT hardware in Council buildings was low and the conditions in which IT equipment was being held, showed a general lack of regard for the risks involved.	The short term and medium term actions have now been completed or partially completed. For the short term items, the partially completed action is for buildings where the Council are not the owners (Norman House and St Peters House) and where we are waiting for responses from the agents or building work is being carried out. For the medium term items, we are waiting for the outcomes to reviews covering UPS provision, and standby air conditioning options. We also need to put together a funding bid for the work to carry out the air conditioning survey, where estimates to do the work are coming out at around £10K. There are some other funding issues to be addressed, mainly for the remote monitoring of environmental conditions into buildings management systems. This works out at around £3K per site. The outstanding actions for St Peters House are awaiting completion of some structural changes to the existing server room. The room is being partitioned with a dedicated server room being set up. This will allow appropriate environmental and access controls to be set up once the alterations have been completed.

7.   EMERGING ISSUES

The emerging issues section of the SIC is intended to identify significant service, financial and organisational issues that may impact in a positive or negative way on the achievement of the Council's corporate objectives in the future. The identification of issues in this section does not imply in any way that there are control weaknesses or concerns; rather, it is intended to demonstrate that the Council is scanning its horizon and actively recognising major change management issues.

The key area is the implementation on 1 April 2007 of the new Oracle financial system and the impact it will have on the internal control environment.

8.   SUMMARY

The internal control framework operating during 2006-7 is considered to provide reasonable and objective assurance that significant risks impacting on the achievement of the Council's principal objectives have been identified and actions taken to avoid or mitigate their impact. There were two significant internal control issues to report. There were issues identified for noting where the City Council recognises the need for continuous improvement and actions have been taken, or are in progress, to make these improvements. There are key emerging issues for the Council where internal control systems will be monitored closely.

We have been advised about the results of the review of effectiveness of the system of internal control by the Council and plans to address weaknesses and implement improvements to the control systems are in place.

…………………………………   ……………………………………

Ray Cowlishaw   Chris Williamson

Chief Executive   Leader of the Council

CORPORATE ASSURANCE GATHERING PROCESS – 2006/7 SIC

Establishing principal statutory obligations and organisational objectives:

Mechanism established to identify principal statutory obligations	
Examples of assurance:	**Evidenced by:**
1. Responsibilities for statutory obligations are formally established	This is demonstrated through • Constitution • Recording individual officer and member responsibilities • Minutes of delegations to officers and committees • Committee terms of reference • Job descriptions of key officers • Structure charts
2. Record held of statutory obligations	• Derbynet – document library
3. Effective procedures to identify, evaluate, communicate, implement, comply with monitor legislative change exist and are used	• Weekly Bulletin • Managers network • Awareness training • Legal implications on reports to members
4. Effective action is taken where areas of non-compliance are found in either mechanism or legislation	
Mechanism in place to establish corporate objectives	
Examples of assurance:	**Evidenced by:**
1. Consultation with stakeholders on priorities and objectives	• Derby Pointer - results on website
2. The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	• Corporate plan includes objectives and priorities. Report to Cabinet include details of process of developing priorities
3. Priorities and objectives are aligned to principal statutory obligations and relate to available funding	• Corporate Plan • Corporate Plan links actions to resources
4. Objectives are reflected in departmental plans and are clearly matched with associated budgets	• Business Planning guidance included on intranet • clearly linked to objectives but detail re funding varies • Business plans include review of previous year •
5. The authority's objectives are clearly communicated to staff and to all stakeholders.	• Wide circulation of Corporate Plan and BVPP. Priorities posters • Presentations to Area Panels • Target setting to deliver objectives and priorities through DMTs • website and intranet

Effective corporate governance arrangements are embedded within the authority	
Examples of assurance:	**Evidenced by:**
1. Code of corporate governance established	• A Code of Corporate Governance in line with CIPFA/SOLACE framework and guidance has been adopted
2. Review and monitoring arrangements in place	• Internal/external audit reports on adequacy of corporate governance arrangements
3. Committee charged with governance responsibilities	• Cabinet • Audit and Accounts Committee
4. Governance training provided to key officers and all members	• Members training • Senior Officers are provided with information • Cabinet report
5. Staff, public and other stakeholder awareness of corporate governance	•
Performance management arrangements are in place	
Examples of assurance:	**Evidenced by:**
1. Comprehensive and effective performance management systems operate routinely	• Performance Eye • Performance Management Strategy • Cabinet performance reports • Reports to Council • BVPP • Business Plans
2. Key performance indicators are established and monitored	• Performance Eye • Approval of BVPP
3. The authority knows how well it is performing against its planned outcomes	• Cabinet and Scrutiny agendas • Annual audit and inspection letter reported to Cabinet • Comments in Performance Eye • CPA review Feb 2007 – Four Star rating • Local PIs re Corporate Plan targets, LPSA and LAA • LPSA and LAA in place • Regular budget monitoring reports • Housing benchmarks - Derby Homes
4. Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes	• Monitoring reports - cabinet and scrutiny agendas • Detailed performance results included in reports and Performance Eye – including comparative quartile detail • BVPP • Corporate Plan
5. The authority continuously improves its performance management	• annual update of Performance Management strategy • PWC audits of Performance Management Strategy, Data Quality and Performance Eye • Performance Eye roadmap

Identify principal risks to achievement of objectives

The authority has robust systems and processes in place for the identification and management of strategic and operational risk	
Examples of assurance:	Evidenced by:
1. There is a written strategy and policy in place or managing risk which: • Has been formally approved at political and risk management board (or equivalent) level • Is reviewed on a regular basis • Has been communicated to all relevant staff	• Approved Risk Management Strategy and policy document (revised policy September 2006) • Reviewed annually and approved by Audit & Accounts Committee • Website • Briefings and awareness sessions held on risk management • Regular team briefing packs
2. The authority has implemented clear structures and processes for risk management which are successfully implemented and: • Management board and elected members see risk management as a priority and support it by personal interest and input • Decision making considers risk • A senior manager has been appointed to "champion" risk management • Roles and responsibilities for risk management have been defined • Risk management systems are subject to independent assessment • Risk management is considered in the annual business planning process	• Reports to Cabinet and Audit and Accounts Committee • Corporate Director – Resources is "Risk Champion" • Head of Audit and Risk Management – corporate role (reviews strategy annually) • All Chief Officers are aware of responsibilities • Strategic Risk Group – departmental risk champions • Business plans and financial plan assess risks as appropriate and in particular take account of new and emerging risks facing the authority
3. The authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff	• New methodology for risk assessment as part of business planning • Dissemination through departmental management teams • Team briefing packs

Examples of assurance:	Evidenced by:
4. The authority has well defined procedures for recording and reporting risk	• Risk management strategy and policy • Corporate risk register • Departmental Risk Registers • Projects – risk logs • Monitoring of risks • Reporting of risk to Cabinet, COG and Audit and Accounts Committee • Risk based auditing • Follow-up audits
5. The authority has well-established and clear arrangements for financing risk	• Evidence that the authority's policy for risk financing is regularly reviewed in the light of costs and alternative risk mitigation strategies • All legal requirements for insurance are met • Evidence that self-insurance provisions are subject to annual independent actuarial valuation and that contributions to the fund are adjusted accordingly • Insurance claims being managed in accordance with 'Woolfe' principles • Monitoring the incidence of successful and unsuccessful claims
6. The authority has developed a programme of risk management training for relevant staff	• Training purchased from Zurich Municipal on risk management • Communication via Strategic Risk Group • Appropriate responsibilities for risk management incorporated into job descriptions and appraisals
7. The corporate risk management board (or equivalent) adds value to the risk management process by: • Advising and supporting corporate management team on risk strategies • Identifying areas of overlapping risk • Driving new risk management initiatives • Communicating risk management and sharing good practice • Providing and reviewing risk management training • Regularly reviewing the risk register(s) • Coordinating the results for risk reporting	• Strategic Risk Group • Reports to Cabinet, COG and Audit and Accounts Committee on Risk Register reviews • Zurich Municipal training sessions

Examples of assurance:	Evidenced by:
8. A corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice and: • Support decision making and policy formulation • Provides support in the risk identification and analysis process • Provides support in prioritising risk mitigation action • Provides advice and support in determining risk treatments • Inspires confidence in managers	• Head of Internal Audit and Risk Management • Role of Audit and Accounts Committee • Use of consultancy - Risk management brokers • Reports to COG on risk management issues • Membership of ALARM • ZM training
9. Managers are accountable for managing their risks	• Departmental risk assessments - manager involvement in risk identification and analysis process • Risk owners detailed in corporate /departmental risk register(s) • Annual review of risk at service/operational levels • Risk registers to be brought to Committee for review bi-annually
10. Risk management is embedded throughout the authority	• Managers involvement in risk management aspects of business planning • Project management • Business planning guidance
11. Risks in partnership working are fully considered	• Risk assessments undertaken before the commencement of major projects e.g. PFI • Risk assessment reviewed during the project period • Evidence of assessments reported to Audit & Accounts Committee • A&AC aware of 'Better Governance Forum on Partnership Risk Management' • Partnership arrangements are reviewed in terms of risk before they are entered into
12. Where employed, risk management information systems meet users' needs	• Under development

Identify key controls to manage principal risks

The authority has robust system of internal control which includes systems and procedures to mitigate principal risks	
Examples of assurance:	**Evidenced by:**
1. There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff: • Authority has adopted CIPFA code on Treasury Management (note: recent legislative requirement by virtue of the prudential code) • Compliance with the Prudential Code	• Financial Procedure Rules part of Constitution (updated 2006) • Intranet • Internal audit reports • Financial Matters report to Cabinet • Annual treasury management and investment strategy • Outturn report on treasury mgt. • Council complies with Prudential Code
2. There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff	• Contract Procedure Rules part of Constitution • Standing Orders are under review but have not been reviewed since 2000.
3. There is a whistle blowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	• Confidential Reporting Code reviewed annually by Head of Audit & Risk Management, reported to A&AC annually • Website • Employee Handbook • Several examples of use
4. There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	• Anti-fraud and corruption policy and strategy • Reviewed and updated annually • Reported to A&AC annually • Website • Participation in National Fraud Initiative • Fraud Response Plan • Register of gifts and hospitality
5. There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff	• Member and Employee Codes of conduct • Website • Employee Handbook / Inductions
6. A register of interests is maintained, regularly updated and reviewed	• Register of interests (members and staff) • Regular updating and review by senior officer(s) • Employee Handbook

Examples of assurance:	Evidenced by:
7. Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff	• Scheme of delegation incorporates adequate controls and sanctions • Constitution • Accessible on intranet site
8. A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff	• Procurement policy • Approved by Members • Website
9. Business/service continuity plans have been drawn up for all critical service areas and the plans: • Are subject to regular testing • Are subject to regular review	• Business/service continuity plans being drawn up • Role of County Emergency Planners based at Derby City
10. The corporate/departmental risk register(s) includes expected key controls to manage principal risks	• Risk owners are assigned to manage principal risks
11. Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed.	• Under development
12. The authority's internal control framework is subject to regular independent assessment	• Internal audit plans and reports • Annual report/opinion of Head of Internal Audit • Audit and Accounts Committee • External audit reports • CPA assessment
13. A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff	• Health & safety policy • Approved by Cabinet – signed by Leader and Chief Executive • Copy on website • Dissemination via leaflet and also at corporate induction • System in place for reporting incidences
14. A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders is regularly reviewed	• Complaints policy/procedure exists • Corporate Complaints Officer • Procedure is compliant with all relevant statutory requirements • Procedure is on the website and intranet site • Leaflets highlighting complaints procedure • All complaints are logged • Complaints files • Standards Committee receive reports from LG Ombudsman on the outcome of cases.