

Audit and Standards Committee

Tuesday, 30 October 2018

10.00 am

Oak Room, County Buildings, Martin Street, Stafford

John Tradewell
Director of Strategy, Governance and Change
22 October 2018

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 24 September 2018** (Pages 1 - 8)
4. **Local Government Pension Scheme (LGPS) Asset Pooling Arrangements – Development of An Assurance Framework Update** (Pages 9 - 36)

Report of the Director of Finance and Resources
5. **CIPFA Guidance for Local Authority Audit Committees - Update** (Pages 37 - 60)

Report of the Director of Finance and Resources
6. **Forward Plan** (Pages 61 - 70)
7. **Exclusion of the Public**

The Chairman to move:-

“That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 as indicated below”.

PART TWO
(reports in this section are exempt)

8. **Exempt Minutes of the meeting held on 24 September 2018** (Pages 71 - 74)

(Exemption paragraph 3)

9. **Data Sharing Agreements - Final Audit Report 2018/19** (Pages 75 - 94)

(Exemption paragraph 3)

Report of the Director of Finance and Resources

Membership

Derek Davis, OBE	Carolyn Trowbridge (Vice-Chairman)
Mike Davies	Ross Ward
Michael Greatorex	Bernard Williams
Martyn Tittley (Chairman)	Victoria Wilson
David Brookes	Jill Hood
Colin Greatorex	Paul Northcott
Ian Lawson	Susan Woodward
Jeremy Oates	

Note for Members of the Press and Public

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Minutes of the Audit and Standards Committee Meeting held on 24 September 2018

Present: Martyn Tittley (Chairman)

Attendance

Derek Davis, OBE	Bernard Williams
Mike Davies	Victoria Wilson
Colin Greatorex	Jill Hood
Ian Lawson	Paul Northcott
Jeremy Oates	Susan Woodward
Carolyn Trowbridge (Vice-Chairman)	

Also in attendance: Vishal Savjani (Ernst and Young).

Apologies: Michael Greatorex, David Brookes and Ross Ward.

PART ONE

34. Declarations of Interest

There were no declarations of interest.

35. Minutes of the Meeting held on 30 July 2018

RESOLVED – That the minutes of the meeting held on 30 July 2018 were confirmed and signed by the Chairman.

36. Annual Audit Letter 2017-18

Vishal Savjani, Ernst and Young, introduced the Annual Audit Letter for the year ended 31 March 2018. The content of the Letter sections 1-5 had just been reported, minuted and approved. Ernst and Young reported that they audited the accounts and provided a clean opinion and were satisfied with the arrangements for value for money. At the time of the last meeting Ernst and Young had not completed the Annual Governance Accounts audit. This work had now been completed and there were no new issues to report. Turning to Section 6 of the report, the key parts highlighted were the application of the new accounting standards due in the future. The impact on the Council was summarised in the report and had implications for the Finance and Resources Team.

Members referred to Section 6 IFRS 16 Leases and asked if all leases were fully documented.

RESOLVED: The interim Head of Internal Audit and Financial Services agreed to ask the Deputy Director of Finance and Resources if all leases were fully documented and report back to Members.

37. Local Government Sector Update Report

Vishal Savjani introduced this report drawing Members' attention to the section on key questions for the Audit Committee. Members asked if the Committee was in a position to answer these questions. Mr Savjani stated the Director of Finance and Resources was aware of these questions and had taken them into consideration in producing the Medium Term Financial Strategy. Members stated that they should reassure themselves that they could answer these questions. In regard to interest rates, quoted on page 46 of the report, Members asked if there was an accepted norm. Mr Savjani stated that he would go back to Ernst and Young's experts in this field and let the Committee have a response.

RESOLVED: a) That the interim Head of Internal Audit and Financial Services request a written response to the key questions for the Audit Committee referred to in the report for the Director of Finance and Resources b) That Ernst and Young report back on the question regarding interest rates.

38. General Data Protection Regulation and Data Protection Act 2018

Liann Stibbs, Access Manager, Information Governance Unit, gave a presentation on the General Data Protection Regulation (GDPR) and Data Protection Act (DPA) Act 2018. This legislation replaced and amended the previous legislation and prepared the Council ready for the digital age. The legislation came into force on 25 May 2018. Fines had increased, for example, if personal data was lost the fine could be £17.5m. Fines for public authorities would be lower than this, but higher than the previous maximum of £500,000. There was an onus that everyone knew what to do with data and if data was lost that people were aware of what to do to mitigate the risks.

People's rights had also increased. They could request that their data was erased and that data processing was stopped. If they disagreed with something a review could be undertaken. There was much more onus on the individual to own their data. Emails had reduced in number since May as people now had to opt in to receiving data in specific instances. The Information Commissioner's (IC) Office had issued guidance and assistance to ensure they could respond if a data breach occurred.

There was a dedicated unit at the Council that monitored emails outside working hours should a breach occur. A review of what had happened was undertaken, and advice on the necessary steps to mitigate against any further breach. There was mandatory reporting to the IC's office of 72 hours if a breach occurred. There was a statutory position within the Council of a Data Protection Officer held by Tracy Thorley. She would be aware of any serious breaches and was responsible for the Council's Information Governance Strategy.

Transparency was key. There were more requirements now for people to know what is happening to their data, and more control over what they consented should happen to their data. A Member questioned the relevance of some data that had been held in regard to him by a motoring organisation. He was advised that he could ask why this data was being held through the IC's office.

In terms of getting ready for the review, the government announced that they were going to write the GDPR but there was a lack of sufficient information and guidance for local authorities, so interpretation of the legislation had been left to those working in the information governance field supported by advice from the IC's office. The DPA had made changes in terms of adapting the GDPR for the UK, so reference was made to fraud, for example in respect of social services. Children's consent is set at 13 years, in line with UK case law rather than the European standard. The terms GDPR and DPA are currently used interchangeably, but after Brexit there would just be the DPA 2018.

A gap analysis had been undertaken. The Authority generally complied with the legislation, but some key areas were identified. Project leads had been identified beginning at a senior manager level to support the introduction of GDPR, and operational managers who could assist the IGU and make changes. IGU worked closely with the Communications Team to get messages to staff in a user friendly language. E-learning was created and rolled out to individuals and there had been a campaign in the run up to May whereby staff were offered help and assistance. There were Question and Answer sessions with relevant partners e.g. social care and human resources. However, the ICO guidance was slow. People have right to request their personal information and there must be a response within 30 days. This deadline can be expanded in complex cases. There was no definition of "complex". In regard to the DPA, it was written quickly. There was some duplication and the IC's office were looking to streamline this. The gap analysis had been completed, but work with staff was ongoing. The ICO do use case law, so it is ever-changing. Guidance is regularly updated.

In terms of ongoing work staff training was mandatory and reports are regularly sent to managers on staff attendance. The IGU was in the process of changing contracts and efforts were made to ensure that contracts are compliant with the legislation. The internal Fair Processing Notice and consent would be reviewed to ensure that it was compliant. The ICO guidance was awaited in regard to some key areas.

Members asked how much guidance the Council gave, for example, to social workers, in terms of retaining information, bearing in mind the length of time that service users may have contact with the Council. Secondly, Members asked what support IGU gave to local parish councils and asked if parish councils were required to have their own DPO. Leanne Stibbs responded that the Council uses retention schedules that give service users advice e.g. adoption records are kept for 100 years, and records for children in care are kept for 75 years. The National Archive was used as a guide on the time records should be retained, but this was adapted according to business needs. Some records were kept for 6 years, but where someone had engaged with the service over a period of time, this time was extended. Some cases are complex and it could take longer than the statutory period of 30 days to retrieve this information.

The IGU still offered a service to Parish Councils. Parish Councils do not require a DPO, but many Parish Councils were still choosing to receive a service from the IGU.

Members asked about the role of Members, acknowledging that Members had been offered training, and asked how many Members had taken up training. Members also asked how long information should be retained by Members who take on casework and information that is retained for election purposes.

The Head of Law and Democracy responded that all Members had been offered training (e learning or face-to-face training) and more training could be arranged if required.

The Scrutiny and Support Manager responded that 20 (out of 62) Members had not taken up the offer of training for Members. A Member session had been run, with a mixed reception from Members, but a further session tailored to Members' needs could be offered and Members' questions were welcomed.

Members acknowledged the need for training of all staff. Managers received regularly updates on those that had, or had not, taken up training.

The Chairman agreed to write to those Members who had not received training and request that they attend. It was suggested that a tailor-made training session be set up for Members.

Finally, the Chairman emphasised the need to audit GDPR (and DPA) to ensure that it was being implemented properly and asked that this be considered for inclusion the internal audit plan.

Note by Clerk: A link to the retention schedule is given below:

<https://www.intra.staffordshire.gov.uk/governance/igu/retretguide/home.aspx>

RESOLVED: a) That the Chairman writes to all Members who have not taken up GDPR training urging them to do so; b) That feedback on the training provided be evaluated, and a decision taken on future training; c) That consideration be given to auditing the implementation of GDPR (and the DPA) across the Council.

39. National Fraud Initiative 2018

The Counter Fraud Audit Manager updated Members on progress with the NFI 2018.

In two weeks' time the Council would be uploading data to the Cabinet Office to undertake a data matching exercise principally involving public sector organisations. An increasing number of private organisations are taking part. The last NFI helped identify £300m of fraud including £145m in pension overpayments, £50m in benefit overpayments or fraud, the revoking of 234 concessionary travel passes and 31,000 blue badges were revoked or removed. The Council's participation this year will involve uploading data including payroll, creditor payments and creditor standing data, information from pensions and supported private care home residents, concessionary travel pass holders, blue badge holders and direct payment recipients. The data would be uploaded in line with GDPR and the DPA requirements. Fair Processing Notices had been issued. Data would be uploaded from 8 October and the Council was hoping to have resultant interesting matches for the Council to look over from the end of January 2019. The NFI report relating to the previous data matching exercise (NFI2016) was available from the Cabinet Office and would be available on the Intranet shortly.

Members asked for clarification on how the £145,994 recovered in 2016 in Staffordshire compared with previous years. The Counter Fraud Audit Manager stated that the

information was available in the Annual Report that came to the Committee in June 2018. Details would be circulated to Members.

Members asked for a differentiation between intentional or malicious fraud and unintentional fraud. The Counter Fraud Audit Manager explained that this was taken into consideration, for example in cases where a resident was found to have two blue badges due to a recent house move. There was only an entitlement to one blue badge, and one would be cancelled. No further investigation would take place.

Members asked how we worked with local district councils in regard to this matter and asked if the £3,750 fee charged for County Council participation in the NFI could be shared between district and borough councils.

The Counter Fraud Audit Manager explained that there was a mandatory scale of fees that is different for each Council. Each participating Council is charged a mandatory fee set by the Cabinet office. Data is shared across all participating organisations including district Councils. Potential data matches between Councils are dealt with on a case by case basis.

Members were concerned that potentially there was a conflict between data protection and confidentiality and asked how such conflicts were resolved. Members also stated that the time, effort and amount of money spent on detecting and preventing fraud was a concern compared with the financial return. The point was made that fraud was not endemic.

Members were reassured by the policy and process for retaining and releasing information at Staffordshire County Council.

RESOLVED: a) The report was received b) The previous years' fraud recovery figures would be circulated to Members.

40. Forward Plan

Members asked if, where the County Council had appointed independent investigators to investigate issues and there were financial implications relating to systemic or structural issues across the organisation, if these issues were routinely included in the Forward Plan.

The interim Head of Internal Audit and Financial Services stated that the items in the Forward Plan came from the external audit requirements and the internal audit plan. The internal audit plan would look at the control environment across the organisation and may pick up these issues.

RESOLVED: the Forward Plan was agreed.

41. Exclusion of the Public

42. Exempt minutes of meeting held on 30 July 2018

(Exemption paragraph 3)

RESOLVED: The exempt minutes of the meeting held on 30 July were signed as a correct record.

43. Prisons and Approved Premises Team – Care Assessment & Management Final Audit Report

(Exemption paragraph 3)

Ruth Martin, Adult Safeguarding Team Leader and Manager for the Prison and Approved Premises explained that she was attending the meeting on behalf of Jo Sutherland, the statutory services lead.

She gave some background to the Limited Assurance Report on Prisons and Approved Premises – Care Assessment and Management, explaining that she had taken over the management of the team in April 2018. At this time the team had one social worker and she had requested that an audit be undertaken. At this time, the Team had no policy or procedures in place. This had an impact on the service. The Team had been set up on a temporary basis since it was formed three years ago and had had three changes of management. There had also been changes of social work staff so there was no stability within the service. This had led to the limited assurance report.

She explained that she had written policy and procedures that were with senior management for approval and were being worked to as a team. She had also employed another agency member of staff to work alongside the temporary social work in post and they had received supervision. She was working on a Memorandum of Understanding between the Council, the prisons and the social care providers in the prisons. This would lead to the assessments being led by the County Council. She had been given authority to appoint to the team on a permanent basis. This is a complex area and a good level of understanding was required to work in prisons. It can take eight months to gain access to work in prisons, so if a temporary worker is employed for one year it can take almost a year for them to gain access. She assured Members that in a year's time the Audit and Standards Committee would witness an improved service. The current situation was a result of lack of supervision and processes and no policy to guide this.

Members expressed their concern regarding this report, however it was reassuring that control weaknesses had been identified quickly, audited and priorities had been identified. Officers were congratulated on the timescale that they had worked to.

Members asked how the 13 prisoners who were receiving care packages had been identified. Ruth Martin responded that when people enter prison they receive an assessment by the healthcare provider in the prison. They would then be referred to the relevant organisation. There were also weekly custody meetings (some are held fortnightly). Prison visitors could raise issues at these meetings. There were a high number of people in prisons e.g. people with learning difficulties, autism and some mental health needs, who were not receiving the appropriate treatment, because they did not have a physical disability. Some active work was being done in prisons to help staff identify these needs.

Members asked how committed the individual prisons were to assisting the Council to address the key control weaknesses. Ruth Martin stated that it was a challenge. The

Inspector of Prisons had raised this issue and recently social care staff had been contacted to come into the prison. Access to the publically run prisons was easier than access to private prisons and Dovegate (a Category B prison). Individual governors had seen the benefits for the prison population and the support that could be offered to prison officers, now that a permanent team had been established and a Memorandum of Understanding was in place.

Members asked about aftercare for prisons with Alzheimer's and dementia. It was acknowledged that we had an ageing prison population. The majority of the thirteen care packages referred to previously related to prisoners with dementia. The Council was providing advice and guidance and signposting to the relevant training from the voluntary sector. The aim was to give prison staff the advice, guidance and support that they needed to understand and address the issues that they faced. It was hoped that the regular support of the social care staff would help. Prisoners had a care package on discharge which was regularly reviewed by local area teams.

Members asked if the reported shortages of resources in prisons could have an impact on these ambitious targets in the report. Ruth Martin responded that she had written the policy; the Memorandum of Understanding was in draft form and she planned to go round the prisons to discuss this with them and would do this by end of October 2018. The Team would be set up by end of December, or at the latest by the end of January 2019. The actions should be completed by the end of March 2019. This area of work had been prioritised.

Members expressed some concern at the cost of maintaining prisoners with complex care needs in prison. Ruth Martin explained that the decision to keep prisoners in prison was the responsibility of the Ministry of Justice. However, some prisoners are put forward for Executive Release. Unless they are given Executive Release they remained in prison. The decision as to whether they remain in prison is based on whether they are a risk to the public if they were placed elsewhere. The costs were high because there was not the level of care available in prisons that there could be in a specialist nursing home for example, and prison officers had to be offered an appropriate level of support. Ruth Martin was working with NHS England to look at how continuing health care could be offered in appropriate cases in the prison setting.

Members asked what was being done to ensure that we could retain social work staff. The appropriate training and support would be offered to ensure that they had the appropriate skills. It was important to show a level of respect for the work that staff do and to ensure they are offered training.

RESOLVED: a) It was agreed that the Chairman write to the Cabinet Member for Health, Care and Wellbeing expressing support for the recruitment of a permanent team given the current financial challenges b) That a further report on this matter be brought to the Committee in 12 months' time.

44. Special Investigation - Throughcare Cash Payments - update

(Exemption paragraph 3)

A copy of an article in the Sentinel dated Saturday 25 August 2018 was circulated to Members.

The interim Head of Internal Audit and Financial Services referred to the internal audit report that had been presented to the July meeting and reported that Donna Fallows appeared at North Staffordshire Justice Centre in August and admitted the theft from the Council of £6,466,90. Following a probation report she was sentenced to an 18 month community order with a 30-day rehabilitation activity requirement. She was also subject to an eight week curfew order from 10 p.m. to 6.00 a.m. deemed to fit around the shifts of her new employer. She was also required to pay £135 courts costs and an £80 victim surcharge to be repaid at a rate of £20 per calendar month. She did receive remission for repayment of the £6,466,90. In addition personal mitigating factors were put forward by the Defence.

RESOLVED: A short article will be produced for the Intranet highlighting control failures, to flag these up to managers, to ensure they do not happen in their areas of control.

Chairman

Local Members' Interest
N/A

Audit and Standards Committee – 30 October 2018

Local Government Pension Scheme (LGPS) Asset Pooling Arrangements – Development of An Assurance Framework Update

Recommendation

1. To note the development of an assurance framework by Staffordshire County Council's Internal Audit service for the LGPS asset pooling arrangements, LGPS Central.

Report of the Director of Finance & Resources

Background Information

2. During 2014, the government explored a number of options for improving the efficiency and sustainability of the LGPS and undertook extensive consultation on the potential to deliver savings through greater investment management collaboration. Following this exercise, in the summer of 2015, the government announced its intention to introduce a new regulatory framework which would facilitate collective investing and issued guidance and criteria to help administering authorities to develop proposals for pooling aimed at reducing costs and improving efficiency. Initial proposals were required by February 2016, followed by more detailed business case submissions in July 2016, with a target implementation date of 1st April 2018.
3. Informal links with several Midlands based LGPS Funds became the starting point for wider discussions in the context of the formal requirement for pooling. This resulted in a joint proposal from Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire to create 'LGPS Central', with combined assets of £35 billion. The Minister, Marcus Jones MP provided written confirmation, in November 2016, that LGPS Central had been formally accepted as a Local Authority Pension Fund Pool.
4. On 23rd March 2017, following recommendations made by the Audit and Standards Committee and the Pensions Committee, the Council approved the Director of Strategy, Governance and Change and the Director of Finance and Resources to enter into the Shareholders Agreement and the Inter-Authority Agreement to establish a joint asset pool (LGPS Central), and investment management company (LGPS Central Ltd) and Joint Committee.
5. Following the above, the governance structure and arrangements for the LGPS Central pool have been established. In addition, Staffordshire County Council are currently leading on a co-ordinated and collaborative Internal Audit response to the new arrangements operating within the pool which has involved consultation with all Partner Funds Internal Audit functions, External Audit Partners, the Practitioners Advisory Forum and LGPS Central Ltd.

6. A collaborative approach has been favoured in developing assurance over the new pooling arrangements operating within LGPS Central to:
 - a. ensure a consistent approach to all Partner Funds when providing assurance to their own organisation in relation to Pension Pooling;
 - b. prevent duplication so that LGPS Central and LGPS Central Ltd are not having to deal with audit queries from all Partner Funds Internal and External Auditors;
 - c. effectively share information between Internal Audit Partners and also between Internal Audit Partners and LGPS Central and LGPS Central Ltd; and
 - d. identify risks and mitigating controls at an earlier stage.
7. As part of this collaborative approach, Staffordshire County Council's Internal Audit Service has led on the development of an assurance framework applying the three lines of defence model, focusing on the management controls, oversight governance arrangements and independent assurance required to provide assurance to Partner Funds that potential risks regarding pooling have been considered and are mitigated. The assurance framework is currently in draft form and looks at the control environment for the LGPS Central Pool only and is attached as **Appendix A** to this report.
8. Assurance over the control framework operating within LGPS Central Ltd is currently being discussed with the Partner Fund Internal Audit functions and the Practitioners Advisory Forum for the company's first year of operation and for 2019/20 and beyond.
9. The key elements of the governance structure, the role of the LGPS central pool along with the draft assurance framework will be supported by a PowerPoint presentation to the Committee attached as **Appendix B** to this report.

Equalities and Legal and Climate Change Implications

10. There are no specific Equalities, Legal or Climate Change implications presented by this report.

Resource and Value for Money Implications

11. There are no specific Resource or Value for Money implications presented by this report.

Risk Implications

12. The key risk implications are covered in the draft assurance framework document attached to this report.

Health Impact Assessment

13. There are no specific Health Impact Assessment implications presented by this report.

Contact Officer

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List of Background Documents:

Appendix A – LGPS Central – Draft Assurance Map October 2018

Appendix B – Pension Pooling Assurance Framework - Presentation

Terms of Reference for the Joint Committee, Shareholders Forum and Practitioners
Advisory Forum

LGPS Central Regulatory Business Plan

LGPS Central Risk Register

LGPS Central Spring Progress Report

LGPS Central Ltd Internal Audit Plan

LGPS Central Ltd Business Plan

SCC Investment Strategy Statement

Shareholders' Agreement and Inter-Authority Agreement

Financial Conduct's Authority (FCA) Handbook

3 Lines of Defence Model

Objective	Risk Ref	Risk	1 st line of defence				2 nd line of defence			3 rd line of defence			Assurance Provided to	Collective/Individual
			Management Controls				Management Oversight			Independent Assurance				
			Control Ref	Control Title	Control Owner	Control Objective	Oversight Provided By	Frequency of Activity	Evidence Required	Assurance provided by:	Frequency	Scope		
(1) Governance Risk														
<p>Pool governance arrangements are established, clearly documented and communicated to all Members and Officers (including Scheme of Delegations)</p>	1	<p>Governance arrangements for the Pool are not established, unclear and not known by all partners.</p>	C.1	Governance Arrangements	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)</p>	<p>There is a clear governance structure which sets out roles and responsibilities of the following partner groups;</p> <ul style="list-style-type: none"> - Joint Committee - Practitioners Advisory Forum - Shareholders Forum <p>This governance structure has been approved and is understood and communicated to all relevant staff.</p>	<p>Pensions Committee (Partner Funds)/Audit and Standards Committee</p>	Annual	<p>Regular review/update of:</p> <ul style="list-style-type: none"> - Terms of Reference - Schemes of Delegation - Articles of Association/Shareholders Agreement/Inter Company Agreement - Constitution (of Partner Funds) <p>Minutes/Agendas of relevant governance groups. (Pension Committee, PAF, Joint Committee and Shareholders Forum)</p>	<p>Internal Audit (Individual Partners)</p>	Annual	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Appropriate governance arrangements are in place. - Governance groups are attended by the appropriate Members or Officers. - Governance inline with key documentation e.g. Terms of Reference, Scheme of Delegation. - Decision making is appropriate and evidenced - Members and Officers aware of governance arrangements. <p>N.B; External Audit review of AAF/0106 report</p>	<p>Pension Committee Audit and Standards Committee</p>	<p>Individual Partner Fund Internal Audit Functions</p>
<p>Policies and Procedures have been communicated to relevant Members and Officers.</p>	2	<p>Appropriate policies and procedures are not in place to support governance arrangements.</p>	C.2	Policies and Procedures	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers) as representatives of Partner Funds</p>	<p>Policies and procedures are in place within administering authorities to support governance arrangements. This includes;</p> <ul style="list-style-type: none"> - Codes of Conduct - Register of Interest - Gifts and Hospitality - Whistleblowing - Anti-Fraud, Bribery and Corruption 	<p>Individual administering authorities committee structure</p>	<p>Within administering authorities timetables.</p>	<p>Regular review/update of following policies within administering authorities;</p> <ul style="list-style-type: none"> - Codes of Conduct - Register of Interest/declaration of interests - Gifts and Hospitality - Whistleblowing - Anti-Fraud, Bribery and Corruption 	<p>Internal Audit (Individual Partners)</p>	<p>As per audit plan cycle</p>	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Policies and procedures are in place and regularly reviewed. - Evidence of compliance with policies and procedures e.g. Declarations of Interest 	<p>Pension Committee Audit and Standards Committee</p>	<p>Individual Partner Fund Internal Audit Functions</p>
<p>Training regarding governance arrangements have been received.</p>	3	<p>Appropriate training has not been provided to Members or Officers with regard to the governance arrangements of the Joint Committee, and Shareholders Forum.</p>	C.3	Training	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)</p> <p>LGPS Central Ltd in relation to training required regarding Company and FCA matters.</p>	<p>Officers and Members involved in the governance of the Pensions Pool receive the appropriate training, knowledge and skills to effectively understand their role and perform their responsibilities.</p>	<p>Pensions Committee (Partner Funds)</p>	Annual	<p>Training and Development Policy and Needs Analysis.</p>	<p>Internal Audit (Individual Partners)</p>	Annual	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Training Programme in place and reviewed regularly - Training logs maintained. 	<p>Pension Committee Audit and Standards Committee</p>	<p>Individual Partner Fund Internal Audit Functions</p>
<p>The governance structure in place is effective and suitable for the needs of the Partner Funds.</p>	4	<p>Governance structure is not effective</p>	C.4	Effective Governance	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)</p>	<p>The governance structure in place is effective and includes the following features:-</p> <ul style="list-style-type: none"> - Interests of partners are represented adequately. - Clear business plan (Company) and set of linked objectives (company, pool and partner fund) which are regularly monitored. - Effective communication/reporting between the Company, the Pool and Partner Funds - Effective decision making processes. - Adequate oversight and control of Company Operations. - Appropriate legal arrangements in place. 	<p>Pensions Committee (Partner Funds)</p>	Annual	<p>Effective oversight evidenced through:-</p> <ul style="list-style-type: none"> - Company Board oversee company strategy and effectiveness of ExCo. - Shareholder Forum reviews relevant shareholder matters e.g. budget. - Joint Committee oversees effectiveness of Pool e.g. delivery of pool objectives. Including process in place for escalation of requests for information. - PAF regularly review progress against key objectives and has resources to address any governance/legal issues. - Reporting requirements are linked to performance targets and benchmarks. - Process in place for escalation of requests for information. <p>Evidenced by - Monitoring arrangements, KPIs/Dashboard, meeting minutes and committee papers.</p>	<p>Internal Audit (Individual Partners)</p>	Annual	<p>Work completed to confirm;</p> <ul style="list-style-type: none"> - Strategies and business plan are in place - Coherent link between objectives of the Company, Pool and Partner Funds. - Appropriateness of Monitoring Arrangements e.g. KPIs/Dashboards, meeting minutes, papers). - Communication between all parties is appropriate. - Reporting requirements are in place and requirements are adhered to. - Transparent and open reporting between all governance groups. - Timely reporting arrangements 	<p>Pension Committee Audit and Standards Committee</p>	<p>Individual Partner Fund Internal Audit Functions</p>
(2) Compliance Risk														
<p>The Company has systems and controls in place to provide suitable assurance to Partner Funds.</p>	5	<p>Partner Funds can not place reliance on the Company's systems and controls.</p>	C.5	Company Assurance	<p>LGPS Central Ltd (EXCO)</p>	<p>The company has effective systems and controls in place and ensures assurance documentation is available to LGPS Central. Including the following;</p> <ul style="list-style-type: none"> AAF/0106 or gap analysis Internal Control Reporting Internal/External Audit Reports Compliance Monitoring Depository SOC Report Evidence of Compliance with FCA Standards and Breach Meeting - Reporting Requirements Access to Policies and Procedures e.g. Cyber security, Financial Regulations, 	<p>Shareholders Forum (supported by PAF) and Partner Pension Committees</p>	Annual	<p>Shareholders Forum (supported by PAF) ensures company provides assurance that systems and controls are operating effectively.</p>	<p>Internal Audit (Individual Partners and Collective Partner Funds)</p>	Annual	<p>Work completed to confirm administering authorities has received assurance that Company systems and controls are sufficient.</p>	<p>Pension Committee Audit and Standards Committee</p>	<p>Collective Partner Funds Internal Audit Function - Provision/ Review of LGPS Central Ltd Control/Compliance Reports.</p> <p>Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee</p>
(3) Financial/Operational Risk														
<p>Budget for LGPS Central Ltd is set and approved annually and assurance is provided that financial management systems are robust.</p>	6	<p>An approved annual budget is not in place or has been exceeded therefore requiring partners to add additional contributions.</p>	C.6	Annual Budget	<p>LGPS Central (EXCO)</p>	<p>LGPS Central Ltd set an Annual Budget includes the following criteria:-</p> <ul style="list-style-type: none"> I. Cash flow forecast and estimated working capital. II. a projected profit and loss account. III. an operating budget (including estimated capital expenditure requirements and balance sheet forecast); IV. a summary of business objectives; and V. Variance analysis for previous financial year (Strategic Plan vs Actual Collective Vehicles) <p>Throughout the financial year LGPS Central Ltd produce regular financial reporting.</p>	<p>Shareholders Forum (supported by PAF) and Partner Pension Committees</p>	Annual	<p>PAF review and Shareholders Forum agree information included in the annual budget. Shareholders Forum approve Annual Budget for LGPS Central Ltd.</p> <p>Shareholders Forum review financial information supported by due diligence carried out by PAF regarding how LGPS Central Ltd is performing. This information will include;</p> <ul style="list-style-type: none"> Quarterly management accounts and reports on operational effectiveness; Unaudited annual accounts; Audited annual accounts; a medium term Strategic Plan; and A report on the company's progress against objectives/milestones set out in the Strategic Plan. <p>Annual audit report</p> <p>Pension Committee have oversight of Budgets and Financial Reporting.</p>	<p>Internal Audit (Individual Partners and Collective Partner Funds)</p>	Annual	<p>Work completed to confirm Annual budget was approved by Shareholders Forum and financial monitoring arrangements are in place and variances reported promptly.</p> <p>Evidenced through monitoring arrangements e.g. Minutes of Shareholder Forum, Financial Reporting.</p>	<p>Pension Committee Audit and Standards Committee</p>	<p>Collective Partner Funds Internal Audit Function - Provision/ Review of LGPS Central Ltd Financial Monitoring Reports.</p> <p>Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee</p>
(4) Investment Risk														
<p>The transition process is monitored and progress is regularly reported.</p>	7	<p>Risks associated with the transition process e.g. lack of suitable products are not monitored or reported.</p>	C.7	Product Delivery Timescales	<p>PAF Investment Working Group</p> <p>LGPS Central Ltd</p>	<p>A co-ordinated LGPS Central product delivery plan is in place and progress against this is regularly monitored.</p>	<p>Joint Committee and Partner Pension Committees</p>	As required	<p>Regular monitoring against the LGPS Central's product delivery plan is received and reviewed by the Joint Committee and Pension Committee.</p>	<p>Internal Audit (Individual Partners and Collective Partner Funds)</p>	Annual	<p>Work completed to confirm transition plan is in place, transitions are being completed in line with the plan and the progress of the plan is regularly reported.</p>	<p>Pension Committee Audit and Standards Committee</p>	<p>Collective Partner Funds Internal Audit Function - Adherence to Delivery Plan</p> <p>Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee</p>
<p>Transition services procured are appropriate for the needs of the LGPS Central Pool and estimated transition costs are identified and monitored</p>	8	<p>Transition services procured are inappropriate for the needs of LGPS Central and costs are not identified or monitored.</p>	C.8	Transition costs	<p>Product Delivery Liaison Group</p>	<p>For each transition a detailed and costed transition plan is in place and regularly reviewed. Consultant/ Transition managers are appointed using a National Framework or appropriate procurement route.</p>	<p>Joint Committee and Partner Pension Committees</p>	As required	<p>Joint Committee/Pension Committee receive reports in relation to individual transitions.</p>	<p>Internal Audit (Individual Partners and Collective Partner Funds)</p>	Annual	<p>Work completed to confirm that transition managers have been appropriately selected and costed transition plans are in place and reported retrospectively to relevant committees</p> <p>N.B - External Audit undertake verification testing of transitions completed.</p>	<p>Pension Committee Audit and Standards Committee</p> <p>External Audit (Individual Partner Funds)</p>	<p>Collective Partner Funds Internal Audit Function - Collaborative Procurement of Transition Manager</p> <p>Individual Partner Fund Internal Audit Functions - Detailed costings of individual transitions and reporting transition completions to Pension Committee</p>
<p>LGPS Central Ltd delivers against shared objective to act as a responsible, long term investor</p>	9	<p>Investments do not adhere to responsible investment principles</p>	C.9	Responsible Investment	<p>LGPS Central (EXCO)</p>	<p>Responsible investment framework and policies are in place and integrated into performance reporting</p>	<p>Joint Committee (supported by the PAF) and Partner Pension Committees</p>	Minimum six monthly	<p>Joint Committee/Pension Committee regularly review progress against key objectives including Responsible Investment. Evidenced through;</p> <ul style="list-style-type: none"> Responsible Investment Policy RI Reporting 	<p>Internal Audit (Individual Partners and Collective Partner Funds)</p>	Annual	<p>Work completed to review monitoring arrangements and confirm that Joint Committee/Pension Committee regularly review progress against shared objectives.</p>	<p>Pension Committee Audit and Standards Committee</p> <p>Local Pension Board</p>	<p>Collective Partner Funds Internal Audit Function - RI Reporting to Joint Committee</p> <p>Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.</p>

LGPS Central Ltd delivers against shared objectives to provide sufficient investment choice for participating Partner Funds.	10	LGPS Central Ltd does not deliver sufficient investment choice resulting in inability of LGPS Central Ltd to deliver Partner Fund Investment Strategy.	C.10	Investment Products	LGPS Central (EXCO)	LGPS Central Ltd have a strategy in place to ensure investment pooling delivers products / services in line with strategic asset allocation requirements and meets the needs of partner fund investment strategies.	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	Joint Committee/Pension Committee regularly review progress against partner fund strategic asset allocation.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm:- - That Joint Committee regularly review progress against shared objectives. - Choice of investments available are sufficient and in line with the Partner Fund's investment strategy N.B. External Audit complete work to confirm how strategy is being delivered	Pension Committee Audit and Standards Committee Fund Actuaries External Audit Local Pension Board	Collective Partner Funds Internal Audit Function - Achievement of strategy and reporting to LGPS Central. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.
LGPS Central Ltd has improved the performance of investment returns.	11	Failure to deliver improved performance and poor performance is not challenged leading to lower investment returns	C.11	Performance (Investment Returns)	LGPS Central Ltd (EXCO)	Investment performance targets are in place and the performance of investment returns (internal and external) is regularly monitored and reported.	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	The Joint Committee /Pension Committee regularly review investment performance against performance targets and poor investment performance is challenged. Manager Reports Independent Investments Performance Reports	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm that investment performance is in line with targets and that the Joint Committee /Pension Committee receive regular reporting regarding investments. N.B Work completed by External Audit to value investments	Pension Committee Audit and Standards Committee Fund Actuaries External Audit Local Pension Board	Collective Partner Funds Internal Audit Function - Investment Performance Reporting for Pooled Assets Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.
Investment pooling delivers cost saving through a reduction in manager fees.	12	Pooled investments fail to deliver reduction in manager fees leading to lower net returns	C.12	Reduction in Manager Costs	LGPS Central Ltd (EXCO)	Procurement processes in place ensure value for money and the costs of investment management is regularly monitored and reported, including the completion of benchmarking.	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	The Joint Committee /Pensions Committee regularly receive and review manager cost reporting, including benchmarking, to ensure manager costs are inline with cost savings model and previously agreed assumptions. Mechanisms are in place to challenge manager costs.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to review the costs in comparison with the cost saving model to confirm that manager costs are reasonable and that the Joint Committee/Pensions Committee have received regular reporting in relation to manager costs including benchmarking.	Pension Committee Audit and Standards Committee Local Pension Board	Collective Partner Funds Internal Audit Function - Investment Cost Reporting. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.
Assets invested in the pool are as expected.	13	Assets invested by the pool are lower than expected leading to increased oversight and governance costs for Partner Funds.	C.13	Investment of Assets	Individual Partner Funds (Pension Committees)	A shared plan is in place and partner funds invest assets as per an agreed plan and in line with strategic asset allocation.	Joint Committee (supported by the PAF) LGPS Central Ltd	Six Monthly	The Joint Committee monitor the investment of assets against an LGPS Regulatory Business Plan/Product Delivery Plan.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm that assets have been invested as per agreed plans and that changes to plans are documented.	Pension Committee Audit and Standards Committee Local Pension Board	Collective Partner Funds Internal Audit Function - Assurance that actual investments are in line product delivery plan. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.
Company strategy adapts to changes in Market Conditions.	14	Market volatility leads to either:- - A drop in assets invested which impacts on the level of income; or - A significant rise in assets invest resulting in over recovery of costs and leading to tax implications.	C.14	Market Volatility	LGPS Central (EXCO)	Cost Sharing Agreement is in place and cost charging mechanisms are regularly reviewed with consideration given to market conditions.	Joint Committee (supported by the PAF)	As required	Cost charging mechanisms is reviewed by Joint Committee/PAF if relevant criteria met. Cost Sharing Agreement	Internal Audit (Individual Partners)	Annual	Work completed by Internal Audit to confirm that Joint Committee regularly review cost charging mechanisms	Pension Committee Audit and Standards Committee Local Pension Board	Collective Partner Funds Internal Audit Function - Assurance that cost charging mechanism is monitored. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.
(g) Wider Pooling Risks														
The LGPS Central Pool meets the four key criteria stipulated by Central Government.	15	The LGPS Central Pool can not demonstrate that it is meet the four key government criteria resulting in possible intervention from central government or requirement to join another pooling arrangement. Thus increasing costs and potentially reducing savings for Partners.	C.15	Pooling Criteria	Practitioner Advisory Forum (LGPS Central) LGPS Central Ltd	The PAF monitor and report progress against four key government criteria. Completion of MHCLG Returns	Pension Committee (Partner Funds)	Six Monthly	Individual Pension Committee's regularly receive and review reports in regard to progress against key government criteria.	Internal Audit (Individual Partners)	Annual	Work completed to confirm that Pension Committee's receive and review reports regarding progress of key government criteria.	Pension Committee Audit and Standards Committee	Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.
LGPS Central is aware of developments in government policies/reform of the Local Government Pension Schemes	16	The Pool fails to respond to changes in government policy/LGPS reforms	C.16	Changes to Government Policy	Practitioners Advisory Forum (PAF)	PAF ensure effective communication with all partner funds, key government departments and associated groups e.g. LGA, cross pool working group in order to maintain abreast of developments regarding Local Government Pooling.	Joint Committee Shareholders Forum and Partner Pension Committees	As required	Ensure any changes or developments to Local Government Pooling are communicated to relevant partners. Minutes/Papers produced by PAF	Internal Audit (Individual Partners)	Annual	Work completed to confirm that there is monitoring of central government guidelines in relation to pooling and that changes are communicated to relevant partners.	Pension Committee Audit and Standards Committee	Collective Partner Funds Internal Audit Function - Reporting of Policy Changes. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.

Pension Pooling Assurance Framework

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Appendix B

Presentation to Audit and Standards
Committee
30th October 2018



Why Create Asset Pools ?

(1) Government Directive issued 2013.

- Reduce Investment Fees/Costs
- Make better use of investments

(2) Government deadline to begin Pooling – 1st April 2018



Government Criteria

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1

Benefits of scale (at least £25bn in assets)

2

Strong governance and decision making

3

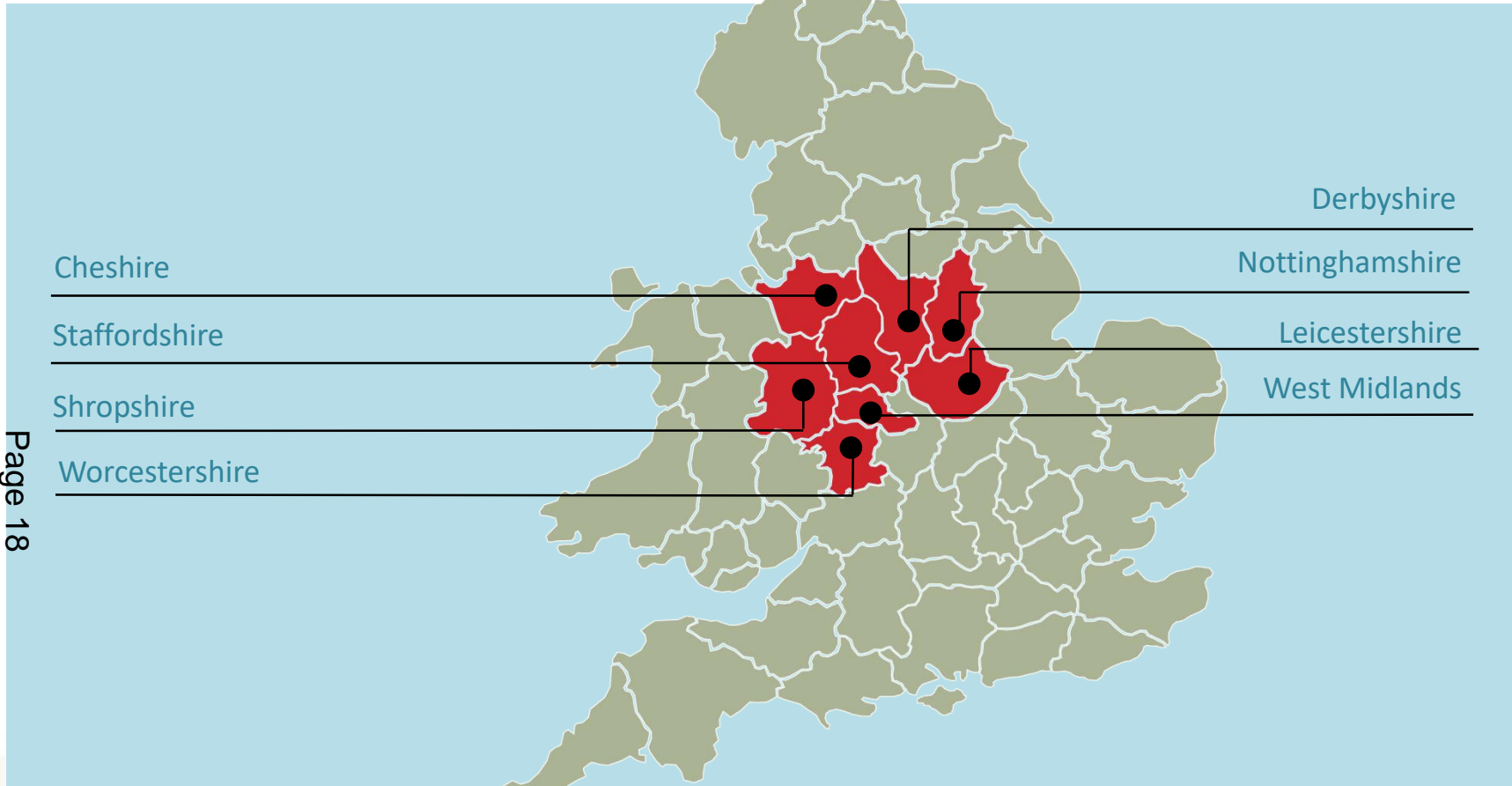
Reduced costs and excellent value for money

4

An improved capacity and capability to invest in infrastructure



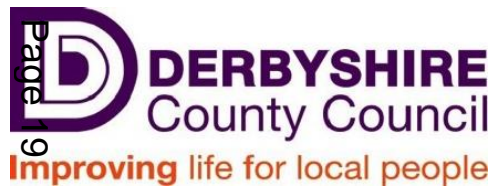
LGPS Central



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LGPS Central Pool



£35bn



Why LGPS Central Ltd?

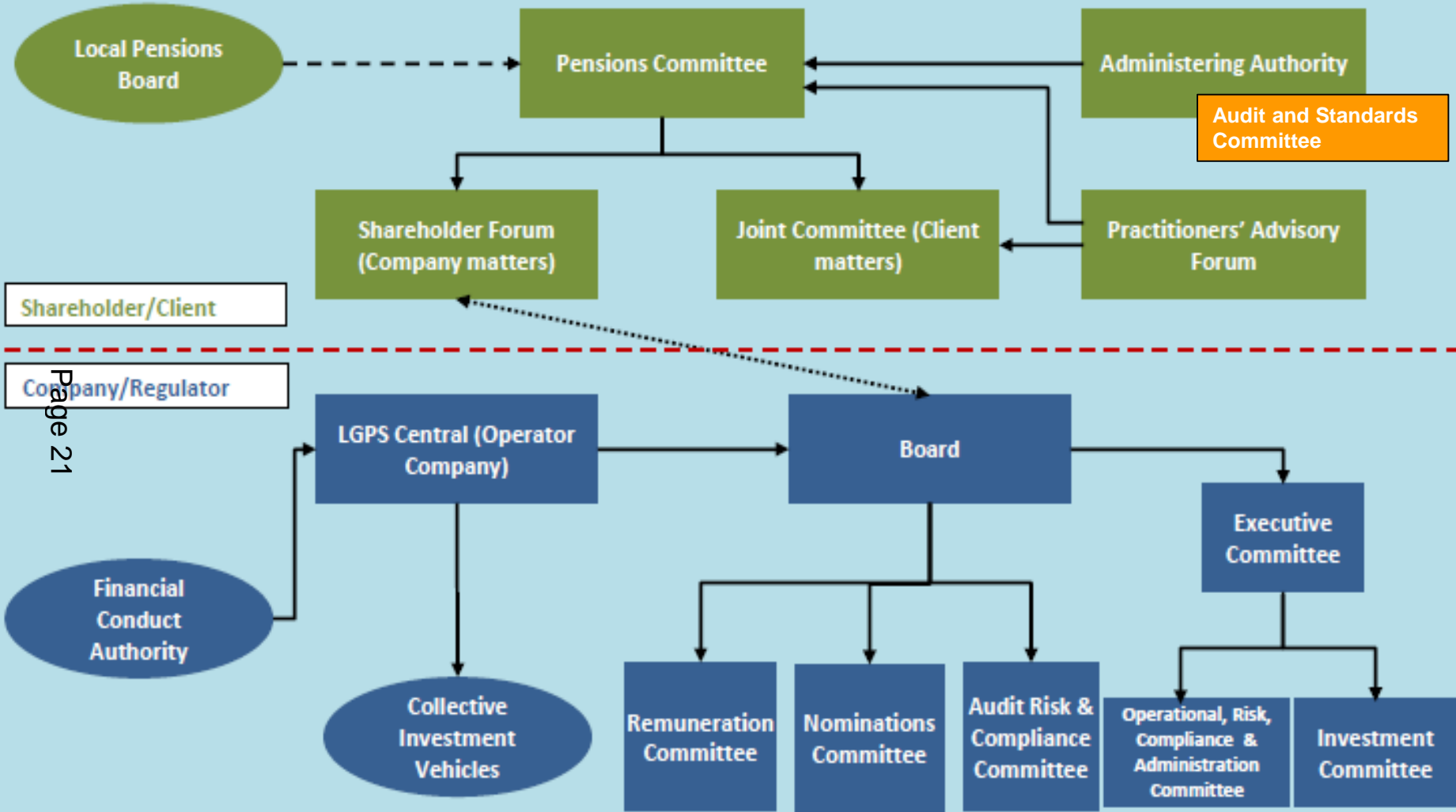
- LGPS Central Ltd – Asset Management Company
- Authorised Contractual Scheme (ACS)
- Four sub – funds launched since April 2018

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Benefits

- Robust governance and assurance by setting up an FCA Regulated entity
 - Retention of Ownership/Control/Oversight.
- However more costly due to overheads and governance cost irrespective of amounts invested.

Governance of LGPS Central and LGPS Central Ltd



Shareholder/Client

Company/Regulator

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The Role of the Pool

Fund

- Liabilities remain
- Triennial Valuation
- Funding Strategy
- Contribution Rate Strategy
- Investment Strategy and Strategic Asset Allocation
- Relationship with Pool (Shareholder & Investor)
- Pension Fund performance monitoring

Pool

- Structure and range of funds offered
- Manager hiring and firing
- Manager monitoring
- Relationship with Funds
- Manager performance
- Regulatory requirements (FCA)

The Joint Committee

- LGPS Central's role and responsibilities as an **INVESTOR**
- Operation of Joint Committee governed by the **Inter-Authority Agreement**
- Joint Committee will be responsible for;
 - Considering common investor issues,
 - Monitoring the delivery of client service and performance of investments,
 - Ensuring the delivery of LGPS Central objectives.
- One elected member from each Partner Fund.
- Meet Twice Yearly (June and December)
- Decision making responsibilities remain with individual Partner Funds.



Shareholders Forum

- LGPS Central's role and responsibilities as an **SHAREDHOLDER**
- SCC is a legal shareholder
- Limited Liability
- Operation of Shareholder's Forum governed by the **Shareholders Agreement.**
- **Shareholder's Forum will be responsible for;**
 - Providing control and influence over the Company.
 - Oversight of the operation and performance of LGPS Central Ltd and representing the ownership rights and interests of the Shareholding Councils.
 - Decision making with regard Reserved Matters (requiring 75% - 100% approval) this includes for example extending scope of LGPS Central Ltd.
- Each fund has a representative who sits on the Shareholders Forum and has one vote regardless of size.



Shareholder (v) Joint Committee Functions

- Need to distinguish **Shareholder** (v) **Investor** functions
- Shareholder functions relate to ownership of the Operator (i.e. the Company LGPS Central Ltd)

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Subject to company law, Articles of the Company and a Shareholder Agreement

- Investor functions relate to the investment in the collective investment vehicles (e.g. Authorised Contractual Scheme)
- Representation through Joint Committee which operates under public law requirements.

Practitioners Advisory Forum (PAF)

- Supports both the Joint Committee and the Shareholders Forum.
- Working group of Officers appointed by each authority.
- The role of the PAF is to:-
 - Ensure that the objectives of LGPS Central are being delivered
 - Provide a central resource for advice, assistance, guidance and support for the Joint Committee, Shareholders’ Forum and for the Councils as a collective group of investors in the Pool
 - Provide technical support during Shareholders Forum and Joint Committee
 - Manage conflicting demands and interests.
 - Speak with “one voice”



Company Governance (LGPS Central Ltd)

- Governance framework ensures strict adherence to both its FCA (Financial Conduct Authority) regulatory obligations and with the Companies' Acts.
- **Company Board** supported by **5** sub committees:-
 - (1) Audit, Risk and Compliance Committee - Core purpose is to:-**
 - ensure the integrity financial statements and the financial reporting process.
 - oversight of compliance with legal and regulatory requirements, as well as performance of the internal audit function.
 - checking the effectiveness of the Company's systems of internal controls and policies and procedures for risk assessment and risk management.
 - (2) Nominations Committee**
 - (3) Remuneration Committee**
 - (4) Executive Committee (ExCo)**
 - (5) Investment Committee (IC).**



Collaborative Approach

- Staffordshire County Council are coordinating a collaborative Internal Audit response.
- Involvement of the following stakeholders;
 - Internal Audit functions from all LGPS Partner Funds
 - External Audit
 - PAF Officers (Practitioners Advisory Forum)
 - LGPS Central Ltd.
 - Representatives from other Authorities involved in different Pooling Models via M.C.C.I.AG (Midlands County Chief Internal Auditors Group) and LACAN (Local Authority Chief Auditors Network)
- Why work collaboratively?
 - Consistency
 - Prevent duplication
 - Effective information sharing
 - Earlier identification of risk



Collaborative Approach Cont.

Q.4 2017/18

Research time
Meetings with Stakeholders
Three lines of Defence

July 2018

Meeting held between LGPS Central Ltd and Internal Audit Partners to discuss assurance provided to LGPS Central and individual Partner Funds

August 2018

LGPS Central Ltd propose the following assurance documents to be made available:-
Policies and Procedures.
ARCC Annual Report.
Internal Control Review-
AAF 01/06 available in late 2019

September/October 2018

SCC complete a first draft of Assurance Framework for LGPS Central .

Shared with;

Internal Audit Partners (LGPS Central)

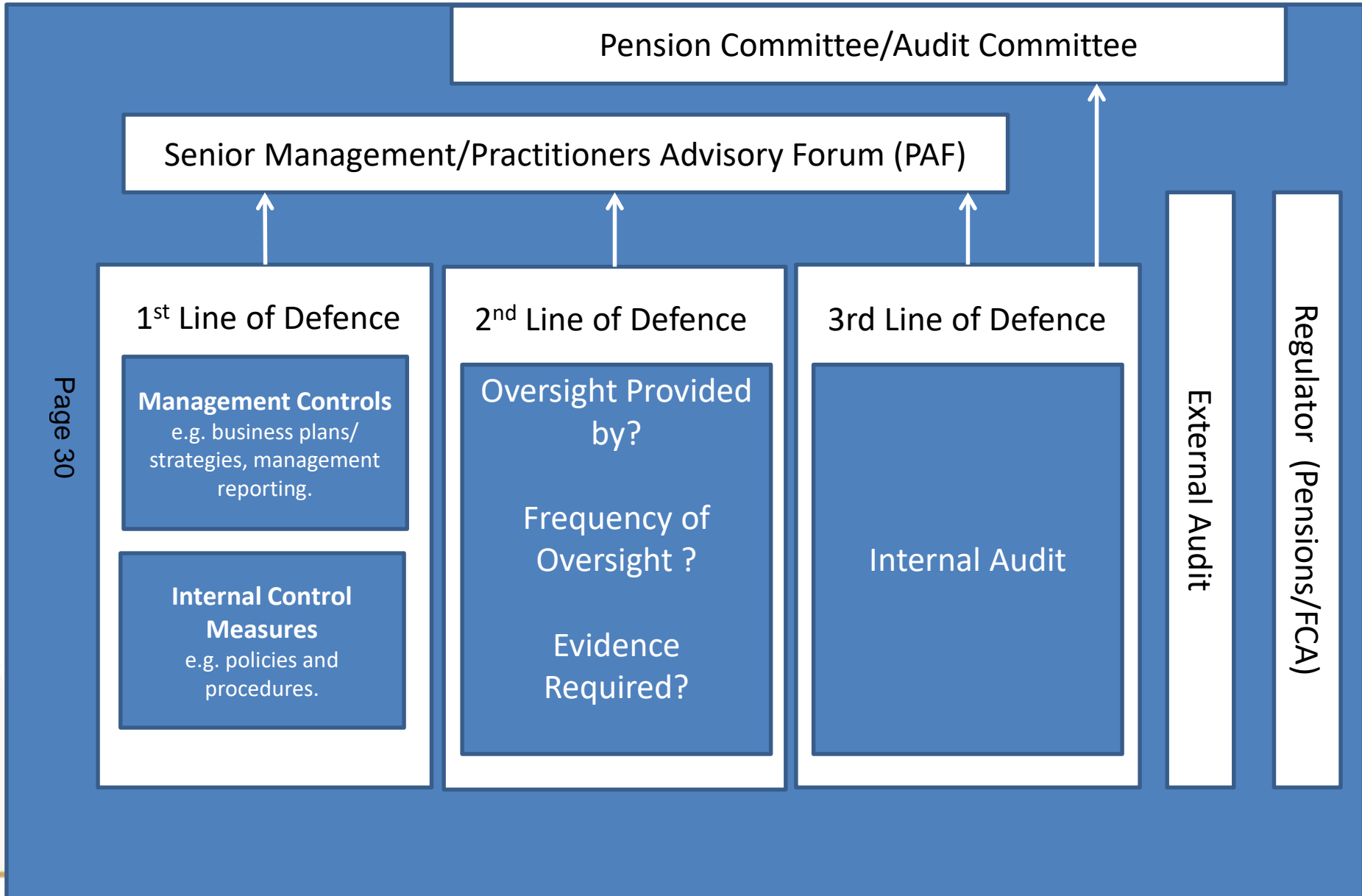
PAF

LGPS Central Ltd

M.C.C.I.A.G and LACAN



Assurance Framework - Three Lines of Defence Model



Pension Pooling Risks

Governance

Governance is not effective

Absence of Policy and Procedures/ Training

Governance arrangements are not established

Company/ Financial & Operational

Budgets are not monitored or are overspent

No assurance of Company's systems and controls

Wider Pooling

Changes to Government Policy

Failure to meet required Government criteria

Investment

LGPS Central Ltd does not deliver sufficient investment choice/ performance

Transition Services are inappropriate or costs are too high/not monitored

Assets invested are lower than expected

Pooled investments fail to deliver reduction in manager costs

Investments do not adhere to responsible investment principles

Investment Strategy does not respond to Market Volatility

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LGPS Central Assurance Framework

LGPS Central - ASSURANCE MAP DETAIL August 2018 v.2													
Objective	Risk & Ref	Risk	1 st line of defence				2 nd line of defence			3 rd line of defence			Assurance
			Management Controls				Management Oversight			Independent Assurance			
			Control Ref	Control Title	Control Owner	Control Objective	Oversight Provided By	Frequency of Activity	Evidence Required	Assurance provided by:	Frequency	Scope	
(1) Governance Risk													
Pooled governance arrangements are established, clearly documented and communicated to all Members and Officers (including SOD)	1	Governance arrangements for the Pool are not established, unclear and not known by all partners.	C.1	Governance Arrangements	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)	There is a clear governance structure which sets out roles and responsibilities of the following partner groups; - Joint Committee - Practitioners Advisory Forum - Shareholders Forum This governance structure has been approved and is understood and communicated to all relevant staff.	Pensions Committee (Partner Funds)/Audit and Standards Committee	Annual	Regular review/update of: - Terms of Reference - Schemes of Delegation - Articles of Association/Shareholders Agreement/Inter Company Agreement - Constitution (of Partner Funds) Minutes/Agendas of relevant governance groups. (Pension Committee, PAF, Joint Committee, PAF, Joint	Internal Audit (Individual Partners)	Annual	Work completed to confirm; - Appropriate governance arrangements are in place. - Governance groups are attended by the appropriate Members or Officers. - Governance inline with key documentation e.g. Terms of Reference, Scheme of Delegation, Decision making	Pension (Audit and Committee)
Policies and Procedures and have been communicated to relevant Members and Officers.	2	Appropriate policies and procedures are not in place to support Governance Arrangements.	C.2	Policies and Procedures	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers) as representatives of Partner Funds	Policies and procedures are in place within administering authorities to support governance arrangements. This includes; - Codes of Conduct - Register of Interest - Gifts and Hospitality - Whistleblowing - Anti-Fraud, Bribery and	Individual administering authorities committee structure	Within administering authorities timetables.	Regular review/update of following policies within administering authorities; - Codes of Conduct - Register of Interest/declaration of interests - Gifts and Hospitality - Whistleblowing - Anti-Fraud, Bribery and	Internal Audit (Individual Partners)	As per audit plan cycle	Work completed to confirm; - Policies and procedures are in place and regularly reviewed. - Compliance with policies and procedures.	Pension (Audit and Committee)
Training regarding Governance Arrangements have been received.	3	Appropriate training has not been provided to Members or Officers with regard to the governance arrangements of Joint Committee, Shareholders Forum.	C.3	Training	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers) LGPS Central Ltd in relation to training required regarding Company and FCA matters.	Officers and Members involved in the Governance of the Pensions Pool receive the appropriate training, knowledge and skills to effectively understand their role and perform their responsibilities.	Pensions Committee (Partner Funds)	Annual	Training and Development Policy and Needs Analysis.	Internal Audit (Individual Partners)	Annual	Work completed to confirm; - Training Programme in place and reviewed regularly - Training logs maintained.	Pension (Audit and Committee)
The Governance structure in place is effective and suitable for the needs of the Partner Funds.	4	Governance structure is not effective	C.4	Effective Governance	Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)	The Governance structure in place is effective and includes the following features; - Interests of partners are represented adequately. - Clear business plan (Company) and set of linked	Pensions Committee (Partner Funds)	Annual	Effective oversight evidenced through; - Company Board oversee Company Strategy and effectiveness of ExCo. - Shareholder Forum	Internal Audit (Individual Partners)	Annual	Work completed to confirm; - Strategies and business plan are in place - Coherent link between objectives of the Company, Pool and	Pension (Audit and Committee)



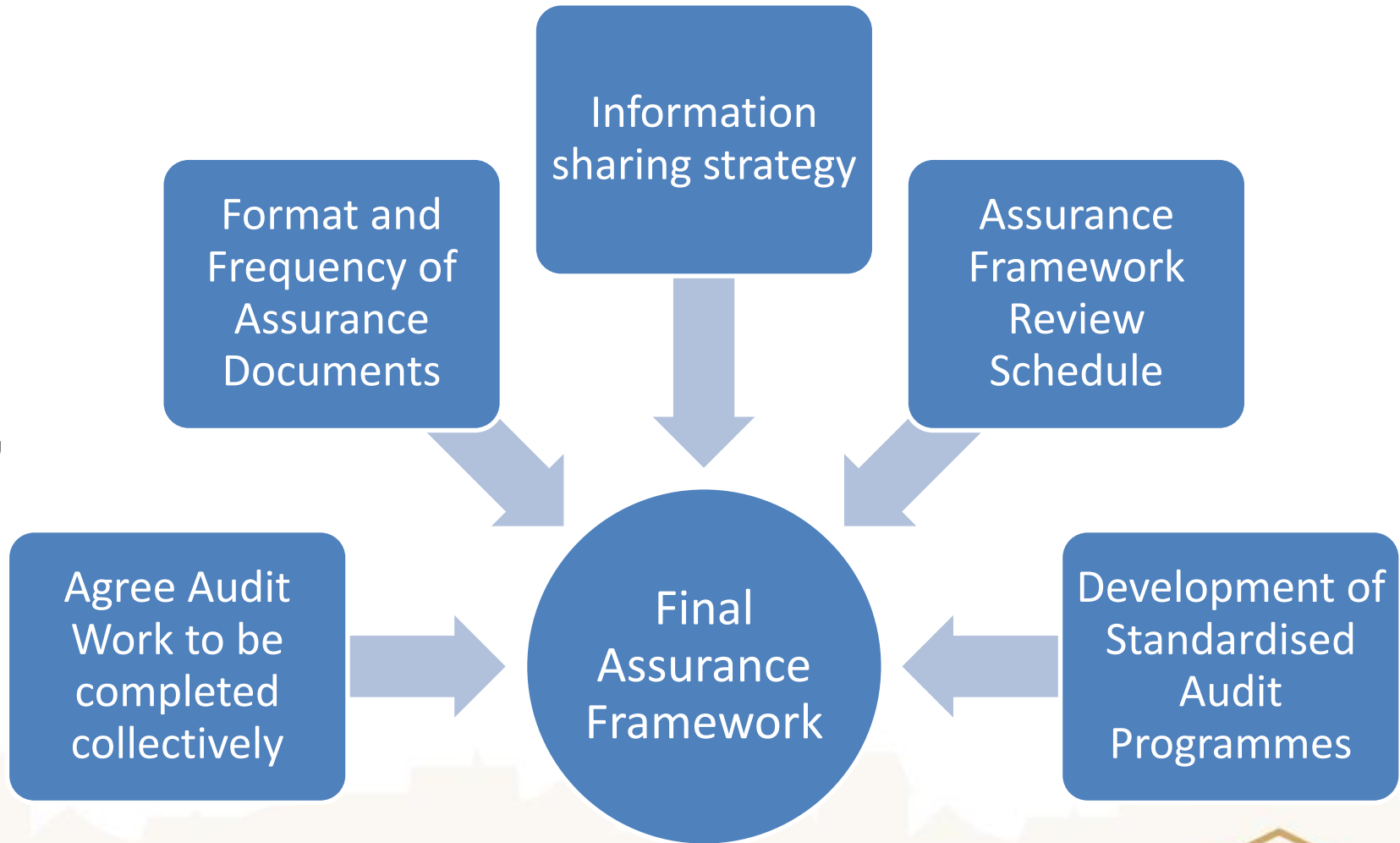
Third Line of Defence Draft Proposal

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Internal Audit (Individual Partner Funds)	Internal Audit (Collective)	External Audit (Individual Partner Funds)
<p>Communication between LGPS Central, LGPS Central Ltd and Partner Fund Authorities.</p> <p>Financial Assumptions – Cost Models (within Individual Authorities)</p> <p>Transitions</p>	<p>LGPS Central Governance Monitoring Arrangements e.g. Financial Monitoring</p> <p>LGPS Central Ltd Assurance Documents e.g. AAF 01/06, Policies and Procedures, ARCC Reporting</p> <p>Investment Performance and Financial Monitoring</p>	<p>Governance LGPS Central, and Partner Fund Authorities.</p> <p>Delivery of Investment Strategy (Partner Fund Authorities) and LGPS Central Shared Objectives.</p> <p>Transitions</p> <p>Value of Investments</p> <p>Investment Performance</p>



Next Steps



Role of Audit and Standards Committee

- Approval of Pension Fund Audit Plan
- Plan has previously included:-
 - Pension Administration
 - Pension Fund Governance
 - Investments (Contract Monitoring)
- Plan is now also likely to include:-
 - LGPS Central Governance
 - Transitions
 - Effectiveness of controls with LGPS Central Ltd



Local Members' Interest
N/A

Audit and Standards Committee – 30 October 2018

CIPFA Guidance for Local Authority Audit Committees - Update

Recommendations

1. To note the latest CIPFA guidance on the function and operation of audit committees in local authorities contained within CIPFA's Publication – Practical Guidance for Local Authorities and Police 2018 Edition.
2. To review the Audit & Standard's Committee's current Terms of Reference following the publication of CIPFA's latest guidance.
3. To update the self-assessment exercise carried out in March 2018 to take account of the latest CIPFA guidance.

Report of the Director of Finance & Resources

Background Information

4. CIPFA's Publication - Practical Guidance for Local Authorities and Police 2018 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. This publication incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018) ("the position Statement") which sets out CIPFA's view of the role and functions of an audit committee and replaces the previous 2013 Position Statement.
5. Audit committees are a key component of an authority's governance framework and provide an independent and high level resource to support good governance and strong public financial management.
6. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.
7. As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where they operate effectively, audit committees can add value by supporting improvement across a range of objectives including:
 - a. promoting the principle of good governance and their application to decision making;

- b. raising awareness of the need for sound internal control as well as contributing to the development of an effective control environment;
- c. supporting the establishment of arrangements for the governance and the management of risk;
- d. advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- e. reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions;
- f. supporting the development of robust arrangements for ensuring value for money; and
- g. helping the authority to implement the values of ethical governance including effective arrangements for countering risks of fraud and corruption.

CIPFA's Publication - Practical Guidance for Local Authorities and Police 2018 – Key Changes

8. The revised and updated 2018 edition takes into account the development of audit committees since the original edition as well as incorporating the legislative changes that have affected the sector since 2013. It includes additional guidance and resources to support those acting as audit committee members in local authorities and those working with and supporting the committee's development. The key changes contained within CIPFA's latest guidance relate to the following areas:

- a. inclusion of an independent member on the Committee;
- b. additional guidance on how the Committee can oversee independence, objectivity and performance of Internal Audit and support the effectiveness of the internal audit process;
- c. additional guidance on how the committee can support independence of the external auditor and monitor the external audit process.

9. CIPFA's latest guidance has also made some additions to the suggested terms of reference for Audit Committees. These relate to the role of the Committee in relation to:

- a. reviewing the governance and assurance arrangements for significant partnerships or collaborations;
- b. considering any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit and to approve and periodically review safeguards to limit such impairments;
- c. providing free and unfettered access to the Audit Committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee;
- d. supporting the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate; and
- e. publishing an annual report on the work of the Committee.

The revisions made in the 2018 edition will be supported by a PowerPoint presentation to the Committee, attached as **Appendix A** to this report.

Self-Assessment of Good Practice & Evaluation of the Effectiveness of the Audit Committee

10. CIPFA states that a good standard of performance against recommended practice together with a knowledgeable and experienced membership are essential requirements for delivering effectiveness. To this effect, CIPFA has provided a high level review checklist that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. The latest guidance includes some additional good practice questions to the previous CIPFA checklist (2013 edition). This checklist can be used to undertake a regular self-assessment to support the planning of Audit Committee work programmes and training plans.
11. The self-assessment was carried out by members of the Committee in March 2018 against the key requirements of the previous CIPFA checklists (2013 edition). The following good practice questions have since been added to the checklist:
 - a. *Functions of the Committee* – does the Committee's terms of reference explicitly address the area of 'supporting the ethical framework'?
 - b. *Membership & Support* - Have independent members appointed to the Committee been recruited in an open and transparent way and approved by the Full Council as appropriate for the organisation?
 - c. *Effectiveness of the Committee* - (i) Are meetings effective with a good level of discussion and engagement from all the members? (ii) Does the Committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? (iii) Does the Committee make recommendations for the improvement of governance, risk and control and are these acted on? And (iv) Does the Committee publish an annual report to account for its performance and explain its work?

Equalities and Legal and Climate Change Implications

12. There are no specific Equalities, Legal or Climate Change implications presented by this report.

Resource and Value for Money Implications

13. There are no specific Resource or Value for Money implications presented by this report.

Risk Implications

14. There are no specific Risk Implications presented by this report.

Health Impact Assessment

15. There are no specific Health Impact Assessment implications presented by this report.

Contact Officer

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List of Background Documents:

Appendix A – Changes to the Practical Guidance for Local Authorities and Police 2018 Edition – Update Presentation

CIPFA – Practical Guidance for Local Authorities and Police 2018 Edition.
Constitution Extract - Audit & Standards Committee Terms of Reference.

Audit Committees

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Changes to the Practical Guidance
for Local Authorities and Police
2018 Edition – Update
30th October 2018

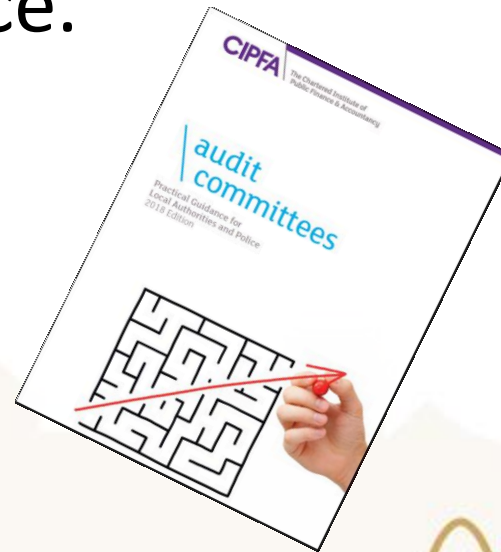
Appendix A



Introduction

In April 2018, CIPFA Published its revision to the 2013 guidance:

\Audit Committees Practical Guidance for Local Authorities and Police.



A Reminder



Key Highlights – Position Statement

- In Local Authorities, the Committee should include an independent member where not already required to do so by legislation (Page 3)
- When considering risk management arrangements need to consider partnerships and collaborations. (Page 4)
- In monitoring the effectiveness of the control environment, supporting standards and ethics should be included (Page 4)

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Key Highlights – Purpose of Audit Committees

- Under the areas where the Committee can influence and add value:-



- Raise awareness of the need for sound internal controls (page 8).
- Reinforce the objectivity, importance and independence of IA and EA and the effectiveness of the audit functions (page 8)

Key Highlights – Core Functions of an Audit Committee

- The high level core functions of an audit committee remain unchanged.

The Details.....

- Good Governance /AGS – reference to Accounts and Audit Regulations – approval of AGS by 31st July. (Page 12)
- Internal Audit – reference made to the PSIAS including the mission of IA, Code of Ethics, definition of Internal Auditing and the core principles of an effective IA. (Page 13)



Key Highlights – Core Functions of an Audit Committee

- Internal Audit – Confirm organisational independence of IA (Page 14)
- Approve and review safeguards to limit impairments to independence and objectivity (Page 14).
- Receive communications on performance relative to the IA plan and other matters (Page 15).
- Approve any significant additional consulting services (not already included in the Audit Plan) (Page 15).

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Key Highlights – Core Functions of an Audit Committee

- Value for Money – where EA has issued a qualified conclusion on vfm, the Committee should ensure there is a robust plan to address the issues. (Page 18)
- Counter Fraud and Corruption – reference to revised counter fraud standards (Page 18).
- External Audit – recognises role the Committee plays in the appointment of EA & Monitoring the EA process (Page 19).
 - Auditor panel/PSAA;
 - Opinion on selection and rotation;
 - Ensure independence is maintained;
 - Receive and consider work/reports;
 - Support quality and effectiveness of the EA process



Key Highlights – Core Functions of an Audit Committee

- **External Audit** – EA will disclose annually to the Committee an assessment of its independence, usually in the audit plan. (Page 20)
- Assurance that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA or the auditor panel.
- Section on potential threats to external independence (page 21)

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No.	Potential Threats	No.	Potential Threats
1	Self interest threat	4	Management Threat
2.	Self review threat	5	Advocacy Threat
3	Management threat	6	Familiarity Threat
7.	Intimidation Threat		



Key Highlights – Core Functions of an Audit Committee

- **Financial Reporting** – Reporting deadlines for accounts publication is 31st July (page 22)
- **Partnership Governance & Collaboration Agreements** - reference made to collaboration of emergency services and recognising that ensuring adequacy of governance/risk management is more complicated. (Pages 23 & 24)



Key Highlights – Possible Wider Functions of an Audit Committee

- No changes in relation to the detail contained in this section.



Independence & Accountability

- 85% Councils had audit committees reporting to full Council (p33)
- The number of stand alone committees declined from 58% to 47% (Page 33)
- HIA free unfettered access to CEO and Chair of Audit Committee (p36)
- Committees are most effective when discussing governance, risk, control issues with responsible managers directly (p37)



Membership and Effectiveness

- Achieve the right mix of apolitical expertise (Page 39)
- Chair – (i) promoting open discussion, (ii) encourage candid approach from all participants and (iii) be interested in several disciplines (Page 39)
- Use of Independent members – establish effective working relationships and agree protocols for briefings and access to information (page41)
- Maintain register of interests (Page 42)

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Common Areas of Difficulty for Audit Committees

- For Local Authorities , the top three difficulties for Audit Committees were found to be:-
 - Limited knowledge and experience of members
 - Committee not seen as a priority by other members
 - Intrusion of political interests (Page 44)



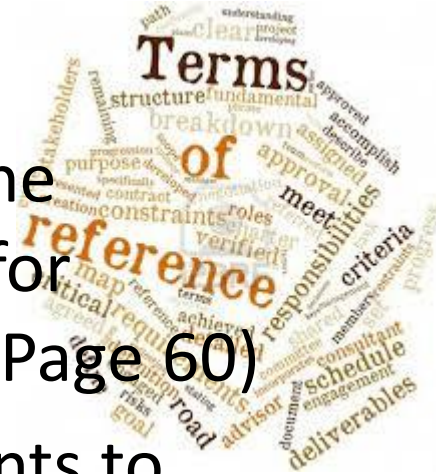
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Also - breakdown in the relationship between committee members and the executive, PCC or chief constable or with senior Management (Page 49)



Suggested Terms of Reference

- **Governance, Risk & Control** - To review the governance and assurance arrangements for significant partnerships or collaborations. (Page 60)
- **Internal Audit** - To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments. (Page 60)



Suggested Terms of Reference

- **Internal Audit** - To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee. (Page 61)

External Audit - To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate. (Page 61)



Suggested Terms of Reference

- Accountability Arrangements - To publish an annual report on the work of the committee.
(Page 62)

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Audit Committee Members – Knowledge and Skills

No changes have been made to the Audit Committee members core areas of knowledge or specialist knowledge that adds value to the audit committee or core skills.



Self Assessment of Good Practice

- **Functions of the Committee** - Does Committee's ToR address:

Supporting the ethical framework

Membership & Support - Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council as appropriate for the organisation? (page 74)



Self Assessment of Good Practice

- **Effectiveness of the Committee-**

1. Are meetings effective with a good level of discussion and engagement from all the members?
2. Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?
3. Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?
4. Does the committee publish an annual report to account for its performance and explain its work?



Audit and Standards Committee Forward Plan 2018/19

If you would like to know more about our work programme, please get in touch with Tina Gould, Scrutiny and Support Manager, 01785 276148 or tina.gould@staffordshire.gov.uk

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
	12 March 2018			
Strategic Risk Register Director of Strategy Governance and Change and Director of Finance and Resources				Item deferred from 12 December 2017 Item deferred to June 2018
Annual Information Governance Statement Head of Business Support			Annual report	Further information (for clarification) on Appendices C and D of Statement requested and on the drop in incidents reported in April and July 2017.
Review of the effectiveness of the Audit & Standards Committee (including feedback on outcome of Members' workshop on 12 February) Director of Finance and Resources			Members will receive a questionnaire from the Head of Audit and Financial Services. This item will take the form of a Workshop to be arranged in early February 2018 with feedback to the 12 March meeting.	Workshop took place on 12 February and outcomes fed into the Review of the effectiveness of Audit and Standards report. The Head of Audit and Financial Services agreed to investigate if there was any relevant information on the Better Governance Forum on benchmarking that could be shared with Members.

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Annual Report of the Management of Complaints made under the Members' Code of Conduct Director of Strategy, Governance and Change			Annual statement	The Committee noted the report. The Community Infrastructure Manager be asked to share with Members best practice on how to spend their Divisional Highways Budgets.
External Audit Plan 2017/18 Report of Ernst & Young				The report was received. The Chairman to write to the Cabinet Member for Finance (with a copy to the Chair of the Pensions Board) regarding staffing resources within the Pensions Team.
Interim Update Report 2017/18 Report of Ernst & Young				Deferred to June 2018
Local Government Sector Update Report Report of Ernst & Young				The report was received.
Part Two - Cyber Essentials - Limited Assurance Review – Presentation by the interim Head of ICT and Head of Business Support			Update against recommendations.	The report was received. It was agreed that a further update was required in due course.
New item: Part Two: Fairer Charging and Welfare Benefits – limited assurance report Report of the Director of				The report was received.

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Finance and Resources				
Forward Plan				A further meeting to be added to the Work Programme in May 2018.
	13 June 2018			
New item: Appointment of Independent Remuneration Panel Members 2018-19 Report of Director of Strategy Governance and Change Officer: Ann-Marie Davidson				Councillors Trowbridge, Brookes, Oates, Wilson and Davis were appointed to the Panel.
New item: Correspondence received from Ernst & Young re audit fee 2018-2019				The correspondence was received.
Internal Audit Plan 2018-19 Report of the Director of Finance and Resources				The report was received.
Internal Outturn Report 2017-18 Report of the Director of Finance and Resources				Part 2 item - Exemption paragraph 3.
Internal Audit Special Investigations/Reports of Limited Assurance/Top Ten Risk Areas (<i>Part 2 of agenda</i>) Report of Director of				Part 2 items - Exemption paragraph 3.

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Finance and Resources				
Audit Charter 2018 Report of Director of Finance and Resources				The report was received.
Interim update report 2017/18 Report of Ernst & Young				The report was received.
	30 July 2018			
Strategic Risk Register Joint Report of the Director of Strategy and Governance and Director of Finance and Resources Lead officer: Lisa Andrews			Deferred from 13 June 2018	a) That the Chairman ask the Chairman of the Corporate Review Committee/Chair of the MTFs Working Group to consider if the Council was getting value for money from its commercial contracts. b) That the Internal Audit Top Ten Risk Areas be added to the Forward Plan (see below)
Annual Governance Statement 2017-18 Report of Director of Finance and Resources Lead officer: Lisa Andrews				a) That the report is approved. b) That the Significant Control Issues listed in the AGS Supporting Paper 2 are added to the Audit and Standards Committee Work Plan in a timely manner.
Statement of Accounts 2017-18 Presentation and Report of Director of Finance and Resources Lead officer: Rachel Spain				Members approved the 2017/2018 Statement of Accounts; b) That the Committee approve the two management representation letters attached to the covering report.

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Report to those charged with Governance (ISA 260) Report of Ernst & Young				Members gave approval to the Chairman to sign Appendix D, the management representation letter.
Code of Corporate Governance 2018/19 Joint Report of the Director of Strategy, Governance & Change and The Director of Finance & Resources Lead officer: Lisa Andrews				The Committee approved the Annual Governance Statement.
Financial Regulations Report of the Director of Finance and Resources Lead officer: Rachel Spain				That the Committee recommend the County Council approve the revised Financial Regulations for inclusion in the Constitution.
Internal Audit – Special Investigations/Limited Assurance reports/Top ten risk areas (Part 2) Report of the Director of Finance and Resources Lead officer: Debbie Harris				Part 2 items – Exempt paragraph 3
	24 September 2018			
Annual Audit Letter 2017-18 Report of Ernst & Young				
Local Government Sector				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Update Report Report of Ernst & Young				
New item: General Data Protection Regulation (GDPR) Joint Report of the Directors of Strategy, Governance and Change and Finance and Resources Lead officers: Tracey Thorley/Vic Falcus			Report of Substantial Assurance	
New item: National Fraud Initiative 2018/19 Report of Director of Finance and Resources Report author: Debbie Harris			New criteria and processes	
New item: Amendments to the Risk Register Lead officer: Lisa Andrews (other officers to be advised)			The Chairman requested that lead officers be invited to discuss any amendments with the Committee	
	30 October 2018			
New item: Pensions Pooling Arrangements - Development of an Assurance Framework Report of the Director of Finance and Resources Lead officer: Debbie Harris			Item proposed by Chairman	
Internal Audit Special	As required			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Investigation/limited/ Top Ten Risk Areas reports Report of Director of Finance and Resources Lead officer: Debbie Harris				
New item: CIPFA Publication on the Effectiveness of Audit Committees – implications for Staffordshire County Council Report of Director of Finance and Resources Lead officer: Debbie Harris				
	3 December 2018			
Health, Safety and Wellbeing Performance Annual Report 2017/18 Report of Director of Strategy, Governance and Change Lead Officer: Becky Lee			Annual update	
Part Two - Cyber Essentials Update – Presentation by the interim Head of ICT and Head of Business Support Lead officers: Vic Falcus and Tracy Thorley			At their meeting on 12 March 2018 Members requested a further update	
	29 January 2019			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Internal Audit Special Investigation/limited/ Top Risk Areas reports Report of Director of Finance and Resources Lead officer: Debbie Harris	As required			
	11 March 2019			
New item: Management Controls – development of an assurance framework			Item proposed by Chairman	
Work programme for the Audit and Standards Committee	All meetings			
Proposed changes to the Constitution	As required			
Internal Audit Special Investigation/limited/ Top Risk Areas reports	As required			
Other items: Potential use of automation in audit			Item proposed by Chairman	
Strategic Risk Register: Top Ten Risk Areas: 1. Medium Term Financial Strategy – Delivery Plan 2. Digital Development Programme 3. Strategic Property Asset Management and Governance	To be agreed		Item agreed for inclusion at 30 July 2018 meeting.	

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
4. Liberata Payroll System 5. Care Director (Adults and Children's modules) 6. Adults and Children's Financial Services Review Programme 7. Home and Community Care Contract 8. Cyber Assurance Data Breach Incidents & Response Plans/Patch Management 9. GDPR 10. Children and Families Systems Transformation: Family Support Contracts			Item considered on March 2018	
Internal Audit Special Investigation – Prisons and Approved Premises Team – Care Assessment and Management	September 2019		At its meeting on 24.9.18 Members asked that a further update be brought to the Committee in 12 months' time.	

<p>Membership</p> <p>Derek Davis, OBE Mike Davies</p> <p>Paul Northcott Jeremy Oates</p>	<p>Calendar of Committee Meetings (All meetings at 10.00 a.m. unless otherwise stated)</p> <p>26 June 2017</p>
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<p>Michael Greateorex Martyn Tittley (Chairman) David Brookes Colin Greateorex Jill Hood Ian Lawson</p>	<p>Carolyn Trowbridge (Vice-Chairman) Ross Ward Bernard Williams Victoria Wilson Susan Woodward</p> <hr/>	<p>25 September 2017 4 December 2017 – meeting cancelled 12 December 2017 12 March 2018 13 June 2018 30 July 2018 24 September 2018 30 October 2018 3 December 2018 at 2.00 p.m. 29 January 2019 11 March 2019</p> <p>Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH</p>
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of Part 1 of Schedule 12A
of the Local Government Act 1972

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