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Audit and Standards Committee

Wednesday, 12 June 2019
10.00 am
Oak Room, County Buildings, Stafford

John Tradewell
Director of Corporate Services
4 June 2019

AGENDA

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of the Meeting held on 11 March 2019** (Pages 1 - 6)

4. **Annual Report on Information Governance** (Pages 7 - 16)

   Report of the Director of Corporate Services

5. **Code of Corporate Governance** (Pages 17 - 36)

   Report of the Director of Corporate Services

6. **Internal Audit Charter 2019** (Pages 37 - 58)

   Report of the County Treasurer

7. **Proposed Internal Audit Strategy & Plan 2019/20** (Pages 59 - 92)

   Report of the County Treasurer

8. **Annual Audit Fees 2019-20 - Correspondence received from Ernst & Young** (Pages 93 - 96)

   Report of Ernst & Young

9. **Local Government Audit Committee Briefing Update - Quarter 1** (Pages 97 - 110)

   Report of Ernst & Young

10. **Deprivation of Liberty Safeguards** (Pages 111 - 142)

Report of the Director of Health and Care

11. **Appointment of Independent Remuneration Panel Members** (Pages 143 - 144)

Report of the Director of Corporate Services

12. **Forward Plan 2019/20** (Pages 145 - 156)

13. **Internal Audit Outturn Report 2018/19** (Pages 157 - 182)

Report of the County Treasurer

14. **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)

15. **Exempt minutes of the meeting held on 11 March 2019** (Pages 183 - 190)

16. **Ernst & Young Method Statement - Working with you** (Pages 191 - 196)

Report of Ernst & Young

17. **Sales 2 Cash - Final Audit Report 2018/19** (Pages 197 - 232)

Report of the County Treasurer

18. **Home and Community Care Contract - Final Audit Report 2018/19** (Pages 233 - 266)

Report of the County Treasurer

19. **Medium Term Financial Strategy - Final Audit Report** (Pages 267 - 284)

Report of the County Treasurer

20. **Internal Audit Outturn Report 2018/19 - Counter Fraud & Corruption Work (Appendix 2)** (Pages 285 - 300)

Report of the County Treasurer

21. **Minutes of the Standards Panel** (Pages 301 - 302)

Report of the Director of Corporate Services

Membership

Derek Davis, OBE
Michael Greatorex
Martyn Tittley (Chairman)
Colin Greatorex
Carolyn Trowbridge (Vice-Chairman)
Ross Ward
Bernard Williams
Victoria Wilson
Jill Hood
Paul Northcott
Susan Woodward
Alastair Little
Ann Edgeller
Jonathan Price
David Williams

Note for Members of the Press and Public

Filming of Meetings

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Minutes of the Audit and Standards Committee Meeting held on 11 March 2019

Present: Martyn Tittley (Chairman)

Attendance

Derek Davis, OBE	Bernard Williams
Mike Davies	Victoria Wilson
Michael Greatorex	Susan Woodward
Ian Lawson	Alastair Little
Carolyn Trowbridge (Vice-Chairman)	

Also in attendance:

Apologies: David Brookes, Colin Greatorex, Ross Ward and Jill Hood

PART ONE

65. Declarations of Interest

There were no declarations of interest.

66. Minutes of the Meeting held on 3 December 2018

RESOLVED: The minutes of the meeting held on 3 December were confirmed and signed by the Chairman.

67. Review of the Effectiveness of the Audit & Standards Committee

The Interim Chief Internal Auditor (ICIA) explained that the report provided Members with the latest self-assessment results following the review of the effectiveness of the Audit and Standards Committee against recommended practice as contained in the CIPFA Publication – Practical Guidance for Local Authorities and Police (2018 edition). A presentation on this guidance was made to the Committee in October 2018.

The report set out further information regarding the function and operation of audit committees and the self-assessment of good practice (Appendix 1) and the re-evaluation of the effectiveness of the Audit and Standards Committee (Appendix 2). Following this publication there had been a few revisions to the good practice questions contained in the checklist and the interim ICIA's assessment was made against this latest checklist. The actions arising from the self-assessment were included within Appendix 2. The key actions arising from the updated self-assessment were detailed as follows:

The publication of an annual report on the Committee's work including performance in relation to the terms of reference and its effectiveness in meeting its performance. This is to be included in the Committee's 2019-20 Forward Plan.

The continued oversight of the Council's risk management processes including strategic risks and amendments to these. The Committee will continue to have oversight of the Council's risk management processes.

The need to consider the use of CIPFA's audit committee members – knowledge and skills framework to assist in the identification of training needs. This action was outstanding from the previous year. The interim ICMA agreed to discuss this with the Chair during 2019-20.

The latest self-assessment was discussed, and any actions taken detailed in the Action column of Appendix 1. With reference to Appendix 2, Members undertook their own self-assessment in March 2018. This year the assessment had been reperformed by the ICIA and any amendments to the scores were presented at this meeting for Members to approve. Following this there had been two amendments to the assessments regarding *"supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risk"* – regraded from 3 to 4 because of improvements made in 2019, and *"aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements"* – regraded from 2 to 4. This reflected the fact that the Committee continues to regularly receive the Top Ten and Limited Assurance reports and internal audit Special Investigation reports as well as audit work on the Stoke on Trent and Staffordshire Local Enterprise Partnership (SSLEP) and project work.

Members asked what progress was being made regarding the appointment of an independent Member. The Chairman stated that this was being investigated and would be considered at the next meeting. The interim ICIA stated that the Terms of Reference for the Committee had been updated to enable the Committee to have an independent member.

Members suggested that it might be helpful to invite the Cabinet Member for Finance to meetings. Members asked if consideration could be given to the training needs of Members. The Chairman agreed to take this forward.

Members drew attention to the importance of fully integrated IT systems.

Members agreed to a further self-assessment exercise in March 2020.

RESOLVED: a) That the report be received b) that consideration be given to the appointment of an Independent Member at the next meeting c) that consideration be given to the training needs of Members of the Committee d) that a review of the effectiveness of the Audit and Standards Committee be added to the Forward Plan in March 2020.

68. Annual Report on the Management of Complaints and Report of Committee for Standards in Public Life on their Review of Local Government Ethical Standards

The Head of Law and Democracy introduced this item and noted that there were seven complaints during the period January 2018-December 2018 considered under the standards regime. The main issue raised by complainants was the speed of responding to correspondence. There was also evidence of Members falling foul of social media posts. There was a process in place for considering complaints and this fell within the remit of the Director of Corporate Services. The process was supported by independent members.

The Committee for Standards in Public Life had completed a review of local government ethical standards. The Association of Democratic Services Officers had done a useful summary of this report and this was included as Appendix 2. Some recommendations required changes in primary legislation. Members were asked if they wished officers to look at this and make any recommendations regarding changes in the Council's Constitution.

The Chairman suggested that some guidance on the use of social media in the Members' bulletin might be useful. The Head of Law and Democracy responded that some guidance had recently been published in the Bulletin and an offer for some face-to-face training had been made to political groups.

Members drew attention to the useful advice and guidance that had been given by the Community Partnerships Officers. The Head of Law and Democracy acknowledged that there may be gaps following the departure of the CPOs and we would have to investigate how to deal with this.

Members asked if complaints that had not been upheld were detailed in the report. Members were informed that complaints dealt with informally were included in the report. Members asked for more detailed actions in the report including details of who had undertaken training and when.

The Leader of the Opposition drew attention to a complaint she had lodged that had not been resolved and to the way in which a racist complaint had been dealt with. The Head of Law and Democracy agreed to investigate this.

Members questioned the reference to dealing with complaints "informally". Members stated that **all** complaints should be dealt with formally and for a formal resolution of the complaint to be achieved. The Director of Corporate Services suggested that there could be more transparency and visibility as to how complaints were dealt with and reported to the Committee. If this were the case, matters would have to be discussed under Part II of the agenda. He added that some issues may not warrant being brought to the attention of the Committee.

The Chairman summarised that going forward more detailed Members' Code of Conduct reports should be brought to the Committee under Part II. He also proposed that unconscious bias training might be useful for Members.

The Leader of the Opposition drew Members' attention to the sanctions that could be enforced under the Standards regime e.g. withdrawal of a Special Responsibility Allowance.

RESOLVED: a) That the information contained in the report be noted b) That more detailed Members' Code of Conduct reports be brought to the Committee under Part II of the agenda c) That a further report on the Review of Committee for Standards in Public Life on their review of local government ethical standards and its implications for Staffordshire County Council be brought to the next meeting of the Committee d) that the proposal to have unconscious bias training for Members be taken up with the ICT and Member Training Officer.

69. External Audit Plan 2018-19

The Chairman expressed his thanks to Jason Burgess, Ernst & Young, for his contribution at the Preview meeting.

Mr Stephen Clark, Ernst & Young drew Members' attention to the key highlights in the audit strategy. The audit risks were summarised in the report. Risk of fraud in revenue and expenditure recognition for use of flexibility of capital receipts and misstatements due to fraud or error were standards items. Some time had been spent during last year on valuation of land and buildings, identified in the strategy as a 'significant risk', and valuation of the Local Government Pension Scheme (LGPS) liability and assets, identified in the strategy as 'Other financial statement risk'. Two new areas had been identified this year: IRFS 9 – financial statements; and IRFS 15 – revenue contracts with customers. Ernst and Young were working with the Council to identify where the Council was in terms of progress with implementing these. Finally, PFI accounting had been identified as 'other financial risk', in particular the Waste to Energy PFI scheme.

In respect of planning materiality, this was on the same basis as previous years. Materiality had been set at £13.33m, which represented 1% of the prior year's gross expenditure on provision of services. Performance materiality had been set at £9.9m. Any audit differences relating to the primary statements greater than £0.66m would be brought to the attention of the Committee.

A number of risks had been identified in the value for money area, most of which had a level of consistency with previous years. Firstly, around sustainable resource deployment given where the Council was with regard to its financial position. There were risks in relation to working with external partners and third parties e.g. the health care market going into administration and work that was taking place to replace their provision. The Council had received a number of commentaries from regulatory and inspection bodies the tone of which has been mixed. The most significant report related to a joint inspection in November 2018 of the local area of Staffordshire to assess the effectiveness of the area in implementing the special educational needs and disability (SEND) reforms as required by the Children and Families Act 2014. The outcomes of these reports are now being considered.

Mr Clark highlighted the reduction Ernst & Young's fees reported on page 74 of the agenda pack.

The Chairman was concerned regarding the report on SEND and suggested that a letter was sent from the Committee to the Cabinet Member for Children and Families drawing his attention to the possible impact on the MTFS of addressing the concerns raised in the inspection report, particularly as some elements were dependent on third parties over which we had no control.

The interim Director of Finance stated that the vast bulk of activity came from the Schools Grant. However, if this ran out it was incumbent on the local authority to address this. The Schools Forum receives reports on the amount of dedicated schools grant which is in the order of £500m (this is split by government into several blocks including the High Needs Block (circa £80m) which is currently overspent). This overspend is being funded from accumulated schools' balances. There is a plan in place in discussion with the Schools Forum to reduce this spend, together with a request now approved by the Secretary of State, to top slice the general grant scheme to spend in this area. It is hoped that this recovery plan would be successful, but if not, there was a potential impact on the MTFS.

RESOLVED: That a letter be sent to the Cabinet Member for Children and Families regarding the risk to the MTFS of the impact of addressing the failings identified in the Joint Area SEND Inspection in Staffordshire.

70. Local Government Audit Committee Briefing

Mr Stephen Clark, Ernst & Young, drew Members' attention to the Local Government Audit Committee briefing for Quarter 4, December 2018. Brexit featured largely in the report and will have a significant impact across all organisations.

Outside the report, but of interest to the Committee, Mr Clark stated that he had been asked to give evidence to the Public Accounts Committee on local audit qualifications to value for money opinions and how authorities dealt with the work of the auditor. A report will be published in due course. Lastly, there is debate led by reviews on the future of audit given the collapse of firms such as Carillion, and how this could impact on the future audit of public bodies.

RESOLVED: That the report be received.

71. Staffordshire Pension Fund Audit Planning Report 2018-19

Mr Stephen Clark, Ernst & Young presented this report on behalf of Suresh Patel. The dashboard on pages 101-102 of the agenda pack focussed on changes in audit valuations from 31 March. These are predominantly around investment valuations. For the first time this year, the Local Government Pension Scheme (LGPs) Asset Pooling Arrangements had been identified as a risk.

In terms of the audit team, Caroline Davies has left Ernst & Young and has been replaced by Vicky Chong. Suresh Patel will remain as the Engagement Lead.

RESOLVED: That the report be received.

72. Forward Plan

The interim Chief Internal Auditor stated that the Forward Plan summarised the work completed by the Audit and Standards Committee for 2018-19. Discussions were taking place with the Chairman regarding the regarding the Forward Plan for 2019-20. The Annual Report will be presented in June 2019. Members comments were invited.

Some changes to meetings planned for Monday mornings would take place to facilitate attendance by the Director of Corporate Services. Councillor Northcott requested that meetings on Fridays be avoided as this was his work day.

Note by Clerk: The meeting currently planned for 14 October at 10.00 a.m. has been moved to 14 October at 2.00 p.m.

RESOLVED: The report was received.

73. Exclusion of the Public

RESOLVED: 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.

74. Update on Cyber Security Essentials Audit

(Exemption paragraph 3)

75. Use of Data, Analytics and the Development of Continuous Controls Monitoring

(Exemption Paragraph 3)

76. Data Centre Environmental and Physical Security Controls - Final Audit Report

(Exemption paragraph 3)

77. Approved Mental Health Professionals - Final Audit Report

(Exemption paragraph 3)

Chairman

Local Members' Interest
N/A

Audit and Standards Committee – Wednesday 12 June 2019

Annual Report on Information Governance

Recommendation

a. That the Audit and Standards Committee are asked to receive and note this report.

Report of the Director of Corporate Services

Background

1. Staffordshire County Council recognises the need to protect its information assets from both accidental and malicious loss and damage. Information Governance is taken very seriously by the council and this is evidenced by the ongoing work to improve the management and security of our information as outlined in the report.

2. This report is designed to give the Audit and Standards Committee assurance how SCC are complying with the following legislation and to provide assurance for the annual governance statement:

    a. Data Protection Act 2018 and GDPR
    b. Freedom of Information Act 2000
    c. Environmental Information Regulations 2004
    d. RIPA
    e. Local Government Transparency Code 2014

3. The compliance with this range of legislation is monitored and administered through various national commissioner roles including the Information Commissioner, Surveillance Commissioner and Interception of Communications Commissioner. These commissioners have powers to impose penalties, including monetary penalties and custodial sentences on organisations or individuals who breach these rules.

4. The County Council is currently reviewing the Information Governance Framework which collates requirements, standards, policy and guidance on the Council intranet pages. This provides for a strategic direction in terms of managing information and provides detailed guidance and support for staff in using information, including sharing and working with partners. This is particularly important as we continue to provide and commission services in new and innovative ways across Staffordshire. All policies are being reviewed and cross referenced against ISO standards.

Freedom of Information

5. Freedom of Information performance in SCC is monitored on a quarterly basis and published on the internet. The benchmark set by the Information Commissioner for an acceptable service is 85% of requests answered with 20 days, we are currently at 86%.

	2016/17	% compliance with statutory timescale	2017/18	% compliance with statutory timescale	2018/19	% compliance with statutory timescale
FOI	1364	77%	1382	83%	1603	86%[1]
EIRs	2875	99%	2797	99%	2565[2]	99%

6. It should be noted that the volume of requests can really give no indication of the amount of time spent in answering each one. Some requests involve reporting on data that we routinely collect/publish and can be completed relatively quickly. However, others may involve large amounts of work by different departments and we frequently must judge whether answering a request would fall under the ‘complex’ category. This relates to both FOIs and SARs (as mentioned below).

7. Highways, Finance & contracts and Social Care receive the majority of FOI requests with Education and Human Resources close behind. Most departments and services receive some requests. Co-operation is good across all departments, but some requests are complex, and delays can occur when information is required from different specialities and departments. FOI remains a challenge to manage and for different areas of the business to respond to with staff reductions and volumes increasing and becoming more complex.

Data Protection

8. Under the Data Protection Act individuals have a right to access their own information, known as a Subject Access Request. Ensuring compliance with Access to Information is the overall responsibility of the Information Governance Unit, however Families First manage children’s requests separately (since 2017).

	2016/17	% compliance with statutory timescale	2017/18	% compliance with statutory timescale	2018/19	% compliance with statutory timescale
Corporate	104	79%	30	83%	119	89%
Children’s			97	43%	160[3]	46%

9. Throughout 2018/19 the IG team provided support to other organisations (Borough, Schools; Parish Councils) bringing income into the Authority in relation to both the implementation of GDPR and ongoing DP and Information Security support.

Records Management

10. Work is underway to review the current Information Asset Register (IAR). The Register is intended to inform decision-making about the management of our information assets in

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[1] An additional 9% were responded to within 25 days

[2] There has been an 83% drop in Land Charge FOIs since Jan 2019 due to additional information being posted on the internet

[3] 25% were deemed complex requests

order to mitigate information risks. It has been recognised that this needs to be done in a more devolved, user friendly and dynamic way. Once a robust methodology for implementing the IAR is approved, training material will be refreshed and reviewed ready for launch late 2019. The opportunity will be taken once again to raise awareness across the organisation of the role of Information Asset Owners (IAOs).

11. With both the office moves and roll-out of O365 the IG team are supporting both the project team and all service areas regarding data cleaning. Which has involved the destruction of paper records, digitisation or archive of records to mitigate the risk of breaching DPA principles. It has been highlighted during this work that further work needs to be undertaken to ensure staff are aware of their roles and responsibilities in relation to the management of information. Therefore, training material and guidance notes will be reviewed and communicated as necessary.

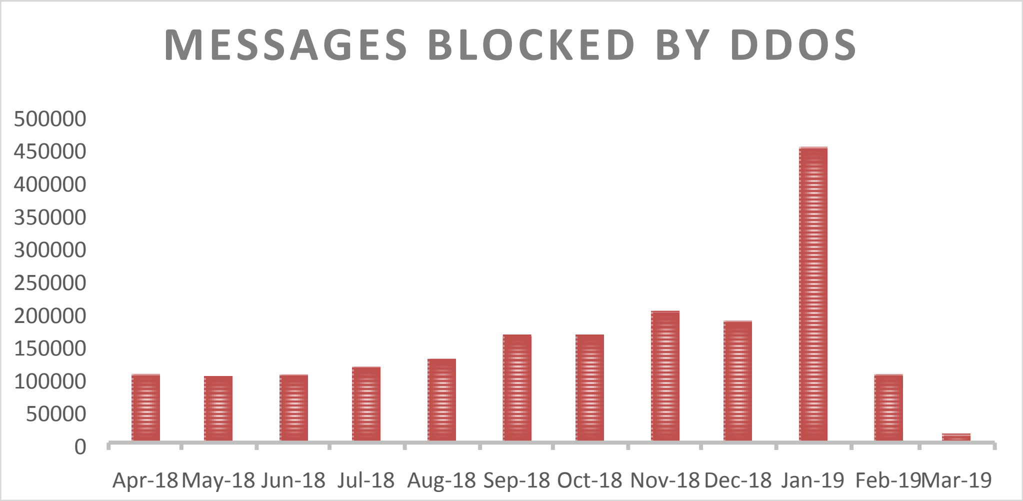
12. The ongoing work to develop the IAR and role of IAOs will include a review of retention periods. This in turn may mean an update to retention schedules which will drive the policy for O365 data storage. This is a major piece of work that must be done ahead of any roll-out or configuration of One Drive and SharePoint (replacing Home and Shared drives) to ensure compliance.

Information Security/Cyber

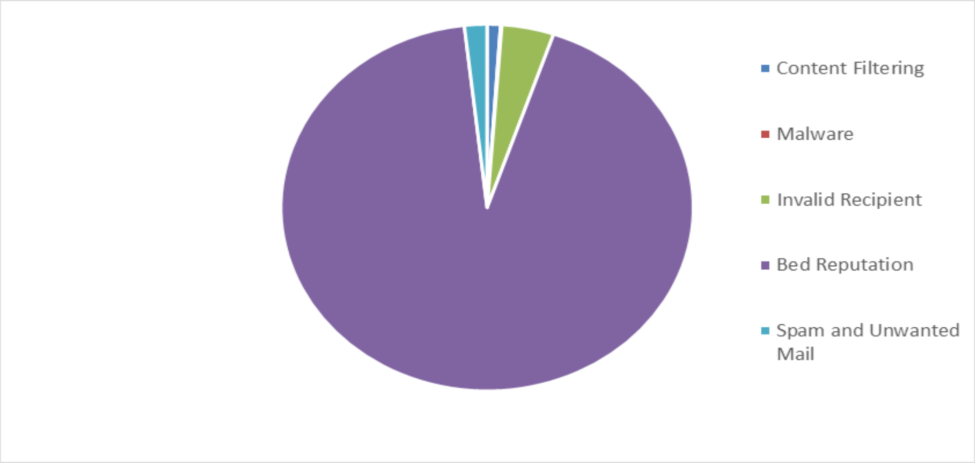
13. Local Authorities continue to face challenges to ensure that appropriate information security is in place. Therefore, the County Council has continued to invest and develop further protection in Cyber and Information Security across several areas over the past year to ensure that resilient procedures are employed across the Authority. We continue to work closely with our Internet Service Provider to improve its security and to ensure the earliest possible warning of cyber-attacks.

14. The authority continues to be subject to a high-volume of cyber-attacks, some of the low level can be classed as ‘internet traffic’. It is not believed that the authority is being specifically targeted but more as an inevitable consequence for any organisation that has a high level of activity on the internet. Denial of service attacks has seen an increase both directly attacking the Authority’s network but also that of our Internet Service Provider and this can lead to significant disruption to the network.

15. The County Council has a layered approach to security protection. The first layer is provided by our internet service provider which will filter out a certain amount of threats and spam message, even before they reach our network. The County Council defences start with our DDoS protection, which is designed to specifically stop Distributed Denial of Service attacks. These are attacks where a perpetrator will use a single source (DoS) or multiple sources (DDoS) will attempt to disrupt systems and services, usually by flooding the target with superfluous requests to overload the systems. The chart below indicates the number of messages blocked by the DDoS protection each month.



16. Our networks and systems are further protected by the Symantec Email Gateway. Between April 2018 and March 2019, the email gateway handled a total of 26,913,318 incoming messages. Of those messages a total of 12,904,165 messages contained single and multiple threats, an average of 48%. The types of threats are identified as follows:

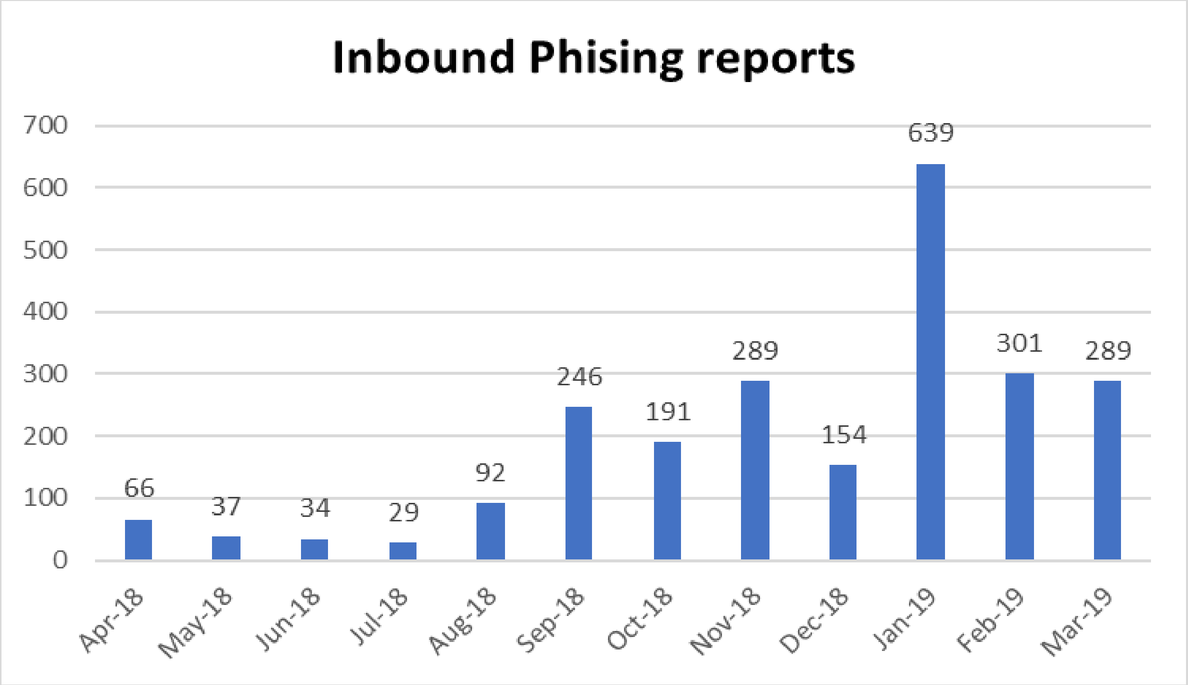


17. An increase in malware email campaigns (software which is specifically designed to disrupt or damage a computer system) has led to limits being placed on downloading executable files. End user machines also have local anti-virus protection and ICT have a managed process for malware found on machines. In general, this is a very low amount (between 10 – 40 machines per month out).

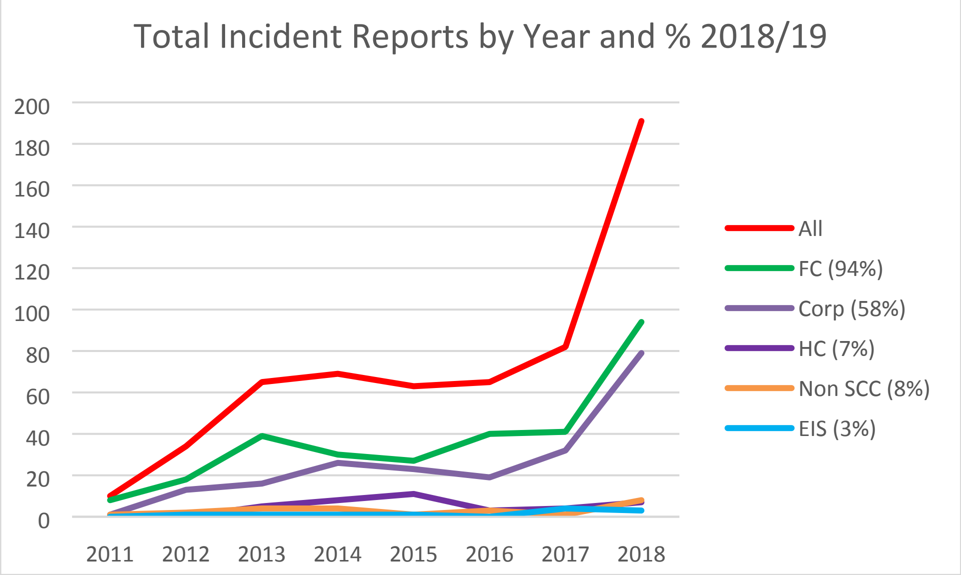
18. There are technical preventions in place, including filtering and blocking software. However, these are not guaranteed in blocking all potentially malicious emails and these measures must be balanced against the ability to carry out business with minimal disruption in a digital environment. As the volume and sophistication of malicious emails increases, users need to be more aware about recognising the threats posed including malicious links or attachments containing malicious software.

19. It is accepted that in nearly all cases users will not be taking these actions deliberately, however the consequences of these actions can be potentially highly damaging in terms of system downtime, data loss and reputational damage. Global communications will still be used to raise general awareness, but individual, targeted communications will be focussed on users who have clicked on suspected malicious links or opened attachments containing malicious software.

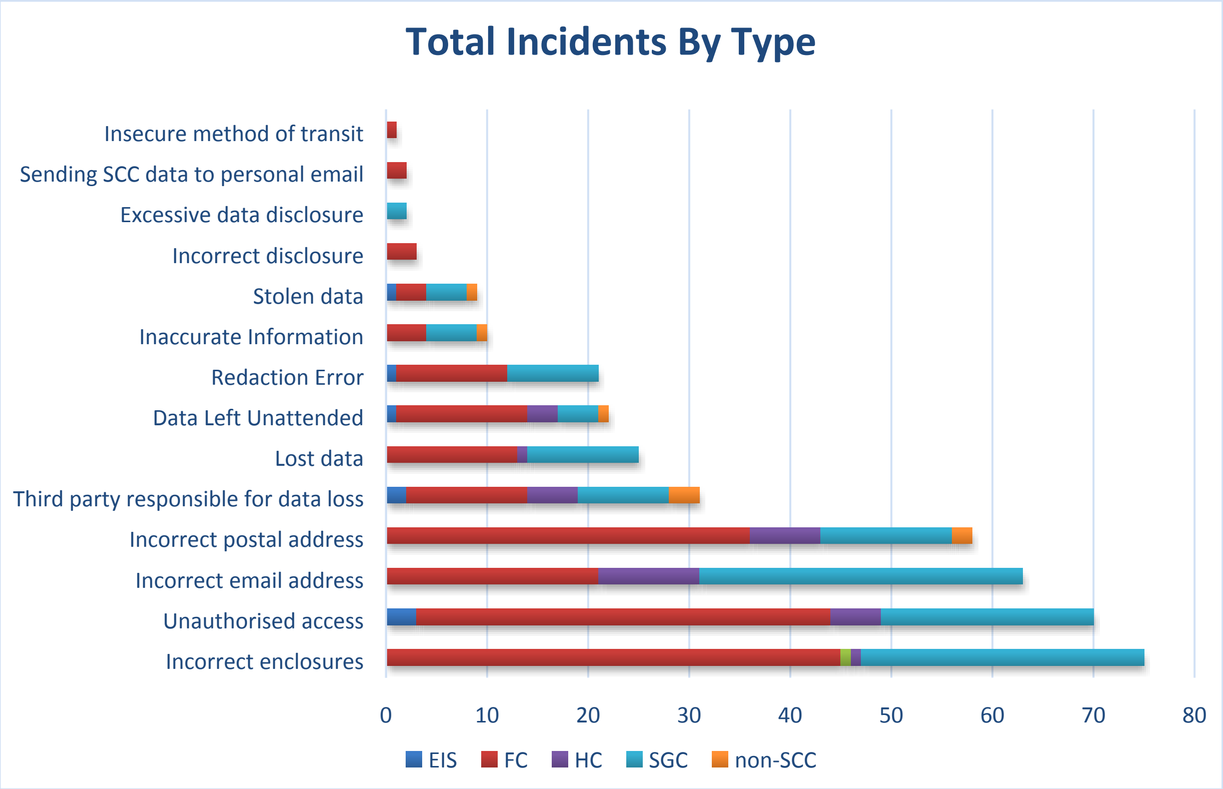
20. All users can report suspicious, malicious and/or spam emails to a central email address. The below table shows the amount of reports we have received between April 2018 and March 2019.



21. The Information Governance Unit record all reported security incidents and investigate where necessary. Security incidents include both physical and electronic data. All incidents will be followed up with the appropriate manager to receive assurance from the service that recommendations have been implemented. The security incidents are also reported quarterly to the Senior Information Risk Officer.



22. A total of 191 incidents were reported in 2018/19 which is the highest level of incidents since we began formally recording, we believe this is because we are promoting the reporting more regularly via different means. This is an average of 16 per month. The highest categories are incorrect enclosures, incorrect email or postal address and unauthorised access to data, which can be seen by the chart below.



23. The Council has developed a Cyber Security Incident Plan in case of a cyber-attack. Work is ongoing to review the plan due to the outcomes identified by recent audits and to further test the organisations' plans to respond to an attack. Information Governance Team have been working with the Regional Organised Crime Unit (ROCU) on the promotion of their Cyber Champion initiative within SCC. Over 20 members of staff from across the service areas have received training so far in Cyber Awareness from the Digital PCSO and are now able to provide their colleagues with advice and guidance to help prevent cyber-attacks.

24. Some of the Cyber Champions have also been involved in the Cyber Breach desktop exercise facilitated by CCU.

25. As an organisation we are committed to ensure that we only use legitimate software for which we hold a valid licence. Hosting unlicensed software is illegal and can lead to monetary penalties. A software auditing tool has been implemented to ensure that there are no instances of unauthorised software within the SCC network and that all instances are licensed.

26. All security policies are regularly reviewed to reflect changes in technology and knowledge of potential threats; this involves revision of policies and technical improvements to software, hardware and networks on an ongoing basis.

27. Staffordshire County Council has successfully been granted Public Services Network (PSN) accreditation again in 2018. PSN is a key part of Government ICT Strategy and accreditation means that the authority can continue access a secure network that facilitates the safe access of Government shared services. Accreditation is an annual requirement. The safety of PSN is paramount and to achieve accreditation the authority has to satisfy a Code of Connection containing over 60 different security controls. The security control responses were audited by means of independent ICT security health checks and an onsite assessment conducted by a government accredited third party auditor.

28. In 2019 SCC achieved Tier 1 Cyber Essentials which is a UK Government information assurance scheme operated by the National Cyber Security Centre that encourages organisations to adopt good practice in information security.

29. A Cyber Security Strategy is being developed and will be signed off by the Corporate Governance Working Group to ensure that the requirements of security are maintained whilst ensuring the authority is flexible to meet working requirements of a digital world. Reporting against the outcomes of the strategy will be included in this report from 2019 onwards.

Governance

30. The Council, in line with recommended practice for all public authorities in the UK, continues to provide demonstratable arrangements which ensure that information assurance is addressed along with other aspects of information governance. This is provided through the Corporate Governance Working Group; Information Governance Unit; Senior Information Risk Owner (SIRO); Data Protection Officer (DPO) and for Children’s and Health and Care, their Caldicott Guardian.

31. The NHS IG Toolkit is an online system which allows organisations to assess themselves or be assessed against Information Governance policies and standards. The NHS require the County Council to be compliant with the toolkit to enable integrated working between the County Council and NHS bodies, including connection to systems and the transfer and sharing of sensitive personal data. In March 2019 Staffordshire County Council obtained compliance again to the latest local authority version of the toolkit for the whole County Council.

32. It has been recognised through work with Audit that there would be a benefit of IG carrying out ‘spot check’ audits regarding areas such as contract information security compliance; IAR to undertake risk assessments from an information security and data protection legislation perspective, follow up recommendations after an information breach for services that report higher than usual incidents.

Training and Guidance

33. All new starters are expected to complete the mandatory e-learning modules (Cyber Security and Privacy) as part of the induction process. All staff can complete a suite of Information Governance e-learning modules including Freedom of Information, Data Protection, Information Security, Records Management and Protective Marking. The modules are reviewed at least annually to ensure information is current and reflects regulations and procedures and the modules have been classified as either ‘mandatory’ or ‘essential’.

34. In the past 12 months the Information Governance Team have been collaborating with other LAs and CC2i in the production of short videos which will enhance our GDPR training, also Information security modules have been purchased and all will be rolled out in the coming months. The Authority will form part of a future collaboration to produce e-learning/videos specifically designed to support Councillors in their local role.

Regulation of Investigatory Powers Act

35. Staffordshire County Council is entitled to use the Regulation of Investigatory Powers Act for carrying out covert surveillance as part of our statutory duties. All applications for surveillance must be approved by a Magistrate. In 2018 no Directed Surveillance applications were made. No operations involving Covert Human Intelligence Sources were undertaken.

36. Access to Communications Data from communication are processed by the National Anti-Fraud Network (NAFN). No requests have been made or processed. A new Code of Practice has been issued and further work will take place to comply before 27 May 2019.

Priority Areas for 2019/20

37. Review of the Information Governance Framework in-line with the upgrade of the Authorities intranet/internet to continue to embed Information Governance best practice within the culture of the organisation, through additional awareness and training.

38. Review of policies in-line with HR Policy review, including cross referencing against ISO standards.

39. Review of Information Asset Register, to ensure more user-friendly; further devolved accountability and dynamic reporting. Also carry out ‘spot check’ audits to advise staff on the best approach to ensure the information is protected in relation to its confidentiality, integrity and availability and to check that that personal data is being processed lawfully.

40. Raise awareness of the scope of the Information Asset Owner role and support them to embed effective information risk management activities. As well as individual’s role and responsibilities for records management.

41. Support O365 implementation especially regarding data architecture, data cleanse/digitation; migration and retention.

Equalities Implications

42. Equalities, diversity, cohesion and integration are all being considered as part of delivering the Information Management Framework. This refers to the way training is being delivered as well as how policies will impact on staff and partners.

Legal Implications

43. Failure to comply with legislation or legal requirements (i.e. Data Protection Act, Regulation of Investigatory Powers Act) can result in external censure, financial loss (including fines and compensation) and reputational damage.

44. Failure to comply with the Regulation of Investigatory Powers Act can result in censure by the Surveillance Commissioner, including reporting to Parliament, and judgement by the Investigatory Powers Tribunal

Resource and Value for Money Implications

45. Continued adherence to good information assurance practice will help to ensure that the Council does not suffer financial loss through fine(s) for breaches.

Risk Implications

46. Any risks identified are subject to inclusion within the Authority’s risk register and are dealt with as a matter of priority accordingly.

47. It is a key part of the Committee’s role to give assurance to the Authority and the council tax payers that the public resources invested in the Authority are being properly managed. This report is one way by which that assurance can be given.

Climate Change Implications

None

Contact Officer

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E-Mail Address: tracy.thorley@staffordshire.gov.uk

List of Background Papers/Appendices:

None

Local Members Interest
N/A

Audit and Standards Committee – 12th June 2019

Code of Corporate Governance

Recommendation

a. To approve the updated Code of Corporate Governance and resultant action plan produced in line with the CIPFA SOLACE framework 'Delivering Good Governance in Local Government' published in April 2016.

Report of the Director of Corporate Services

Background

1. A detailed review of the Code of Corporate Governance (and Single Sheet Local Framework) has been undertaken by the Council's Corporate Governance Group following the publication of the 2016 Delivering Good Corporate Governance in Local Government Framework. There are seven core principles which are listed below:

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

2. The 2016 framework builds significantly on the previous version and has been expanded to include greater emphasis on partnerships, outcomes, interventions and transparency agendas.

3. The Council's over-arching Code of Corporate Governance continues to be refreshed to ensure the accuracy of the details contained regarding the arrangements in place to demonstrate adherence to the core principles and sub principles contained in the framework and is attached at Appendix 1. Contained within the document is the Corporate Governance Action Plan for 2019. Progress regarding implementation of the action plan will be monitored throughout the year and reported on as part of the review of the effectiveness of the governance framework which feeds into the Annual Governance Statement. The action plan relating to the 2018/19 code has been discussed and monitored by the Corporate

Governance Working Group throughout the year.

Equalities Implications and Climate Change Implications

4. There are no direct implications arising from this report.

Legal Implications

5. Any new (significant) costs arising from Action Plans that cannot be contained within existing budgets will need to be considered within the Medium Term Financial Strategy (MTFS).

Resource and Value for Money Implications

6. The net budget of the Internal Audit Section is £758,430 of which £65,900 relates to payments to external providers.

Risk Implications

7. Good corporate governance is key to efficient and effective service delivery and will assist the Council in promoting its image with key stakeholders.

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List of Background Papers

1. CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Framework – April 2016 Edition

2. CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Guidance Note for English Authorities – 2016 Edition

3. Code of Corporate Governance 2018

LOCAL CODE OF CORPORATE GOVERNANCE

Introduction

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014) defines governance as follows:

'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.'

The International Framework also states that:

'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.' Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

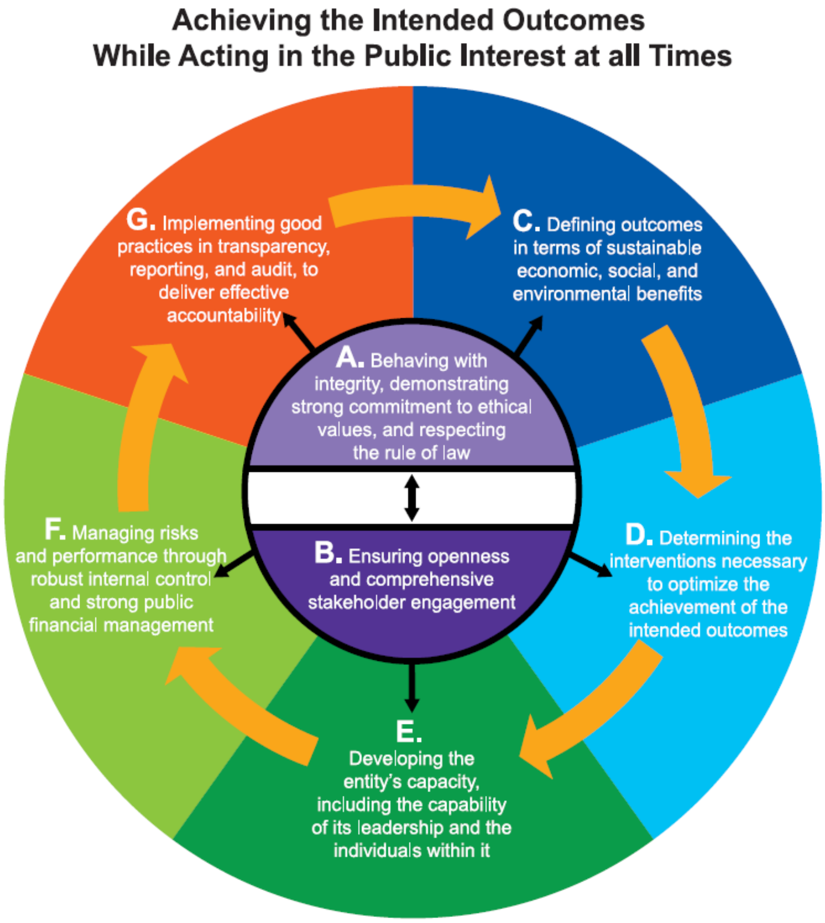
Good Corporate Governance

Staffordshire County Council is committed to achieving good corporate governance and this Local Code describes how the council intends to achieve this in an open and transparent way. The Local Code is based upon the CIPFA SOLACE framework 'Delivering Good Governance in Local Government (April 2016) which replaced the document published in 2007 and amended in 2012.

As laid out in the guidance it *'is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities'.*

The Local Code is based on the following 7 principles, the first 2 of which underpin the remaining 5 with the overall aim of achieving the intended outcomes whilst acting in the public interest at all times.

A – Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B – Ensuring openness and comprehensive stakeholder engagement.
C – Defining outcomes in terms of sustainable economic, social and environmental benefits.
D – Determining the interventions necessary to optimize the achievement of the intended outcomes.
E – Developing the entity's capacity including the capability of its leadership and the individuals within it.
F – Managing risks and performance through robust internal control and strong public financial management.
G – Implementing good practices in transparency, reporting and audit to deliver effective accountability.


Achieving the Intended Outcomes
While Acting in the Public Interest at all Times
G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement
F. Managing risks and performance through robust internal control and strong public financial management
D. Determining the interventions necessary to optimize the achievement of the intended outcomes
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

MONITORING AND REVIEW

The Code of Corporate Governance is reviewed on an annual basis to ensure that it is kept up to date. Where the review identifies that changes are required to the code, the revised Code will be submitted to the Audit & Standards Committee for comments and amendments before including on the Council's intranet.

It is the philosophy of the County Council that responsibility for ensuring good corporate governance is embedded within the organisation, lies with all employees and they take the appropriate steps to ensure their behaviour reflects these values at all times.

The Audit & Standards Committee has responsibility for monitoring and reviewing the Corporate Governance arrangements. The Committee is responsible for approving the Council's annual accounts and responding to the External Auditor's Annual Audit Letter. It also oversees the effectiveness of the Council's governance and risk management arrangements, the internal control environment and associated anti-fraud and anti-corruption arrangements. The standards element of its remit covers the responsibility for promoting and maintaining high standards of conduct amongst Members. The detailed terms of reference are included in the Constitution.
http://moderngov.staffordshire.gov.uk/ieListDocuments.aspx?CId=624&MId=8894&Ver=4&Info=1

In addition, the wider Committee arrangements support how the Council uses its resources effectively and efficiently to deliver services for Staffordshire residents

The Council ensures that corporate governance arrangements are kept under continual review by updating, as appropriate, these Committees on:

- The work of Internal and External Audit
- The opinion of other review agencies and inspectorates
- Opinions from the Council's Statutory Officers
- General matters relating to the implementation of the Code
- The production of the Annual Governance Statement and actions planned to address rising governance issues.

The Annual Governance Statement

Each year the Council will publish an Annual Governance Statement to accompany the Annual Accounts. The Statement provides an overall assessment of the Council's corporate governance arrangements and how it adheres to the governance standards set out in this Code. Evidence relating to the principles of this Code is reviewed and analysed to assess the robustness of the Council's governance arrangements. This includes assessments such as:

- Review of the Constitution
- Annual Statement – Member Standards
- Biannual Scrutiny Report to Council
- Head of Internal Audit Annual Report and overall opinion
- External Audit Annual ISA 260 Report
- Other Inspectorate Reports
- Statutory Complaints & Corporate Complaints (including Ombudsman's Reports) Annual Report
- Information Governance Annual Report
- Health and Safety Annual Report
- Annual Pay Policy Statement
- Statements from the Monitoring Officer and Section 151 Officer regarding the use of their statutory powers

The Statement includes an appraisal of the key controls in place to manage the Council's principal governance risks and the effectiveness of systems and processes governing decision making and financial control. The Statement also provides details of where improvements need to be made. Actions to address significant governance issues are identified and recorded in an action plan. The Annual Governance Statement is audited by the Council's External Auditors as part of the audit of the annual accounts.

The following tables detail how the Council meets the core principles and the systems, policies and procedures it has in place to support this.

Core Principle A: ***Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law***.		
	Current Arrangements	**Action Plan 2019/20**
Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	**Behaving with integrity** • Codes of conduct for Members & Officers developed and included in key governance document [the Constitution] to ensure that high standards of conduct are understood/maintained. • An Officer Code of Conduct is included within the GO Corporate Training system and behaviours are reinforced through the My Performance Conversation process. • Induction process for all new Members includes information on the standard of behaviour expected including the role of Standards Committee. • Member Code of Conduct • Procedure in place for reporting and administrating complaints against Members including breaches of the Member Code of Conduct. • Whistleblowing arrangements for Officers are in place together with Grievance procedures • Member Allowances are determined and approved by the Independent Remuneration Panel • The Audit and Standards Committee is responsible for overseeing the conduct of members and identifying any training needs of members in relation to the Code of Conduct. The Committee receives a report as appropriate regarding the progress of complaints'/investigations. An Annual Report of Member Conduct is produced and reported to the Audit & Standards Committee. • Decision making practices include standard formats for executive officer/portfolio holder/Cabinet decisions to assist in ensuring that decisions are taken only when necessary information has been made available including community impact assessments for key decisions.	A Refresh of the Code of Conduct for Members in line with the March 2019 report to Audit & Standards Committee. **Responsible Officer**: Head of Law and Democracy **Implementation Date:** 31st March 2020 To continue to complete and embed the recommendations made in the 2018 Gifts and Hospitality audit report which include the declarations of interest **Responsible Officer**: Head of Law and Democracy **Implementation Date:** 31st August 2019

	• Constitution includes an employee and Member policy for the acceptance of gifts and hospitality. A register is maintained and published on the County Council website. • All Members declare their interests and these are published on the County Council website which is refreshed annually. • Members' declarations of interests are a standing item on all agendas. Minutes show declarations of interest were sought and appropriate declarations made. • Whistleblowing and Integrity policies are in place. Policies available to members of the public, employees, partners and contractors via the internet and in appropriate contract documentation. • Statutory and corporate complaints procedures and electronic reporting forms are available on the County Council's website. Annual reports are produced and are published on the County Council website.	
	Demonstrating strong commitment to ethical values • The Constitution sets out ○ the need to act within the law ○ delegations of the executive, committees and senior officers, and the decision making process to be applied ○ Terms of Reference for committees ○ Scrutiny Function to support ethical decision making • Commissioners of services have a role in developing specifications and contracts and through contract management and management of other arrangements. • Implementation of the People Strategy approved by Cabinet in March 2019.	
	Respecting the rule of law • The Constitution identifies the Statutory Officers of the County Council namely the Head of Paid Service, Monitoring Officer, Chief Financial Officer (Section 151 Officer), Director of Adult Social Care, Director of Children's Services, Scrutiny Officer and the Director of Public Health and sets out the respective roles.	

	• A Fraud, Bribery and Corruption Policy is published on the web site together with the Anti-Money Laundering Policy. There is a whistleblowing hotline together with a concern reporting form which is forwarded on to Internal Audit for review.	
Core Principle B: - Ensuring openness and comprehensive stakeholder engagement		
Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders	**Openness** • Strategic and Delivery Plans describe direction including Vision, Values and Council priorities. • Adoption of a Freedom of Information Act publication scheme • Online council tax information • Authority Transparency pages available on website including the annual transparency report • Agendas, reports and minutes are published on the council's website. Meetings are open to the public unless in the case of exempt items • The Community Impact Assessment toolkit is used for all key decisions and helps ensure that the decisions taken consider a range of potential impacts/risk. Where appropriate, background papers are cited in the standard report format. • Dates for submitting, publishing and distributing timely reports are set and adhered to • Record of decision making and supporting materials published on the County Council website • The Strategic Plan together with the annual delivery (business) plan sets out the priorities and strategic direction for the Council and is reviewed annually. • Quarterly Integrated Performance Reporting covering MTFS, Performance Measures and Delivery Plan monitoring delivery of key requirements.	
	Engaging comprehensively with institutional stakeholders • All the Councils priority outcomes are contained within the Strategic Plan which is published and communicated to all relevant stakeholders. • The County Council regularly consults with a wide range of stakeholders depending on the topic and relevant audience. Key	To implement the Peer review recommendation regarding strategic engagement and

	stakeholders include our local MPs, elected members, district leaders and chief executives, other public sector organisations and our voluntary and community sector bodies • The relationship with the other 9 local councils is overseen by the monthly meeting of the 10 Chief Executive's and quarterly meetings of the Leaders. • The strategic engagement with the NHS is now overseen though the Sustainability and Transformation Plan Programme Board that is driving change across the whole system • Place leadership across Staffordshire is steered and driven through Network Staffordshire. • SCC reinforce a clear set of principles with all key partnership leads (including across Health and Wellbeing, Children and Families, Safety and Economy) to ensure that all formal partnerships continue to provide a robust framework for identifying and delivering higher level outcomes for Staffordshire. • All consultations are conducted in line with the best practice guidance set out by the Cabinet Office in 2016 (https://www.gov.uk/government/publications/consultation-principles-guidance). High priority consultations identified through the business planning process are supported by a Corporate Consultation Manager with appropriate support from other support services. In order to ensure consistency and transparency all consultations are hosted on the County Council webpage. • A communications strategy which sets out how the Council will inform and engage with employees, partners, residents and other stakeholders is in place, agreed annually by the senior leadership team and members of cabinet. Annual review and sign off of Communication Plan by SLT Lead:- Head of Communications	visioning with Partner Organisations. **Responsible Officer:** Head of Strategy/SLT/CEO **Implementation Date:** 31st March 2020
	Engaging stakeholders effectively, including individual citizens and service users • A Record of public consultations undertaken is published on the Website.	

	• All consultations are delivered using best practice guidelines from the Cabinet Office (https://www.gov.uk/government/publications/consultation-principles-guidance • The council seeks the views from individuals, organisations and businesses as part of shaping and commissioning decisions. • All council surveys are delivered online using the corporate approved software called Citizen Space. • Consultation activities are scheduled in line with the Delivery Plan priorities and MTFS commitments. • The council has arrangements to engage with all sections of the community including hard to reach groups. • Community Impact Assessments continue to capture the impact of decisions on our protected groups, with evidence of how services have involved these vulnerable and hard to reach groups. • The work of the Digital project seeks to take account of the citizens needs	
C Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing	**Defining outcomes** • The Strategic Plan sets out the council's vision and priorities which have been produced following community engagement and involvement. [Current Plan 2018/2022] Annual review of Strategy led by the Head of Strategy. These are published on the Website. • Three priority outcomes have been defined – 1. Be able to access more good jobs and feel the benefit of economic growth. 2. Be heathier and more independent 3. Feel safer, happier and more supported in and by their community. • The annual Delivery Plan and associated Directorate/Team Plans and MPCs support the delivery of the commissioning priority outcomes outlined in the Strategic Plan. The following approval process is used - Delivery Plan approved by SLT Lead by the Head of Change, Directorate and Team Plans are approved by relevant member of SLT. MPCs are signed off by the relevant manager and are formally	

demands when determining priorities for the finite resources available.	reviewed twice per annum and a rating allocated together with the line manager. - An integrated performance management approach fully implemented for Q1 18/19. The Senior Leadership Team and Cabinet receive performance monitoring reports at regular intervals based on progress towards delivery of the business plan priority outcomes.	
	Sustainable economic, social and environmental benefits - Capital investment is structured to achieve appropriate life spans and adaptability for future use or those resources (e.g. land) are spent on optimising social, economic and environmental wellbeing. This is outlined in the Medium Term Financial Strategy and detailed in the capital programme. - Development of the People Helping People agenda and Digital by Design to help address rising levels of demand for Council services. - The Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP) brings businesses and local authorities together to drive economic growth and create jobs. The County Council is the Accountable Officer for the LEP. - The SSLEP has a single inward investment team 'Make it Stoke-on-Trent and Staffordshire' and an Education Trust, which is working with education providers and businesses to address the skills gap, while Destination Staffordshire is working with tourism businesses to market the county as a place to work and visit. To ensure the best achievement for the area the LEP is working with Government and other organisations to secure funding and improve access to finance for businesses. - Sustainable Procurement incorporates the achievement of environmental, economic and social outcomes throughout procurement processes. The evaluation of Social and Environmental Value is considered as part of the evaluation criteria in all procurements and is designed to assist commissioners and procurers to maximise opportunities to improve the social, economic and environment condition of our local area through effective commissioning and procurement.	To complete the work that has commenced with Social Enterprise UK to develop a proposal and a draft policy. **Responsible Officer:** Head of Commercial Services **Implementation Date:** revised to September 2019.

D -Determining the interventions necessary to optimise the achievement of the intended outcomes		
Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.	**Determining interventions** • The principles of commissioning are applied to ensure clear alignment to need and improving outcomes • Options are clearly defined and analysed to ensure decisions support community and digital solutions. • The system for decision making ensures all relevant information is considered such as analysis of options, resource implications, and outcomes.	
	Planning interventions • The Delivery Plan and associated Directorate and Team Plans and MPCs supported as necessary by delivery plans, is the means by which the Council's strategic priority outcomes are translated into action and delivered. • The Council is committed to involving local people in its most important decisions through community engagement. • It seeks opportunities to get local people involved in the running of services and assets through relevant consultation and our bespoke approach to engaging communities, 'People Helping People'. • The MTFS is linked to our Delivery Plan to ensure resources are available to deliver priority outcomes. Member Led challenge sessions are held to scrutinise the robustness of the financial proposals. • Strategic Risks associated with partnership and joint working arrangements are identified and recorded in the strategic risk register. • Contract management arrangements are in place to manage delivery of service requirements. • Change control mechanisms are in place to ensure that Contracts/Partnership arrangements continue to deliver the Council's priority outcomes. • KPIs have been established and approved for each priority area, included in the business plan and reported upon regularly to SLT and Cabinet. [Supported by head of Strategy and Head of Change]	To ensure ongoing greater visibility and ownership of the Corporate Risk Register, together with regular monitoring and updating of individual risk areas. **Responsible Officer:** Director of Corporate Services **Implementation Date:** Ongoing

	• SLT monthly and Executive quarterly reports include detailed performance results and highlight areas where corrective action is necessary.	
	Optimising achievement of intended outcomes • The annual budget is prepared in line with agreed priorities and the MTFS which is approved by Cabinet and Full Council. The council publishes its Financial Strategy annually to set an indicative five year rolling financial plan to fit the longer term strategic vision as well as a detailed one year budget. This process is supported via all members of the wider leadership team, including the use of annual accountability letters. • A key development of the People helping People agenda is that service plans demonstrate consideration of 'social value'. • All Managers are supported in the delivery of their financial objectives via their Finance Business Partner.	
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.	**Developing the entity's capacity** • Regular reviews of activities, outputs and planned outcomes including acting upon the outcome and recommendations contained within Inspectorate Reports. • Development of demand management through digital by design, privacy by design, people helping people and commercialisation work streams. • The Council has a Learning & Development strategy including the use of a digital learning management system GO available to the whole workforce covering, statutory and mandatory training, health and safety, ICT, Change Management and key knowledge and soft skills. • Utilisation of research and CIPFA benchmarking exercises where appropriate. • Effective operation of partnerships which deliver agreed outcomes.	
	Developing the capability of the entity's leadership and other individuals	To complete the update exercise of the current Schemes of Delegation to

Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.	• Job descriptions are in place for Officers which have been correctly evaluated using the agreed Job Evaluation criteria and processes. • Role descriptors for Member roles. • Induction arrangements for Officers/Members • A Protocol on Member/Officer Relations to achieve good working relationships in the conduct of council business • Schemes of delegation reviewed regularly in the light of legal and organisational changes. • Procurement and financial regulations, which are reviewed on a regular basis, are in place. • Officers/Members are updated on legal and policy changes as required. • Development and training plans for employees is identified through the annual My Performance Conversation appraisal process. • Access to update courses/ information briefings on new legislation. • Efficient systems and technology used for effective support. • Implementing appropriate human resource policies (including Thinkwell) and ensuring that they are working effectively. • HR policies and procedures developed incorporating relevant guidance on equalities and diversity requirements, safer recruitment, pre-employment checks. • Development of an Apprenticeship Programme offering training, skills and experience in Local Government. • Health and Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored. • Improving Workforce Wellbeing programme being rolled out across the Council	ensure that they are fit for purpose in light of revised organisational requirements. **Responsible Officer:** Director of Corporate Services **Implementation Date:** December 2019. To complete the review of the MPC which is a year 1 priority in the People Strategy **Responsible Officer:** Head of HR/OD **Implementation Date:** 31 March 2020 To review the current HR policies in operation to ensure that they reflect the needs of the business. **Responsible Officer:** Head of HR/OD **Implementation Date** First tranche to be completed by 31 March 2020.
F - Managing risks and performance through robust internal controls and strong public financial management		
Local government needs to ensure that the organisations	**Managing risk** • Risk management strategy/ policy formally approved and adopted by the Audit & Standards Committee. These documents are reviewed	

and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment	and updated on a regular basis by the Corporate Governance Working Group chaired by the Director of Strategy, Governance and Change. • The strategic risk register is periodically updated, reviewed by the Corporate Governance Working Group prior to being scrutinised by the Audit & Standards Committee. • The County Council has entered into a partnership arrangement with Staffordshire Civil Contingencies Services Unit who provide a comprehensive civil contingencies service including regular updates, briefings and training exercises with Key Partners. • Business Continuity Plans have been prepared.	To refresh the risk management policy and strategy. **Responsible Officer:** Head of Audit & Financial Services **Implementation Date**: July 2019.
	Managing performance • Key indicators have been identified which support the Council's Strategic and Delivery Plan, Directorate and Team Plans. The strategic leadership team oversee the monitoring and delivery of performance measures in support of the priority outcomes. An integrated performance management approach to SLT and lead cabinet members • Publication of agenda, associated papers and minutes of public meetings on the County Council website. The Forward Plan will contain all matters which the Leader of the Council has reason to believe will be the subject of a Key Decision to be taken by the Cabinet during the forthcoming four month period. It may also include decisions that are not key decisions but are intended to be determined by the Cabinet • The Constitution, through its Overview and Scrutiny rules has opportunities for the Council's four Select Committees to challenge and debate policy and objectives before, during and after decisions are made. The work programme for each committee reflects the delivery of the County Council's and partners main outcome priorities, areas where their involvement could help improve performance and/or priorities and concerns raised by the public	

from those in authority.	• Agenda, minutes of Select Committees and any associated reports with recommendations to the Executive are available via the County Council's website. • Overview and Scrutiny training for members is provided initially at induction, also on an annual basis or on specific subjects within Select Committee meetings. • The County Council has both Procurement and Financial Regulations which set out the council's arrangements and ensure that processes continue to operate effectively and efficiently.	
	Robust internal control • Risk management arrangements/ policy have been formally approved and adopted and are reviewed and updated on a regular basis. • An annual report is produced by Internal Audit which provides an opinion on the council's control environment, and a self-assessment of its arrangements against the public sector internal audit standards and CIPFA's guide to the role of the Head of Internal Audit. The Council's Internal Audit service was externally reviewed in January 2018 to ensure adherence to the public sector internal audit standards by CIPFA and was awarded the highest level of compliance i.e. Full Compliance. • Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014). • Anti-Fraud and Corruption Strategy which is subject to regular review and is approved by the Corporate Governance Working Group. The annual outturn report summaries anti-fraud activity in the year. • Annual governance statement prepared with senior management support and consideration by Audit and Standards Committee. • An effective internal audit service is resourced and maintained. Internal Audit prepares and delivers a risk based audit plan in line with international auditing standards which is kept under review to reflect changing priorities and emerging risks. • Audit and Standards Committee oversees the management of governance issues, internal controls, risk management and financial reporting. It meets approximately four times per year and is adequately supported in respect of its roles/responsibilities.	

	• There are frameworks in place in relation to child and adult safeguarding. • A self-evaluation assessment based on the CIPFA best practice criteria has been performed by the Audit & Standards Committee and will be refreshed annually.	
	Managing data • The following arrangements are in place **:-** i. Designated data protection officer ii. Data protection policies and procedures iii. Acceptable Use Policy iv. Information Sharing Protocol v. Protective Marking Scheme vi. Mandatory training via Go on Privacy/GDPR/Cyber Security vii. Designate Senior Information Risk Owners (SIRO's) who undergo regular refresher training. • The Council's Information Governance Framework provides guidance on the arrangements that must be in place to ensure personal data is kept protected and secure. Using Privacy by Design as per GDPR requirements. • Effective information sharing is undertaken in accordance with the Data Protection Act and the Staffordshire Information Sharing Protocol • Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the Council's overall Privacy Notices published on our website and individual Privacy Statements on forms, in booklets etc. • Information Sharing Agreements, are reviewed on a regular basis, are in place to document the sharing of information using national agreements or the template in the Staffordshire Information Sharing Protocol.	
	Strong public financial management • Financial management supports the delivery of services and transformational change as well as securing good stewardship through modern and up to date HR & Financial management systems.	

	• The Medium Term Financial Strategy is in place which covers a rolling 5 year period. • Financial procedures are documented in the Financial Regulations. • Procurement procedures are documented in the Procurement Regulations. • Delegations from Council are outlined in the Schemes of Delegations. • Regular budget monitoring reports are produced and provided to Accountable Budget Holders who are supported by Finance Business Partners in the management of their delegated budgets. • The financial position is reported quarterly to Cabinet and Corporate Review Select Committee.	
G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability	**Implementing good practice in transparency** • Agendas, reports and minutes are published on the council's website. • Compliance with the Local Government Transparency Code 2015. Required data is published on the County Councils web site.	
	Implementing good practices in reporting • The Annual Governance Statement sets out the council's governance framework and the results of the effectiveness of the council's arrangements. The AGS includes areas for improvement. • Annual Financial Statements are compiled, published to timetable and included on the council's website. This includes the External Auditors audit opinion on the Council's financial statements and arrangements for securing Value for Money. • The Annual Governance Statement is separately published on the Councils website once it has been approved by the Audit & Standards Committee.	
	Assurance and effective accountability • Recommendations in the Annual Governance Statement inform positive improvement within the Council's governance arrangements. • Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010)	

	• Compliance with Public Sector Internal Audit Standards • An effective internal audit service is resourced and maintained. The Service has direct access to members and provides assurance on governance arrangements via an annual report containing an opinion on the council’s internal control arrangements.	

Local Members Interest
N/A

Audit and Standards Committee – 12th June 2019

Internal Audit Charter 2019

Recommendation

a. To approve the revisions to the Internal Audit Charter originally approved by the Audit and Standards Committee in June 2014.

Report of the County Treasurer

Background

1. The Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) Standard 1000 require that the purpose, authority and responsibility of the internal audit activity must be defined formally in an Audit Charter. The Internal Audit Charter is a formal document setting out:

   a. internal audit's position within the organisation
   b. its reporting lines
   c. access to personnel, information and records
   d. the scope of internal audit activities
   e. what the term Board means (e.g. the Audit and Standards Committee).

2. The need for an Audit Charter was a new requirement of PSIAS and the Audit & Standards Committee approved the detailed document at its meeting in June 2014. Since this date there have been some revisions which require approval. The key changes made in 2019 are highlighted in yellow within the attached document **(Appendix 1)** and relate to the following areas:

   a. Amendments following the merging of the Finance and Resources Directorate and the Strategy, Governance and Change Directorate into the newly formed Corporate Services Directorate;
   b. The development of the Continuous Controls Monitoring Programme within the counter fraud plan;
   c. Reference to the Internal Audit Digital Utilisation Strategy and use of data analytics and techniques within our audit work;
   d. Reference to the Head of Internal Audit's contribution to the review of the Audit & Standards Committee's effectiveness advising the Chair of any suggested improvement;
   e. Expansion of the responsibilities of the Audit & Standards Committee following revisions made to its terms of reference in December 2018 including the publication of an annual report of its work; and
   f. Use of and the processing of data including signposting to the Council's overarching privacy notice as well as the privacy notice relating to fraud referrals.

3. The Audit Charter 2019 continues to cover all requirements of the latest Public Sector Internal Audit Standards (last issued 2017); the latest Local Government Application Note (last issued March 2019) and the latest CIPFA statement regarding the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition).

Equalities Implications

4. There are no direct implications arising from this report.

Legal Implications

5. Whilst there are no direct legal implications arising from this report, the Accounts and Audit (England) Regulations 2015 require specifically that a relevant body must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Resource and Value for Money Implications

6. The net budget of the Internal Audit Section in 2019/20 is £758,430 of which £65,900 relates to payments to external providers.

Risk Implications

8. Internal Audit examines objectively, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources

Climate Change Implications

9. There are no direct implications arising from this report

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List of Appendices

Appendix A – Internal Audit Charter 2019

List of Reference Material

1. Public Sector Internal Audit Standards – revised with effect from 1st April 2017.
2. Local Government Application Note – with effect from 1st March 2019
3. Accounts and Audit (England) Regulations 2015.
4. CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition).

Staffordshire
County Council

Appendix 1

Internal Audit Charter
2019

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The Charter is a mandatory requirement of the UK Public Sector Internal Audit Standards (2017) and CIPFA's Local Government Application Note (2019). Also, this document considers the requirements of the CIPFA statement regarding the Role of the Head of Internal Audit in Public Sector Organisations (2019 Edition).

1. Introduction

This charter defines for the internal audit activity of Staffordshire County Council (the Council), its purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS). It also aims to confirm relationships with key stakeholders. It is subject to annual approval by the Board[1].

Internal Audit has limited resources and therefore its workforce is deployed in accordance with the annual Audit Strategy having regard to relative risks and levels of assurance required, translated into an agreed annual Audit Plan and delivered through individual audit assignments. This is agreed by the Board each year.

The Audit Charter should be read in conjunction with the relevant sections of Financial Regulations of the Council, which currently are under review (Appendix 1).

2. Mission and Core Principles of Internal Audit

The mission of Internal Audit articulates what it aspires to accomplish within an organisation. The mission statement below is that included within the updated PSIAS issued in April 2017.

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

In addition, a set of core principles, detailed below, have also been developed which taken as a whole, articulate internal audit effectiveness. For an Internal Audit function to be considered effective, all principles should be present and operating effectively.

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive and future-focused.
- Promotes organisational improvement.

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[1] The Audit & Standards Committee is referenced in the PSIAS as the Board.

3. Purpose, Authority and Responsibility

Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes *(UK Public Sector Internal Audit Standards and CIPFA Local Government Application Note).*

Authority

The authority for the Internal Audit function is derived from legislation and the Council. The requirement for an Internal Audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs". The Accounts and Audit (England) Regulations 2015, specifically require that a relevant body 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Proper internal audit practices for Local Government are defined as constituting adherence to the requirements of both the UK Public Sector Internal Audit Standards and CIPFA's Local Government Application Note. These requirements are mandatory; instances of non-conformance must be reported to the Board as part of the Chief Internal Auditor's (CIA's) annual outturn report. The County Treasurer has been delegated with this requirement by the Council.

Responsibility

The CIA is required to provide an annual opinion to the Council and to the County Treasurer through the Audit & Standards Committee, on the adequacy and effectiveness of the risk management, governance and control environment for the whole organisation and the extent it can be relied upon, in line with the Accounts and Audit (England) Regulations 2015. To achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.

- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.

- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.

- To provide advice and support to management to enable an effective control environment to be maintained.

- To promote an anti fraud, anti bribery and anti corruption culture within the Council to aid the prevention and detection of fraud.

- To investigate, in conjunction with the appropriate agencies when relevant, allegations of fraud, bribery and corruption.

- To evaluate whether the information technology governance of the Council supports its strategies and objectives.

4. Scope

The Council's Internal Audit function is provided by an in-house team supported by additional resources procured via an external support framework contract. The scope of the function includes the review of all activities (financial and operational) of the Council. In addition to its Council internal audit work programme, the Internal Audit Section currently:

- Undertakes internal audit services for outside bodies where statutory powers permit.
- Conducts Comfort Fund (Social Services) audits
- May provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract documentation.
- Furthermore, the CIA has overall responsibility for the management of the Corporate Risk Register and assists in the preparation of the annual Governance Statement and Code of Corporate Governance.

In accordance with the PSIAS, most individual audits are undertaken using the risk-based systems audit approach, the key elements of which are listed below:

- Identify and record the objectives, risks and controls;
- Establish the extent to which the objectives of the system are consistent with corporate priorities;
- Evaluate the controls in principle to decide whether they are appropriate and can be reasonably relied upon;

- Identify any instance of over/under control;
- Determine an appropriate strategy to test the effectiveness of controls;
- Arrive at a conclusion and produce a report leading to management actions and provide an opinion on the effectiveness of the control environment.

Where possible Internal Audit will seek to identify and place reliance on assurance work completed elsewhere within the Council's areas of responsibility as part of the planning process. In addition, Internal Audit will as part of the audit plan contribute to the development of an assurance framework for the Council.

Internal Audit may undertake consulting activities. The Institute of Internal Auditors (IIA) defines consulting as 'Advisory' and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming responsibility'. See section 5 regarding Audit Independence.

Internal Audit does not undertake value for money studies routinely unless specifically requested.

The CIA cannot be expected to give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control and managing the risk of fraud, corruption and potential for bribery within their area of responsibility. They should ensure that appropriate and adequate control and risk management processes, accounting records, financial processes and governance arrangements exist without depending on internal audit activity to identify weaknesses.

Fraud and Corruption Related Work

The role of Senior Leadership Team Members (SLT) in relation to the reporting of all instances of potential and actual irregularity affecting the finances of the Council is documented in the Council's Financial Regulations (D.4).

The internal audit role and the counter fraud roles that internal auditors will be involved in, relating to fraud and corruption work are broken down into three divisions:

- Core internal audit roles that all internal auditors should include in their risk-based approach;
- Counter fraud roles that internal audit can undertake without compromising audit independence;
- Counter fraud roles where internal audit may provide consultancy or advisory services, with safeguards.

Core Internal Audit role - The primary role of Internal Audit is to provide assurance on counter fraud arrangements and fraud risks in accordance with the standards. The Internal Audit Section as part of its activity will evaluate the potential for the occurrence of fraud and how the Council manages its fraud risk (standard 2120.A2). To enable this, the CIA will ensure that individual internal auditors have sufficient knowledge of fraud risks and fraud risk management practice (standard 1210.A2).

Supporting counter fraud roles – The Internal Audit Section may also take on additional roles or undertake work as part of an advisory or consultancy role to support or promote the development of effective counter fraud practice in the Council. In these instances, the CIA will ensure that internal auditors have adequate proficiency to undertake the activity (standard 1210.A2). Any impairment to independence or objectivity will also be identified and managed prior to the work commencing (standard 1000).

The Internal Audit Section will carry out a thorough investigation of all potential and actual irregularities in accordance with the Section's Fraud Manual. For employee related frauds, the investigation is dealt with under the Council's Staff Disciplinary Procedure and upon conclusion; the matter may be referred to the Police. It should be noted that if the offence committed is serious and/or high value, the matter may be referred to the Police prior to the disciplinary proceedings being concluded. In these instances, the Police will be made aware of the Council's on-going investigations. It is not the normal practice of Internal Audit to issue formal cautions to suspects under the Police and Criminal Evidence Act (P.A.C.E.) 1984.

It is the responsibility of the Monitoring Officer (Director of Corporate Services) to decide, based on the advice from the County Treasurer and the appropriate Senior Leadership Team Member, whether there are sufficient grounds for the matter to be reported to the Police. This is in accordance with the Council’s Integrity Policy.

A Fraud and Corruption Strategy is produced and reviewed on an annual basis. In addition to the investigation of potential irregularities, work is undertaken to promote an anti fraud culture.

In particular:

a) Creation of an Anti-Fraud Culture:

- Raising awareness of the e learning package.
- Adherence to the recommendations contained in the Fighting Fraud Locally Strategy and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- Circulation of the Fraud-Watch Publication.
- Promotion of a Poster Campaign to raise awareness.

b) Deterrence

- Publicise both local and national cases of proven fraud within the Council.

c) Prevention

- A programme of continuous controls monitoring (CCM) is carried out throughout the year to identify ‘red flags’ for further investigation using our data analysis and file interrogation solution, IDEA. Areas susceptible to fraud are monitored on an on-going basis. Areas where CCM is utilised include creditor payments, purchasing card transactions, mileage and expenses claims and casual hours claims and overtime.

d) Detection

- Participation in the Cabinet Office’s national fraud initiative data matching exercise.

e) Investigation

- Hotline monitoring and intelligence gathering.
- Investigations of all areas of concern identified through routine audit, reported to management or via whistleblowing communication channels.

5. Stakeholder Roles and Audit Independence

The Audit & Standards Committee will fulfil the role of the Board for the Council. For this purpose, the Board is defined in the PSIAS/LGAN as ‘the highest level of governing body charged with the responsibility to direct and/or oversee the activities and hold senior management of the organisation accountable. Typically, this includes independent Directors. Board may refer to an audit committee to which the governing body has delegated certain functions.’

The CIA reports to the Head of Internal Audit and Financial Services. Section 151 matters are reported in all instances to the County Treasurer who reports to SLT for all Section 151 matters. Financial Regulation D.6 details alternative reporting lines if so required.

The extent of non-Council related audit work undertaken by the Section shall be limited to that defined within the Audit Strategy unless approved otherwise by the County Treasurer.

Internal Audit is not responsible for the detailed development or implementation of new systems but will be consulted during the system development process on the control measures to be incorporated in new or amended systems. To maintain independence, the Auditor who was involved in the ‘consultancy style exercise’ will not take any further part in the audit process. Any significant ‘consultancy’ activity not already included in the annual Audit Plan which may impact on the ability to provide the required assurance opinion will be reported to the Audit & Standards Committee for approval. The nature and scope of this type of work includes facilitation, process and/or control design, training, advisory services and risk assessment support.

As a Condition of Service, all employees are expected to maintain conduct of the highest standard such that public confidence in their integrity is maintained. This includes declarations of interest, as appropriate *(organisational level)*. Furthermore, all directly employed staff are required to make an annual declaration to ensure that Auditors objectivity is not impaired and that any potential conflicts of interest are appropriately managed in line with the requirements of the Code of Ethics within the PSIAS and the Nolan Committee's Standards on the Seven Principles of Public Life *(individual auditor level)*. In addition, all staff complete an audit declaration as part of each review which requires any conflicts of interest or impairments to be disclosed *(individual engagement level)*.

All Internal Audit Contractor staff are also required to declare any potential conflicts of interest at the start of any assignment to the CIA.

6. Audit Reporting

Assurance is provided on the organisation's risk management, governance and internal control processes to confirm that they are operating effectively. Audit assurance opinions are awarded on the completion of audit reviews reflecting the efficiency and effectiveness of the controls in place. Audit opinions are ranked either as; Substantial Assurance, Adequate Assurance or Limited Assurance. Recommendations made will be ranked as; High, Medium or Low depending upon the relative importance of the audit finding. The methodology used is attached at Appendix 2.

Work undertaken by Internal Audit will normally be concluded by the production of a formal written report to the respective individuals detailed below, dependent on the nature of the review and the opinion category.

Distribution	High Risk Reviews (Substantial Assurance / Adequate Assurance)	High Risk Reviews (Limited Assurance)	Other Reviews (Limited Assurance)	Major Irregularity / Special Investigation – (loss > £10,000)	Other Reviews (Substantial Assurance / Adequate Assurance)
Operational Manager	✓	✓	✓	✓	✓
Section 151 Officer (County Treasurer)	✓	✓	✓	✓	
Relevant Director	✓	✓	✓	✓	
Monitoring Officer (Director of Corporate Services)				✓	
Local Member (where applicable)				✓	
Relevant Cabinet Member	✓	✓	✓	✓	
Cabinet Member for Finance & Corporate Matters		✓	✓	✓	
Audit & Standards Committee Members	✓	✓	✓	✓	

7. Role of the Head of Internal Audit (CIA)

The CIA must be a suitably professionally qualified individual who has the appropriate skills, knowledge, experience and resources to effectively perform in the role. They should also ensure that they take part in continuing professional development activities to remain up to date with developments within Internal Audit.

The CIA must establish an environment of trust, confidence and integrity in the work of the Internal Audit Section within the Council.

The CIA will have direct access to the County Treasurer, Monitoring Officer (Director of Corporate Services), Head of Paid Service, Audit & Standards Committee Chairman and Members as required.

The CIA will brief the Audit & Standards Committee Chairman regarding the content of Audit & Standards Committee agenda papers, including agreeing future agenda items and potential areas for training.

The CIA will contribute to the review of the Audit & Standards Committee effectiveness, advising the Chair of any suggested improvement.

The CIA is responsible for the overall development of the Audit Strategy and annual Internal Audit Plan, which demonstrates value for money to the organisation.

The UK Public Sector Internal Audit Standards require the CIA to report at the top of the organisation and this will be achieved by:

- The Internal Audit Strategy and Charter (incorporating detailed terms of reference); including any amendments to them are reported to the Audit & Standards Committee annually for formal approval.
- The annual Internal Audit Plan is produced by the CIA taking account of the Council's risk framework and after input from Members of SLT and the Council's External Auditor. It is then presented to SLT and subsequently Audit & Standards Committee for endorsement prior to approval by the County Treasurer
- The adequacy, or otherwise of the level of internal audit resources (as determined by the CIA) and the independence of internal audit is reported annually to the Audit & Standards Committee. The approach to determining resources required is outlined in the Internal Audit Strategy.
- Performance against the Internal Audit Plan and any significant risk/control issues arising are reported to the Audit & Standards Committee.
- Annually to report the results of the quality assurance exercise to the Audit & Standards Committee.
- The CIA ensures that the requirements of the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note are met in full and adherence, together with any areas of non-conformance to these requirements reported as part of the annual review of the effectiveness of internal audit report to the Audit & Standards Committee. This will incorporate where the CIA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be put in place to limit impairments to independence or objectivity.

The CIA should be consulted on all proposed major projects, programmes and policy initiatives. This is achieved through the linkage with the Transformation Support Unit (TSU) and forms a key part of the annual Audit Plan. Business as Usual change projects are evaluated as part of the annual risk assessment planning process to determine the annual Internal Audit Plan.

The CIA should be consulted on proposed changes to the following key policy documents:

a. Financial Regulations
b. Procurement Regulations
c. Integrity Policy
d. Whistleblowing policy
e. Officers' Code of Conduct
f. Risk Management Policy

Where partnership/ joint venture/ outsourced and shared service arrangements exist that require joint working with other organisations and their respective auditors, the CIA will produce a protocol outlining the respective roles and responsibilities of each partner, access to working papers, confidentiality and sharing of audit reports including reporting to Audit & Standards Committee (where appropriate).

In instances, where services are provided by third parties, the CIA must ensure that suitable clauses are included within Contract documentation to ensure that internal audit retains the right of access to documents/ personnel and systems as and when required.

8. Role of the County Treasurer (Section 151 Officer)

The County Treasurer has overall delegated responsibility from the Council for the Internal Audit function. Following consultation with the Senior Leadership Team and the Audit & Standards Committee he will approve the annual Audit Plan.

The County Treasurer will ensure that he is periodically briefed by the CIA on the following:

- Overall progress against the annual Audit Plan;
- Those audit areas where a “Limited Assurance” opinion has been given;
- Progress on the implementation of all “high” level audit recommendations; and
- Progress on all fraud and irregularity investigations carried out by the Internal Audit Section.

Following on from the above, the County Treasurer will ensure that update reports are reported regularly to the Audit & Standards Committee, to include an annual outturn report.

9. Role of Senior Leadership Team Members

For the purposes of the UK Public Sector Internal Audit Standards, the Council’s Senior Leadership Team performs the role of the ‘senior management’.

Relevant extracts of those reports referred to above will receive prior consideration by the relevant SLT Member. This includes any fraud and corruption related exercises.

To assist the discharge of those responsibilities defined at Appendix 1, SLT Members shall appoint a senior officer to act as the first point of contact between Internal Audit and their area of responsibility.

The CIA will present the annual Internal Audit Plan and Audit Strategy to SLT members for their consideration and approval. The annual outturn report, together with the overall opinion of the Organisation’s control environment will also be circulated to SLT where appropriate.

SLT Members are also responsible for ensuring that staff within their areas participate fully in the audit planning process and actively enforce the implementation of agreed audit recommendations by the required date. The quality of these relationships impacts on the effective delivery of the internal audit service, its reputation and independence. Co-operative relationships with management can enhance Internal Audit's ability to achieve its objectives.

10. Responsibilities of the Audit & Standards Committee

The Audit & Standards Committee is a key component of the Council's governance framework. Their role is to operate as 'those charged with governance' and provide 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. For the purposes of the UK Public Sector Internal Audit Standards, the Audit & Standards Committee performs the role of the 'Board'.

Following consideration, Members of the Audit & Standards Committee have determined that they wish to receive the following documents:

- The annual Audit Strategy & Plan;
- The Internal Audit Charter;
- The annual assessment of Internal Audit to ensure that it meets the requirements set out in the Accounts and Audit Regulations 2015 and UK Public Sector Internal Audit Standards;
- The results of the external assessment of Internal Audit which must be performed every 5 years wef April 2013 (which was completed January 2018);
- Regular updates on progress against High Level Recommendations;
- Periodic progress reports and the annual outturn report including results of anti-fraud and corruption work / special investigations;
- Copies of Fraud-Watch Publication (as appropriate);
- A copy of the audit report for those reviews given an opinion of "Limited Assurance";
- A copy of the audit report for all major special investigations (i.e. those areas where the potential loss is greater than £10,000);
- A copy of the audit report/ briefing note for those reviews awarded the greatest risk score irrespective of opinion (The top 10 risk areas within the Audit Plan).
- The Annual Governance Statement (AGS) prior to approval to consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- A copy of the audit report for those reviews relating to the governance and

assurance arrangements for significant partnerships and/or collaborations.

- A copy of the Council's Assurance Framework relating to key risk areas.

Note

Notwithstanding the above, all audit reports will be made available to members of the Audit & Standards Committee (either individually or collectively) upon request.

Members of the Audit & Standards Committee will agree key performance targets for the Internal Audit Section and ensure that they are reported upon as part of the annual outturn report and the review of the effectiveness of internal audit. Currently these are:

- Draft reports have been issued for at least 90% of the annual Audit Plan.
- Average score for quality questionnaires from auditees is equal to or exceeds the 'good' standard.

The Audit & Standards Committee will publish an annual report on its work including performance in relation to the terms of reference and effectiveness in meeting its purpose.

11. Relationship with External Audit

Internal Audit will liaise with the external auditors of the Council to:

- Foster a co-operative and professional working relationship;
- Eliminate the incidence of duplication of effort;
- Ensure appropriate sharing of information; and
- Co-ordinate the overall audit effort.

Following on from the above, an Internal / External Audit understanding has been developed and will be subject to review on an annual basis.

12. Due Professional Care

Since April 2013, the Internal Audit Section (including its external providers) has operated in accordance with the professional standards and practice statements included within the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. Instances of non-conformance with the standards must be reported to the Audit & Standards Committee.

To demonstrate that due care has been exercised, the internal auditor is expected to:

- Exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
- Apply confidentiality as required by law and best practice;
- Obtain and record sufficient audit evidence to support their findings and

recommendations;
- Show that audit work has been performed competently and in a way that is consistent with applicable audit standards; and
- Consider the use of technology-based audit and other data analysis techniques.

13. Quality Assurance

The CIA maintains a Quality Assurance and Improvement Programme to review all aspects of activity of the Internal Audit Section (including its external providers) to provide reasonable assurance that its work conforms with the relevant standards and to the requirements of this document. An external assessment will be undertaken at least once every five years by a suitably qualified, independent assessor as required by the Public Sector Internal Audit Standards. The timing, form of the assessment, qualifications of any external assessor, results and any resultant improvement plans will be agreed with and reported to the Audit & Standards Committee in the annual report. Significant deviations will be considered for inclusion in the Annual Governance Statement.

14. Audit Processes

An Audit Manual is maintained detailing the procedures to be followed at each stage of the audit process including an instruction document for the operation of the electronic working paper solution. The content of the Manual will be reviewed regularly and will include details of the arrangements to be followed in the event of suspected irregularities. The CIA shall periodically ensure adherence to its content. SLT Members will be consulted on any significant changes to the Manual.

A Data Utilisation Strategy is in place which outlines a vison of how the Internal Audit Service will use available data sources and analytics to enhance efficiency, reduce key risks and facilitate the Council in effectively making best use of data sources available.

15. Use of and the Processing of Data

Internal Audit is entitled to conduct its duties in line with its Charter and will review, appraise and report on the governance risk management, internal control and counter fraud environment. The provision of internal audit services may involve the processing of personal data. In respect of this, new data protection legislation came into force from the 25th May 2018, which aims to protect the privacy of all EU citizens and prevent data breaches.

The Internal Audit Service is aware of the requirements of the Data Protection Act 2018 and ensures that it complies with the requirements contained within the Act.

The Internal Audit Service may be asked to provide access to personal information by relevant authorities with regulatory powers such as the police, government departments and other local authorities for the purposes of the prevention and/or detection of crime without the permission of the data subject. The Council will consider such requests on a case by case basis.

Our core data protection obligations and commitments are set out in the Council's primary privacy notice.
https://www.staffordshire.gov.uk/yourcouncil/requestandaccessinformation/What-we-do-with-you-personal-information/Privacy-Notice.aspxe

Also, Internal Audit may collect data from the public directly via a fraud referral e-form. The information provided on this form is subject to the provisions of the Data Protection Act 2018. It may be used for purposes relating to the investigation of crime or misuse of resources, including liaison with the police, and for the purpose of performing other statutory enforcement duties. Also, the Council may share information provided to it with other bodies for the purpose of prevention, or detection of crime. The privacy notice covering the collection of personal data via the fraud referral e-form can be found using the attached link.
https://www.staffordshire.gov.uk/yourcouncil/Report-fraud-bribery-and-theft/Report-a-concern-of-fraud-bribery-or-theft.aspx

APPENDIX 1

UNDER REVIEWFINANCIAL REGULATION D – AUDIT, CONTROL AND IRREGULARITIES

D1 The County Treasurer[2] is responsible for carrying out a continuous internal audit in line with the Accounts and Audit (England) Regulations 2015.

D2 SLT members must co-operate with, and provide all necessary information for, the Internal Audit Section and our external auditor in a timely manner.

D3 SLT members are responsible for setting up effective and efficient arrangements for internal control. They will ask the County Treasurer for advice on any significant matter if the principles of internal control prove difficult to put into practice or maintain.

D4 SLT members must let the County Treasurer know immediately about all instances of potential and actual irregularity which affect our finances.

D5 The County Treasurer, or his authorised representative, must be given reasonable access to our property and to see any documents, records and computer files they may need for the audit. He can also ask staff and members for information and explanations if he thinks this is necessary for that audit and that they are promptly provided.

D6 Depending on any related legal requirements, the Chief Internal Auditor will have the right to report directly to the Chief Executive, to any member of Cabinet and the Audit and Standards Committee. Where appropriate responses to audit recommendations have not been made within a reasonable period the County Treasurer may refer the matter to the Audit and Standards Committee for further action.

Response to audit reports

D7 SLT members must consider and respond promptly to recommendations in audit reports and make sure that any agreed actions arising from audit recommendations are carried out as soon as possible.

Internal control and checks

D8 The duty of providing information, working out, checking and recording the amounts due to or from us must be separated, as far as possible, from the duty of collecting or paying these amounts.

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[2] Following the merger of the Finance & Resources Directorate and the Strategy, Governance & Change Directorate to create the newly formed Corporate Services Directorate there is a need to review the Council's Financial Regulations and to re-assign the Section 151 Officer responsibilities to the County Treasurer role.

D9 Wherever possible, we need to make arrangements to make sure that:

a) work, goods and services are ordered properly;
b) we acknowledge when they have been received; and
c) invoices and accounts are not examined by the same person.

Staffordshire
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Appendix 2

Audit Opinions

Recommendation Risk Ratings

At the conclusion of each audit, control weaknesses are rated based on their potential impact against the organisation, and likelihood of any associated risks occurring.
The scoring matrices below are used by Auditors as a guide to assessment of each control weakness, and therefore generating the priority rating of the resultant recommendation.

Priority ratings may subsequently be adjusted; for example, in a minor system with a total budget of £100,000, financial loss of £5,000 would be considered more a more significant risk to system objectives than the matrix below would initially suggest.

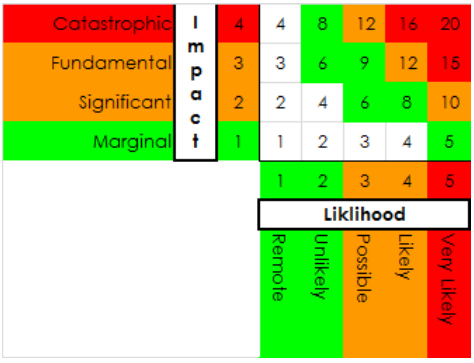
Impact Ratings

Risk Type	Marginal	Significant	Fundamental	Catastrophic
	1	2	3	4
Financial	Lack of VFM or overspend resulting in a financial loss below £10,000	Lack of VFM or overspend resulting in a financial loss between £10,000 and £100,000	Lack of VFM or overspend resulting in a financial loss between £100,000 and £0.5m	Lack of VFM or overspend resulting in a financial loss in excess of £0.5m
Reputation	Adverse publicity unlikely (e.g. Just can't demonstrate that probity has been observed.)	Needs careful public relations (e.g. Minor theft of property or income.)	Adverse local publicity (e.g. Minor fraud case.)	Adverse national publicity (e.g. Major fraud or corruption case.)
Legal/Regulatory	Breaches of local procedures / standards	Breaches of regulations / standards	Breaches of law punishable by fines only	Breaches of law punishable by imprisonment
Legal/Regulatory	Not an issue that would interest the External Auditors	An issue that may require further checks to satisfy the External Auditor that control is sufficient.	Would warrant mention in the Annual Audit Letter or Annual Governance Statement (AGS).	Could lead to qualification of Council's Statement of Accounts
Legal/Regulatory	Unlikely to cause complaint / litigation	High potential for complaint, litigation possible	Litigation to be expected	Litigation almost certain and difficult to defend
Performance	Doesn't materially affect a departmental performance indicator or service objective.	Has a material adverse affect on a departmental/corporate performance indicator or service objective.	Could adversely affect a number of departmental/corporate performance indicators or could seriously damage Departmental objectives / priorities.	Could call into question the Council's overall performance framework or seriously damage a Council objective / priority.
Service Delivery	Doesn't affect any identified objectives	Adversely affects a service objective	Seriously damage Departmental objective / priority	Seriously damage any Council objectives / priorities
Service Delivery	No significant disruption to service capability	Short term disruption to service capability	Short term loss of service capability	Medium term loss of service capability
Service Delivery	No more than 3 people involved	No more than 10 people involved	Up to 50 people involved	More than 50 people involved
Health & Safety	No injuries beyond "first aid" level	Medical treatment required - long term injury	Extensive, permanent injuries; long term sick	Death

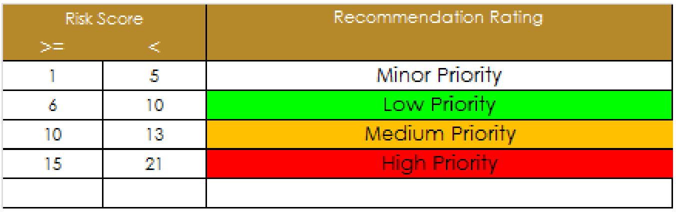
Likelihood ratings:

Risk Score	Description	Example Detail Description
5	Very Likely	Likely to occur within a year / Over 80% Probability of Likelihood
4	Likely	Likely to occur within 1 to 3 Years / 60%- 80% Probability of Likelihood
3	Possible	Likely to occur within 3 to 5 Years / 40%-60% Probability of Likelihood
2	Unlikely	Likely to occur within 5 to 10 Years / 20%-40% Probability of Likelihood
1	Remote	Likely to occur greater than 10 Years / Less than 20% Probability of Likelihood

Priority Ratings Matrix



Catastrophic	4	4	8	12	16	20
Fundamental	3	3	6	9	12	15
Significant	2	2	4	6	8	10
Marginal	1	1	2	3	4	5
Impact		1	2	3	4	5
		Liklihood				
		Remote	Unlikely	Possible	Likely	Very Likely



Risk Score		Recommendation Rating
>=	<	
1	5	Minor Priority
6	10	Low Priority
10	13	Medium Priority
15	21	High Priority

Internal Audit Assurance Ratings

Each Internal Audit report completed provides a level of assurance of; Limited, Satisfactory or Substantial Assurance. The following table is a guide to how assurance levels are determined. Dependent on the nature of the recommendations raised, the auditor may increase or decrease the level of assurance provided. For example a single very significant control weakness may give rise to only one recommendation, but severely compromise the effectiveness of a system and therefore result in a limited assurance report, or on occasion an audit may give rise to recommendation numbers close to the thresholds shown below for two or more categories of recommendation.

Assurance Level	Typical Findings
Limited	Either: 2+ high priority recommendations, 8+ medium priority recommendations, or 13+ low priority recommendations
Adequate	Either: 1 high priority recommendation, 3-7 medium priority recommendations, or 7-12 low priority recommendations
Substantial	0 high priority recommendations, 0-2 medium priority recommendations, and 0-6 low priority recommendations

Local Members Interest
N/A

Audit and Standards Committee – 12 June 2019

Proposed Internal Audit Strategy & Plan 2019/20

Recommendations

a. To review the proposed content and coverage of the Internal Audit Strategy & Plan 2019/20.

b. To recommend approval of the Internal Audit Plan for 2019/20 to the County Treasurer.

Report of the County Treasurer

1. The Accounts and Audit (England) Regulations 2015 require specifically that relevant authorities must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. An effective internal audit is demonstrated through the establishment of a risk- based Internal Audit Plan to determine the priorities of the internal audit activity which are consistent with the Council's main priority outcomes. In developing the risk-based Internal Audit Plan, the Internal Audit Service consults with members of the senior leadership team, wider leadership team and operational managers (as appropriate) during the period January to March 2019 and is being presented to Members for final endorsement. The proposed Internal Audit Plan is attached at **Appendix 1** and will be supported by a PowerPoint presentation.

2. The Internal Audit Plan has been prepared in line with the Audit Strategy detailed in the report on page 3. All potential reviews have been allocated a risk score, which has been calculated using the risk model and the specific methodology outlined in the report at Appendix A. In general, only the high-level risk areas have been included in the Internal Audit Plan as per the Strategy. As stated at section 3 above, the agreement process for this year's plan included detailed discussions with members of the Senior Leadership Team and their Lead Commissioners to highlight the proposed Internal Audit work for the year ahead to ensure that it has addressed the significant risks facing the Council and assists in the achievement of the main priority outcomes.

3. Certain elements of the plan must be done regardless of risk score, mainly surrounding the work undertaken to support the requirements of grant allocations. Emphasis will continue to be placed on fraud and corruption work, particularly in relation to developing the proactive elements of the plan and our continuous controls monitoring (CCM) programme of work. Compliance work within Schools will continue to focus on the key risk areas of income, procurement and payroll controls.

4. A general level of contingency time has been included, which is the same as in the previous year. It is recognised that the Internal Audit Plan needs to be reviewed continuously and remain sufficiently flexible to ensure that it is focused fully on the Council's principal risks (both current and emerging); hence it may change throughout the year. Any major revisions will be reported to future meetings of the Audit & Standards Committee.

5. In line with the Audit Strategy, the top risk audits/reviews for the County Council have been assessed as being:

   a. SEND Transformation: Governance; Joint Inspection; and High Needs Block;
   b. Adult Social Care Pathway;
   c. Digital Development Programme including Office 365 Project & Care Director Software (Adults & Children's Modules);
   d. Strategic Property Asset Management & Governance;
   e. Children's Commissioning;
   f. Cyber Security;
   g. Adults & Children's Financial Services – Financial Assessments;
   h. Children & Families System Transformation: Place Based Approach;
   i. Ofsted Improvement Plan (Children's Social Care Services);
   j. Sales 2 Cash including Debt Recovery Function & Debt Management;
   k. People Strategy; and
   l. Care Commissioning Programme.

6. CIPFA's Audit Committees – Practical Guidance for Local Authorities 2018 publication includes the following core functions around Internal Audit relevant to the annual plan approval process:

   a. to ensure that the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Internal Audit opinion.
   b. to confirm that the Internal Audit Plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risk and priorities during the year.
   c. to ensure that there are sufficient resources within Internal Audit to deliver the plan.

Equalities Implications

7. There are no direct equalities implications arising from this report.

Legal Implications

8. Whilst there are no direct legal implications arising from this report, the Accounts and Audit (England) Regulations 2015 require specifically that a relevant body must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Resource and Value for Money Implications

9. The net budget of the Internal Audit Section for 2019/20 is £758,430 of which £65,900 relates to payments to external providers.

Risk Implications

10. Internal Audit examines objectively, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Climate Change Implications

11. There are no direct implications arising from this report.

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List of Appendices:

Appendix A – Internal Audit Strategy & Plan 2019/20

List of Reference Material:

1. CIPFA Audit Committee - Practical Guidance for Local Authorities and Police 2018 Edition.
2. Public Sector Internal Audit Standards – revised with effect from 1st April 2017.
3. Local Government Application Note – with effect from 1st March 2019
4. Accounts and Audit (England) Regulations 2015.
5. CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition).

Staffordshire County Council

Internal Audit Strategy & Plan

2019/20

13-02
27-02
13-03
27-03
10-04
24-04
08-05
13-03
27-03

Staffordshire
County Council

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Counter Fraud Arrangements **5**

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Introduction

1. This report summarises the proposed work of Internal Audit for 2019/20. This has been developed in line with the Internal Audit Charter. The aim is to give an overview of areas to be covered during the year and to provide an opportunity to comment on the proposed coverage.

2. The audit plan has been developed to allow sufficient flexibility to respond to change which will happen during the year. Whilst every effort is made to deliver the plan as shown there will always be the need to respond to emerging risks and changing circumstances. The plan is therefore a statement of intent – our liaison meetings with senior management will ensure that it is reviewed regularly.

3. Internal Audit is a statutory service required by the Accounts and Audit Regulations 2015. It is also a key source of independent assurance for management, designed to add value and improve how the Council operates. The results of our work feed into the Council's Annual Governance Statement.

4. The work is performed in conformance with the UK Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN). These require that the scope of Internal Audit covers the whole range of the Council's activities, seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the County Council, which has been established to:
    - Achieve strategic objectives.
    - Ensure effective and efficient operational systems and programmes.
    - Safeguard assets and interests of all kinds.
    - Ensure the reliability and integrity of financial and operational information.
    - Ensure economic, efficient and effective use of resources.
    - Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

5. Our Internal Audit Strategy has been developed to take into account management's assessment of risk and key organisational objectives and priorities. This is obtained from the contents of the Corporate Risk Registers, our key critical services including IT systems, External Audit considerations, other internal assurance providers (i.e. Health & Safety and Information Governance Officers) and conversations with Senior Management to discuss potential changes/ areas of concern, including consideration of fraud risks within their area of control.

6. Also we use our own risk assessment against each activity assessing their materiality, sensitivity, significance and stability – ranking each area as high, medium or low risk. This allows each possible area to be prioritised based on risk, which then determines whether or not it will be included in the audit plan. A copy of the full risk assessment methodology is included in Appendix A.

7. The plan has been constructed to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion.

8. The annual risk-based plan is produced based on the following key principles:

- Assurance reviews with a high risk (i.e. >60%) ranking should be completed subject to variation as agreed with the County Treasurer (& Section 151 Officer).
- Identification of 'Top Risk' Audits/Reviews.
- Key Financial systems – reviewed on a cyclical basis.
- A risk-based Schools' audit strategy is completed each year which inform our Schools' Compliance Programme for the year ahead.
- An initial allocation of 200 days to conduct Special Investigations.
- An initial contingency allocation – variable year on year.
- Time to undertake pro-active counter fraud work.
- Risk based programme of other compliance reviews.

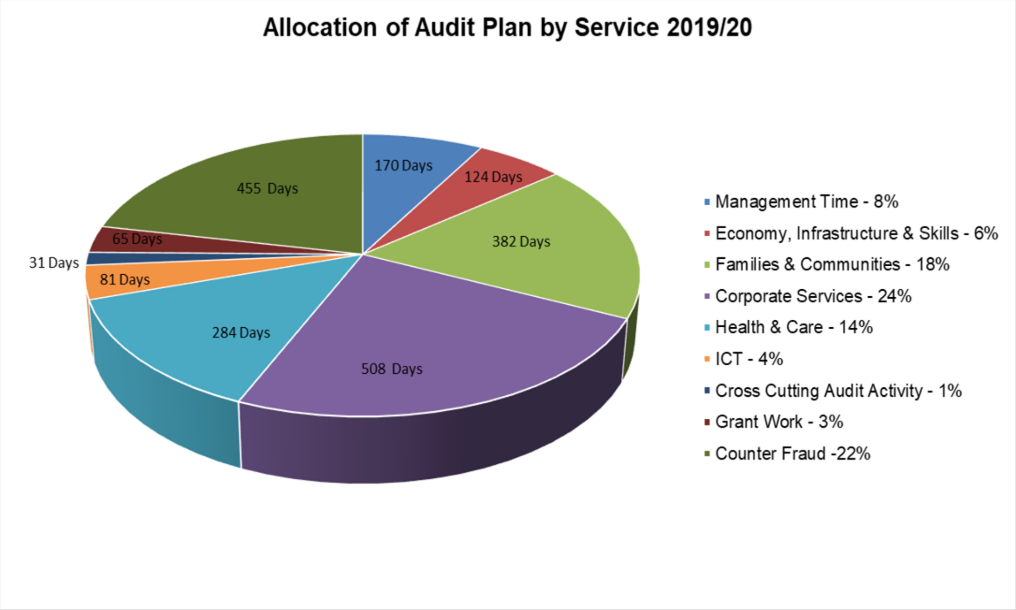
9. We will work to co-ordinate our work on the key risk areas with the Council's External Auditors, Ernst & Young (EY) during 2019/20 through having a joint understanding which agrees where EY may consider the results of our work. This ensures that the Council gets the most out of its combined audit resource – keeping audit fees low.

Draft Internal Audit Plan 2019/20

10. We propose to allocate resources across each Service Area as shown in figure 1 with further details in Appendices B, C and D.

11. Top risks facing Councils continue to include pressures on finances and resources; changes in demand and demography and the impact of welfare reforms.

Figure 1 – Analysis of Audit Plan



12. The top risk audits/reviews for the County Council have been assessed as being the following areas in 2019/20:

1. SEND Transformation: Governance; Joint Inspection; and High Needs Block
2. Adult Social Care Pathway
3. Digital Development Programme Including Office 365 Project & Care Director Software (Adults & Children's Modules)
4. Strategic Property Asset Management & Governance
5. Children's Commissioning
6. Cyber Security
7. ACFS – Financial Assessments
8. Children' & Families System Transformation: Place Based Approach
9. Ofsted Improvement Plan (Children's Social Care Services)
10. Sales 2 Cash Including Debt Recovery Function & Debt Management
11. People Strategy
12. Care Commissioning Programme

13. The full report for these areas will be issued to Audit & Standards Committee Members once the report has been finalised.

Draft Counter Fraud Audit Plan 2019/20

14. We propose to allocate resources to our counter fraud work as per the details in Appendix C. This provides a robust response to Central Government's expectations for tackling fraud and corruption. This demonstrates the Council's continued commitment to ensuring good governance during a period of significant change to service delivery.

Resources

15. The total resource requirement for Staffordshire County Council in 2019/20 is 2100 days. This is comparable with the level of coverage delivered in 2018/19.

16. The Section also provides and receives income for the delivery of the internal audit service/management, for the following External Clients:

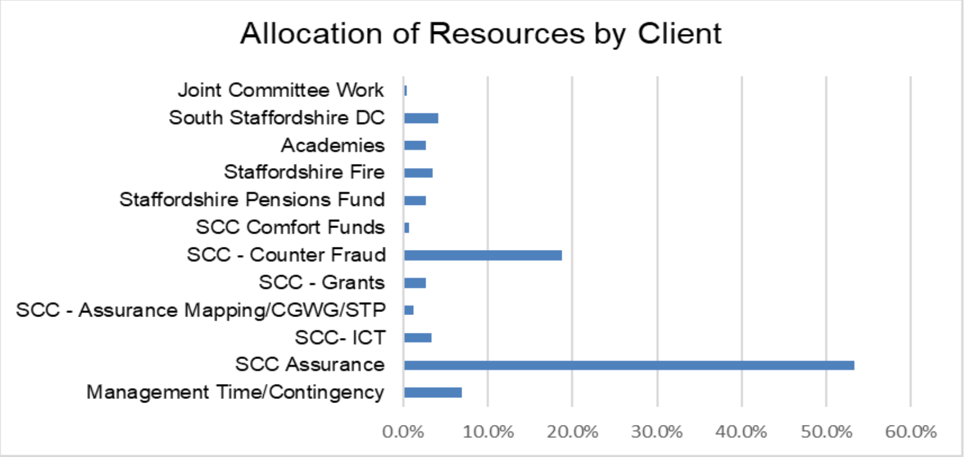
- Staffordshire and Stoke on Trent Fire & Rescue;
- South Staffordshire District Council;
- Staffordshire Academies (via Entrust);
- Staffordshire Pensions Fund; and
- Comfort Funds/Joint Committee Work.

17. The income generated from this arrangement is circa £112,000 p.a.

18. The delivery model for the Internal Audit Service is mixed – a combination of in-house staff and external staff via a Framework Contract. This allows the section to be flexible and respond to peaks and troughs in demand and to buy in specialist resources as required. Use of the external Internal Audit framework will continue in 2019/20.

19. There are sufficient resources available to deliver the audit plans as detailed in Appendices B, C and D. This helps to ensure that the Council meets the requirements of the Accounts and Audit Regulations 2015 for maintaining an adequate and effective internal audit function and governance, risk and internal control environment.

Figure 2 – Allocation of Resources by Client



Performance & Quality Assurance Framework

20. Internal Audit within Staffordshire County Council operates in conformance with standards of best practice applicable to internal audit – the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The Internal Audit team offer a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit processes, application of the Quality Assurance Framework (Appendix E) and the training and development programme for staff.

21. The Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication.

22. The Internal Audit Charter sets out the role, responsibilities and authority of the Internal Audit Service within the County Council. This was initially approved in June 2014 and any amendments to its contents are endorsed by the Audit & Standards Committee annually.

23. Internal Audit remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in such a way that allows them to make impartial and effective professional judgements and recommendations.

24. The Section use a number of ways to monitor performance, respond to feedback and identify ways in which to improve the service provided. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

25. The current performance measures are set out below in Figure 3 for information

Figure 3 – Current Performance Measures

Performance Indicator	Target
Reports issued to draft report stage: • Assurance Reports • Compliance Reports	90% 90%
Average score for Quality Questionnaires from clients is equal to or exceeds the good standard: • Assurance Reports • Compliance Reports	90% 90%

Service Plan Priorities/Challenges 2019/20

- To continue to assist in the development of the digital agenda across the Council to ensure that the control environment remains strong whilst exploiting the opportunities for more streamlined cost-efficient operations.
- To continue to implement and embed a data driven approach within our audit processes with the aim to improve efficiency; enhance assurance provided to senior management across business operations; strengthen monitoring; and provide valuable insight through quality audits.

- To continue to develop our continuous controls monitoring (CCM) programme, harnessing those tools and technologies to provide greater comfort over fraud risks faced by the Council. To include the expansion of CCM testing during 2019/20; the development of automated scripting as well as exploring the possibility of transitioning CCM from the third line of defence to the second line of defence as our suite of tests and scripting used for CCM are fine-tuned.
- To develop an assurance framework (map) for the top ten risks faced by the Council and contained in the Corporate Risk Register using the three lines of defence model, ensuring that there is a structured means of identifying and mapping the main sources and types of assurance within the Council; and co-ordinating them to best effect i.e. no gaps, minimal duplication allowing for an effective use of resources.
- To continue to raise the profile of the Counter Fraud Work Programme across the Council utilising the Service's new e-learning solution; the re-launching of our Fraud e-Newsletter across the Council and the offering of fraud awareness sessions to targeted service areas in pursuit of becoming a centre of excellence for counter fraud in the Region.
- To ensure that the Service continues to enhance and develop its operations to maintain its status within the Council and with its external clients as a competent, professional and respected Service which conforms to the latest PSIAS and the LGAN. As part of this, consideration will be given to how the Service can best supplement its knowledge and skills of the in-house team via use of specialist professional resources.
- To elevate our Service's performance and value further within the Council by applying and embracing agile auditing approaches to our work; by fostering rapid response to emerging issues, closer and continuous collaboration with stakeholders; a just-in time and proactive approach to the "right projects at the right depth/focus" and streamlined reporting.
- To pursue further partnership working with the Staffordshire Districts and evaluate alternative delivery models to ensure that internal audit resources are used across Staffordshire in the most cost-effective way.
- To procure a new audit management IT system solution during 2019/20 including enhanced reporting and management information to senior management on their systems of control.

Appendix A – Planning Risk Assessment Methodology

1. **Materiality X 2**
   a) *Financial value (income/expenditure), materiality, size of budget*
   Score between 1 (up to £100,000) 2 (up to £250,000) 3 (up to £1m) 4(up to £5m) and 5 (above £5m)
   b) *No of transactions*
   Score between 1 (a small number of transactions per year) and 5 (significant numbers of daily transactions)

2. **Impact/Sensitivity X2**
   a) Links to Strategic Plan 2018-2022/Political sensitivity
   1=No links to Strategic Plan/ and/or no political sensitivity
   2 =No links to Strategic Plan / and/or minimal political sensitivity
   3=Indirect links with Strategic Plan/ and/or low level of political sensitivity
   4=Direct links with Strategic Plan/ and/or medium level of political sensitivity
   5=Direct links with Strategic Plan/ and/or high level of political sensitivity

   b) Non-financial impact e.g. reputation
   1= Managed /reported to Business Unit -Local Media (short term duration)
   2= Managed /reported to Heads of Service. Local media (Medium/Long Term duration)
   3= Managed /reported to Senior Leadership Team and Members Regional media (short term)
   4= Managed /reported to Members and Cabinet Regional/National media (Medium/ Long Term duration)
   5= Third Party intervention Public Interest Group, National/International media (Medium/Long Term duration)

   c) Contained in the Corporate Risk Register
   1 = No
   5 = Yes

   d) Key Partnership - This considers how important the partnership is to the achievement of the Council's Outcomes. Failure to deliver the objectives of the partnership poses a significant risk to the Organisation.
   1 = No
   5 = Yes

3. **Audit View - Previous Assurance Category**
   1 = Substantial Assurance
   2 = Adequate Assurance
   3 = No Opinion has previously been given
   4 = Consultancy – system under development
   5 = Limited Assurance

4. **Time since previous audit**
   1 =Audit carried out last year
   2 =Audit carried out 2 years ago
   3 =Audit carried out 3 years ago
   4 =Audit carried out 4 years ago
   5 =Audit carried out 5 years ago or more or where there has been no previous audit coverage

5. **Linkage to Risk Management - Controls Assurance**
   1 = External Assessment reports available – positive assurance provided
   2.= Internal Controls assurance statement available – positive assurance provided.
   3.= Internal Controls assurance statement available – significant risks identified.
   4.= External Assessment reports available – control weaknesses identified
   5.= Nothing available

6. **Fraud**
   a) Past experience or occurrence of fraud/irregularity
   Score between 1 (no knowledge/experience of fraudulent activity/irregularity) and 5 (repeated occurrence of fraud/irregularity or experience of fraud/irregularity with significant financial value
   b) Inherent risk of fraud within the system.
   Score between 1 (little known scope for intentional manipulation) and 5 (significant scope for intentional manipulation.)

7. **Stability of the System**
   1.= Stable system, nothing has changed.
   2.= Stable system, changes proposed in year/ short term
   3.= New System in operation
   4.= System under development – limited to a specific service area
   5.= System under development – complex area affecting the whole of the County Council.

Appendix B – Draft Internal Audit Plan 2019/20

Area	No of Days	Indicative Scope
Families & Communities – Helen Riley		
SEND Transformation - Governance	35	In 2018/19 Internal Audit helped to develop key controls for a SEND (Special Education Needs and Disability) Governance Framework to define roles, responsibilities and reporting structures for local hubs. Management has requested that Internal Audit undertake audits in two areas relating to SEND Governance: 1. To review the governance structures to ensure that there is management oversight and development for the local hubs that are being set up. The intention is that the local hubs will be set up two per term from April 2019, therefore two hubs will be reviewed in September/October 2019 (10 days) and a further two hubs will be reviewed in February/March 2020 (10 days). 2. Decision making groups (DMG)have been set up at County level and in each district. Management have requested a review of a sample of DMGs to ensure compliance with the policy and processes when authorising and approving cases. (15 days).
SEND - Joint Inspection	15	In November 2018 a joint inspection of the local Staffordshire area was undertaken by Ofsted and the Care Quality Commission (CQC) to review the effectiveness of the implementation of the SEND reforms as per the Children and Families Act 2014. The inspection found significant areas of weakness and required a Written Statement of Action to be submitted to Ofsted in April 2019. Management has requested that Internal Audit provide assurance that plans are in place to ensure the successful completion of actions, that the progress of these plans is adequate and are being monitored carefully. Work to be carried out in two stages: 1st Stage: position statement to be produced on how well the Council is progressing with completing actions as per the agreed action plan. To be carried out and reported upon in June 2019 to inform the External Auditor's work in this area. (5 days) 2nd Stage: To be undertaken towards the end of 2019/20 to give an overall assessment and assurance rating on the implementation of actions completed as per the action plan one year on from the Ofsted inspection. (10 days)
SEND Transformation - High Needs Block	15	During 2018/19 a High Needs Recovery Plan has been in place to tackle the projected overspends that have built up over the last few years. Most of the actions in the Plan have been implemented, However, it is recognised that there is a need for a combined strategic approach with all education providers to meet the financial challenges in the High Needs Block. The Council has started to work towards a new approach and would like Internal Audit's involvement in this area, although the scope of this work is to be determined.
Children's Commissioning	10	As part of children's transformation several reports have been undertaken on children's commissioning over the last few years as the Directorate seeks to address risks in this area. Much work has been undertaken to address the risks with changes and improvements reported to the Senior Leadership Team. A new model has been developed to report against outcomes.

Area	No of Days	Indicative Scope
		Management has requested a high-level review to provide independent assurance that a plan is in place to ensure the successful completion of actions, progress is adequate and within timescales, and that the actions are being monitored. Final scope to be determined with the commissioner for this area.
Children & Families System Transformation: Place Based Approach	15	The Children & Families System Transformation is aimed at reducing demand for services and improving outcomes for children and families. To do this, a new model of operation known as the place-based approach is to be implemented based on the pilots that have been running in two districts. The Director for Families and Communities has requested assurance that the operations within a sample of districts are in accordance with policies and procedures. The full scope of the work to be determined.
Ofsted Improvement Plan (Children's Social Care Services)	20	Ofsted inspection of children's social care services in February 2019 gave a good rating overall. However, some areas for improvement were identified and an action plan including timescales has been compiled. Management would like independent assurance from Internal Audit that: plans are in place to ensure the successful completion of actions; that the progress of these plans is adequate and within timescales, that the actions are been monitored.
Adoption & Permanency Services - Regionalisation	10	There is a government requirement to regionalise adoption services for both local authorities and voluntary adoption agencies. This means that all services such as family-finding and support will be undertaken by a Regional Agency. The County Council will work in partnership with a number of local authorities (Shropshire, Stoke and Telford) to form a Regional Agency. The earliest that the partnership is likely to be operational is 2019/20. Time will be required in 2019/20 to support the Finance work stream in year.
Children's Services - Health Assessments	20	SCC volunteered to be a pilot for the new Ofsted Framework for the inspection of children's social care services and received a good rating. There were, however, several areas for improvement one of which, related to timely initial health assessments for children coming into care. As a result, the Service has reviewed the processes and issued new guidance. Management would like Internal Audit to review the health assessments to ensure that they are following the new processes in a timely manner and if not the reasons for this. The sample will be taken from across all teams and will be for children coming into care for the first time after the processes have been implemented. Additionally, the review will cover the business support process as part of any initial health assessment.
Family Health & Wellbeing	15	New contract (value £10m) for 0-19 School Nurses and Health Visitors from April 2018 with a new provider and new model of operation. The Family Strategic Partnership Board monitor the outcomes framework for this contract and the areas that are rag rated red. The contract has now had time to embed so management have requested assurance that the contract is being monitored appropriately and that it is delivering against outcomes/targets.
Early Years Funding Contracts	10	There is a statutory duty imposed on local authorities by the Childcare Act 2006 to ensure that parents can access up to 30 hours a week of free early education and childcare for their eligible two, three, and four-year old children. The Council pays over 900 educational settings totalling £11m per annum. The early years funding payments undertaken by the Accounting Services function were reviewed in 2018/19 and positive assurance was given. Management now feel that it would be prudent to review the processes and controls in place required in relation to the providers that are reviewed by officers within Families and Communities.
Children’s Safeguarding Board	15	There is a Joint Staffordshire Children's Safeguarding Board (SCSB) with Stoke on Trent City Council, Police and CCGs. Positive assurance given over this area in 2016/17. However, legislation for Children's Safeguarding Boards has changed since this time and

Area	No of Days	Indicative Scope
		the SCSB has agreed to review the new arrangements and become an early adopter. Management has requested independent scrutiny to ensure new arrangements are being implemented.
Alternative Education Providers - Unregulated Settings	10	To provide assurance that the County Council is not providing funding for children's education in unregulated settings. The scope of work will review the controls in place to ensure that funding is provided for regulated settings only; that VFM is being achieved and that quality of services is being upheld. The full scope of work to be determined with the Commissioner.
Missing Children - Return Home Interviews	12	Ofsted inspection of children's social care services in February 2019 was carried out. Whilst it gave a good rating overall, it identified weaknesses for return home interviews (RHI) for children who go missing. There is a commissioned provider for these services and management would like assurance that the provider is complying with the contract and as an Authority we are working in partnership across all agencies. Additionally, checks will be undertaken to ensure that the provider is sharing the RHI with the social worker and this is then being actioned as part of care planning, not getting 'stuck' in a system, and ensuring that as an Authority, it is using this collective intelligence.
COMPLIANCE- Pupil Referral Units (PRUs)	7	Currently, there are five PRUs within the Council, two of which have received poor Ofsted ratings. Internal audit will review compliance with approved policies and procedures including Financial Regulations and Procurement Regulations.
High Schools Compliance Audit	30	Compliance with approved policies and procedures including Financial Regulations and Procurement Regulations for key risk areas.
Primary/Middle/Special Schools Compliance Audit	50	Compliance with approved policies and procedures including Financial Regulations and Procurement Regulations for key risk areas.
Themed Audits in Schools	50	Time will be used in 2019/20 to review payroll services received at a sample of schools as they are purchased outside of the Authority.
Families First District Service Offices - COMPLIANCE	6	A rolling programme of review of Administrative Support Services within District Offices to ensure that they comply with Financial Regulations/Instructions. Areas subject to review include payments, inventories, cash income. 2 District Offices to be reviewed in 2019/20.
Trading Standards: Proceeds of Crime Act (POCA) Funds	10	Where a person has been found guilty of a prosecution, the Proceeds of Crime Act (POCA) enables the Council to apply to the Courts for restitution of funds. This area has not been subject to review previously and management has requested assurance to ensure that: • The control framework in relation to securing, recording, receipt and banking of proceeds under POCA is robust; • All income due is received in a timely manner; and • The governance process for spending POCA budget is realistic, satisfactorily monitored and reported periodically. NB: Trading Standards cash only purchase card transactions will be reviewed as part of the proactive counter fraud work on purchase cards.
ABS (IRIS) Coroners systems	12	A new Coroners system is being procured during 2019, which will be a move to a cloud hosted solution, accessible through a web portal, which is a significant change to the delivery of this statutory service. An IT audit will be undertaken to provide assurance that data has successfully migrated to the new Civica system and that appropriate security controls and parameters have been put in place to protect data from unauthorised access and use.

Area	**No of Days**	**Indicative Scope**
Schools General including Academies Conversion requirements and development/charging	15	Audit information required as part of the conversion of maintained schools to academies, school developments and charging.
Total No. of Days	**382**	
Economy, Infrastructure & Skills – Darryl Eyers		
Infrastructure + Contract (Amey)	22	To provide on-going assurance over the Infrastructure+ Contract awarded in March 2014 (£40m p.a.). Internal Audit assurance is required in the following areas during 2019/20: • verification of a sample of maintenance works expenditure incurred for 2019/20; (12 days) • support a review of Value for Money (reporting and data validation); (8 days) • watching brief of Amey business continuity arrangements in 2019/20, including liaison with the Commissioner for Highways and the Built Community. (2 days). *See also the Counter Fraud plan 2019/20 for checks on the contractor cost packs and possible use of continuous controls monitoring in this area to identify 'red flags' for further scrutiny.
County Farms	20	To support the achievement of the Medium-Term Financial Strategy (MTFS), 30% of the Council's Farms are to be sold as part of the Capital Programme, it is anticipated that this action will generate £20m over two tranches to support the delivery of the MTFS. Internal Audit time will be required in 2019/20 to support the project and ensure proposal for the disposal of assets is clearly defined and transparent. (5 days - Q1). Further time will be required in Q4 2019/20 to provide independent assurance over the process undertaken at the end of tranche one and assist in identifying lessons learnt to be applied to tranche 2 to be undertaken the following year. (15 days)
Stoke-On-Trent & Staffordshire Local Enterprise Partnership (SSLEP)	15	To keep under review the decision making and governance arrangements of the Local Enterprise Partnership in terms of setting a clear vision and operating under a clear governance framework, securing and accounting for funding, managing performance of regeneration schemes and achieving milestones and outcomes. In 2019/20, Internal audit activity will include a review of the SSLEP's compliance with the national Assurance framework (which has been refreshed in March 2019). Our work supports also the annual return completed by the Section 151 officer. ** See also SSLEP - Core Funding Grant
European Funding - European Structural & Investment Fund (ESIF)	3	The SSLEP has been successful in bidding for £138m of European Funding to fund projects within Staffordshire and Stoke on Trent for the period 2014 to 2020. The EU programme is controlled by the SSLEP and the ESIF committee. The largest funding stream controlled by the ESIF Committee is the ERDF (£77m), followed by the ESF (£55m) and EAFRD (£4m) and the LEADER programme (£2m). SCC controls 4 projects LC BEP; Rural Enterprise Programme, Staffordshire Excellence and the Growth Hub scheme. Two of the above schemes are due to end in 2019 namely: Staffordshire Excellence - Tourism & Business (June 2019); and Rural Enterprise Programme (July 2019).

Area	**No of Days**	**Indicative Scope**
		Internal Audit time has been requested in 2019/20 to provide independent verification of the summative performance assessments and summary table to be completed following the closure of the programmes. Work to be undertaken late Q2 / early Q3.
Development Control - Planning Applications and Regulation (Minerals & Waste)	10	To review the key controls and processes relating to planning enforcement in respect of mineral and waste developments. Scope of work to include: i) Policies and procedures governing planning enforcement; ii) Monitoring of authorised developments; iii)Programme for site visits and fee charging (20% increase can be re-invested); iv) Collection of income.
Waste Management - Hanford Incinerator	10	Internal Audit time will be required in 2019/20 to review the proposed project governance and/or interim arrangements for utilisation of the Hanford incinerator, this may include validation of evidence to support project cost contributions from SCC to SOT.
Keele Science Park - IC5 Keele University - Economic Regeneration Scheme	7	On the 18th May 2011 the Cabinet approved a £6.8mmillion loan to build a 30,000 square foot new office incubator (IC5) unit at the Keele University science and business park. In return for the loan the University of Keele granted the Council a 125 lease on the unit and the rental income used to repay the borrowings and then generate income for the Council. IC5 - Keele was completed and opened to businesses on 1st August 2016. The innovation centre is now fully occupied and Keele are managing the tenants on the Council's behalf, who pass on any surplus rent income to SCC. In 2019/20, Internal Audit will review the management of this process and the rental income being received by SCC to ensure that all income is being received by the Council.
Network Management - Highway Permit Scheme	10	The SCC does not currently have a Highways Permit Scheme; however, this is now a requirement of central government and therefore Council will develop a business case for a scheme one in 2019/20. Management have asked for support in reviewing the financial modelling for the proposed Highways Permit Scheme to be included in the business case as well as processes as they are designed.
Flood Risk Management (including Sustainable Drainage Systems)	10	SCC is working jointly with Shropshire CC to fulfil its statutory obligations in relation to flood risk management (Budget of £315k p.a.). This function receives many grants from the Environment Agency to support flood protection measures and raising awareness and has not previously been audited. This area is currently under review and a new structure and management team have been put into place. A review is required in 2019/20 to ensure that adequate flood risk management arrangements are in place and comply with legislative requirements.
W2R Plant	12	To ensure that appropriate management and monitoring arrangements are in place for the contract for the operation of the W2R Plant. The review will consider the following key areas: • Governance/Responsibility/accountability arrangements for contract monitoring are clear. • Payment processing controls are effective and compliant with the payment mechanism. • Data management arrangements are in place. • Timely and accurate reports are regularly produced and made available for management review. • Procedures exist to ensure that contract terms and conditions are complied with • Management of fraud risks.

Area	No of Days	Indicative Scope
Adult & Community Learning - Commissioning and Monitoring of Provider Contracts: performance data	5	Performance data is collected from the contractors and subcontractors and uploaded to the ESFA system periodically. Data for the academic year end must be collated and uploaded by November of the same year. After the upload of data for the academic year 2017/18 it was identified that the data was incomplete. Management have requested time in 2019/20 to check and validate the data upload prior to submission of the year end data. Work to be undertaken in Quarter 3.
Total No. of Days	**124**	
Corporate Services – John Tradewell		
Digital Development Programme including Office 365 Project	55	**Digital Development Programme (corporate perspective)** The Council's digital development is aimed at driving the development of digital innovation across the organisation and wider smart Staffordshire network and is crucial in supporting the achievement of organisational outcomes and financial savings. There are 60 identified work programmes which support Digital Staffordshire with a savings target of £15million over three years from 2018-2021. Time will be required in 2019/20 to review the Council's digital strategy as well as a sample of projects underpinning it. Scope of work will include a review the strategy in place as well as the project governance arrangements, project monitoring, project delivery as well as the reporting of project outcomes (15 days). Project support time may also be required to support the ongoing projects in 2019/20 to provide timely advice to management on the design of systems and processes (5 days). **Office 365 (O365) Project** Under the banner of digital development, Internal Audit will continue to sit on several boards within the O365 project and will provide timely advice on all aspects of Information Security. This will cover key workstreams within the project such as OneDrive, SharePoint, Teams, Mobile Device Management and Exchange (20 days). Further to this, a governance audit will be conducted due to the critical nature of this project. This will cover areas such as adherence to the business case, budget monitoring, use of resources, risk management and decision making (15 days).
Strategic Property Asset Management and Governance	20	Time will be required in 2019/20 to review the current property governance structure including the revised framework for decision making. The audit will also provide a position statement on the implementation of past audit recommendations following the review in 2016/17.
Cyber Security	12	The Council has a Cyber Security Strategy (2017-21) which outlines the measures the Council will take to preserve the confidentiality, integrity and availability of its information and systems. At its midpoint, this audit will review the progress against the stated outcomes in the Cyber Security Strategy. The Audit & Standards Committee has also requested on-going assurance in this area during 2019/20.
Adult & Children's Financial Services Team - Financial Assessments	35	The Contributions policy and processes have been updated and went live 1st April 2019. Management has requested assurance for the two following areas:

Area	No of Days	Indicative Scope
		i) To review the financial assessment process to provide assurance they are in accordance with the contributions policy and procedures, including the application of mitigation. (20 days); and ii) To review the policy and processes for the Disability Related Expenditure (DRE) including the appeals process and panel decisions. (15 days)
Sales 2 Cash Including Debt Recovery Function & Debt Management	20	In 2019/20, our audit time will focus on debt management as past audit work has identified several issues over the years and as such limited assurance has been awarded to this area of operation in both 2017/18 and 2018/19. Further audit coverage will be required in 2019/20 to ensure that debt recovery and debt management processes are improving. In addition, advice will be given regarding the possible use of more sophisticated key performance indicators (KPIs) regarding debt recovery and debt targets. Scope of work to include: Arrangements for debt recovery (CCG/other Health bodies and Other debts); Arrangements for making instalments, Collection of debtor Income and allocation to accounts including AUDDIS (D/Ds) process; Write-offs; Use of KPI targets for debt; and Monitoring and reporting arrangements.
People Strategy	15	The Workforce Strategy was included in the Delivery plan for 2018/19 to ensure that is fit for purpose with supporting policies. This later became the People Strategy and was approved by Cabinet on the 20th March 2019. A review of a selection of key HR policies is to be undertaken in 2019/20 to ensure they remain fit for purpose and are aligned to and support the People Strategy. Our work will also provide assurance over compliance with and embedding of the sample of revised policies. In addition, a position statement will be produced to give assurance over the delivery of the people strategy against year 1 priorities contained within it.
Culture & Ethics	15	Senior Management have requested a review of Council policies, to include benchmarking against other organisations (private and public sector) to: • identify opportunities for consolidation or refinement of policies in place; • ensure they support the values and culture of the organisation; and • ensure that policies are accessible and practicable to apply. This work will also consider how the 'Nolan' Principles - 7 Principles of Public Life have been communicated within the Council's policies.
Commercial Services (Procurement)	12	In 2018/19, following the redesign of processes i.e. contract register; the revision of the Council's Procurement Regulations; use of the new financial system, Integra and improvements to procurement training, procedures and guidance provided to staff, Internal Audit reviewed purchasing activity over £25k and an adequate assurance opinion was given.

Area	No of Days	Indicative Scope
		Our work in 2019/20 will focus on compliance with procurement regulations for purchases below the £25k, to ensure that procurement activities outside the responsibility of the central Procurement team (Commercial Services) are robust and the contractual terms and conditions applied are appropriate. A review of vendor spend will also be undertaken to ensure that the procurement route taken was in accordance with the total value of the contractual relationship. n.b. Schools procurement is covered as part of schools' audit reviews and therefore is not within the scope of this specific audit review.
Banking Services Contract	5	The current banking contract will expire in March 2020. The retendering process is due to commence in June/July 2019 with award in September 2019. Management have requested Internal audit support during the project for the retender and commencement of the banking services contract (as in previous procurement exercises relating to the Council's bankers).
Business Continuity Management - Supply Chain Management	15	Several high-profile public sector suppliers have ceased trading or encountered financial difficulties since 2017. Internal audit work is required in 2019/20 to ensure that adequate business continuity arrangements are in place. The focus of this year's internal audit review is to review the business continuity management arrangements in place for a sample of those critical services which have been outsourced to an external provider to ensure that appropriate arrangements are in place in the event of a major issue affecting the supply chain. Scope of work to include: ▪ a review of contractual requirements in relation to BCM; ▪ Evidence supporting a contractor's BCM requirements (and the role of the CCU in this); ▪ evidence of BCM testing undertaken on a contractor's BCM arrangements (and the role of the CCU in this); and • monitoring and reporting arrangements in place including compliance with the supplier financial appraisal strategy.
Recruitment - Core	10	In 2018/19, Internal Audit reviewed the end to end recruitment process across the Council and an adequate assurance opinion was given. However, further audit work is required in 2019/20 to ensure that the recruitment portal continues to be effective and does not become a barrier to managers recruiting in accordance with Council procedures. Scope of work will include: use of the recruitment portal and interfaces with iTrent, where appropriate, pre-recruitment checks; eligibility to work in the UK and compliance with the Council's recruitment and selection procedures.
Liberata Payroll System	25	Since June 2017, the Council's payroll has been provided by Liberata (based at Worcestershire County Council), using the iTrent payroll system (known as My HR) under a service contract. This area is classified as a key financial system review in 2019/20 and further assurance will be required that processes and controls operated by Liberata continue to be embedded and that controls are operating as expected.
Medium Term Financial Strategy - Delivery Plan	15	The MTFS for the 5-year period 2018 to 2023 requires additional savings of £132m. Although the Council has a proven track record of delivering significant cost reductions, the scale, complexity and pace of the changes still required increases the risk that not all cost reductions will be delivered. As a result, on-going assurance in this area is required in 2019/20. Audit work in 2019/20 will be required to provide assurance that delivery against savings in the MTFS are being monitored effectively and reported accurately. Discussions to be held with the County Treasurer and Strategic Finance Business Partners to inform the audit scope.

Area	No of Days	Indicative Scope
Management of Capital Programme & Budgets	10	The Council's capital programme for 2019/20 is £116.04m. In 2019/20, Internal Audit will review the capital budgetary control system in place to ensure that suitable arrangements are in place to control how capital budgets are set, approved, monitored and reported upon. Our audit work will also ensure that the Capital programme is linked to the Council's capital strategy, corporate priorities and that slippage in capital schemes is suitably monitored and reported on.
Adult & Children's Financial Services Team - Direct Payments (Adults)	15	In 2018/19, Internal Audit advised on the design, processes and controls in place to administer and manage pre-paid card direct payments. In 2019/20, a review of the Direct Payments processes, including pre-paid cards and Direct Payment audits will be undertaken to ensure that controls are operating as expected.
Customer Contact Centre	10	The new delivery model for the Customer Contact Centre is to be implemented during 2019-20 and Internal Audit support has been requested to review the revised processes to ensure that adequate controls and mechanisms are in place to identity and mitigate against potential safeguarding and reputational risk after the implementation of the new arrangements.
Business Continuity Management /Emergency Planning	10	Exercise Aurora took place across Staffordshire in September 2016 and Internal Audit reviewed actions arising from this Exercise Aurora towards the end of 2017/18 and substantial assurance was given. A new exercise, exercise Fortitude (which is terrorism related) is planned for October 2019. In 2019/20, Internal Audit to provide assurance that adequate plans are in place to restore the business across the full spectrum of services undertaken by the Council together with robust arrangements operating within partner bodies who perform services on behalf of the County Council. To also ensure that lessons learnt following exercise Fortitude have been reported and corrective actions taken within agreed timescales.
Data Protection (GDPR)	10	The EU has approved new General Data Protection Regulations (GDPR) which came into force in May 2018. Audit work is required in 2019/20 to ensure that the GDPR have embedded and the Council continue to be compliant. Internal Audit work will cover: - monitoring of GDPR compliance across the organisation; - breach reporting; and - arrangement for compliance of 3rd party data users. n.b. where appropriate, a GDPR checklist will be completed for all auditable areas in 2019/20 where personal/sensitive data is being used by services as part of its operations.
BACS Security	6	To review and provide assurance over several security controls related to the automated process involving the BACS file being moved from My Finance to Experian. This will cover: • Security/access to the BACS files and folders in My Finance; • SFTP account management; • BACS file storage on the SSIS server; and • Administration and management of the automated process by the Development team.
Entrust – Service Delivery Agreement	15	In 2019/20 an Internal Audit review will be required to provide assurance that performance against the revised Service Delivery Agreement (SDA) has been maintained and evaluate the impact of the funding reduction. The audit will review the governance and performance management framework and the reporting of performance outcomes.

Area	No of Days	Indicative Scope
		A sample of areas from the SDA will be selected for review and evidence provided to confirm performance against outcomes. Include as one of the areas for review Careers, Information, Advice and Guidance.
Deprivation of Liberty Safeguards (DoLS)	10	During 2018/19 there has been an amendment to the Mental Health Act for Deprivation of Liberty Safeguards, which will become Liberty Protection Safeguards (LPS). There will be a requirement for a review of systems and time will be needed for the review of the new systems including issues highlighted by the Ombudsman. Internal Audit will undertake a review in quarter 4 in 2019/20.
NEXXUS - External Trading Company	10	Time will be required in 2019/20 to follow-up on the previous year's audit recommendations. In addition, this year's audit will review the financial administration systems to ensure that they are fit for purpose if the use of Nexxus is expanded further for the delivery of other Council Services in the future.
Adult & Children's Financial Services Review Programme	35	To continue to provide a quality assurance role to support the Adult Care Financial Services programme review throughout 2019/20. Time will be required for: • attendance on Programme Group; • process evaluation; • assurance role; including benefit maximisation, property task and finish group, direct debits and payment runs.
Fixed Asset Register/Capital Accounting	6	Chair of the Audit & Standards Committee has requested a review of the processes for the identification and capture of changes to the fixed asset register to ensure that the register is complete and asset valuations are correctly stated which will inform the statement of accounts. Audit to focus on property assets. To be completed May /June 2019.
Procure 2 Pay (My Finance)	15	Internal Audit time will be required in 2019/20 to evaluate key controls operating around the P2P module. Scope of work to include: ▪ Orders are raised for all relevant purchases. ▪ Orders are complete, accurate, authorised and appropriate to the County Council's needs. ▪ Invoices are released for payment only under a valid order. ▪ Payments are complete, accurate and valid (urgent, BACS, cheques) ** ▪ VAT and Construction Industry Tax is treated correctly. ▪ System reports are accurate, timely and acted upon including compliance with the transparency code. ▪ Adequate vendor management controls are in place. ▪ Adequate supervision and management structures/ arrangements are in place. See also BACs security audit in 2019/20.
Adult & Children's Financial Services Team - Property Function	25	In 2019/20, Internal Audit work will review the new policy and processes in place for deferred payment agreements (DPA's), including the position for secure and unsecure debt in relation to property cases.
Health, Safety & Wellbeing Service	10	In March 2018, a new Health and Safety system was implemented. Management has requested a full review of the system in early 2019/20 to ensure it has fully embedded. Scope of work to be determined.

Area	No of Days	Indicative Scope
Service & Commercial Contract Management Arrangements	8	Management have requested a review of standard contractual terms and conditions in 2019/20. Time will be required in 2019/20 to review the current Standard Terms and Conditions and ensure that these have been applied consistently across a sample of contracts across the organisation.
People Helping People (PHP) Fund	5	As part of the PHP agenda, a new fund has been set up (which merges several funds including the LMCF and the divisional Highways programme). This is a one-year pot of £162k initially. The scheme is to launch in spring 2019 and to be completed in Autumn. A review of the approach and governance arrangements has been requested for Quarter 2.
Corporate Governance - Scheme of Delegations	10	A new Scheme of Delegation was implemented in August 2018. Internal Audit time is required in 2019/20 to provide assurance that the new Scheme of Delegations have embedded across the organisation; communication has been effectively undertaken to ensure Officers are knowledgeable and understand their delegated responsibilities; Sub-delegations have been developed where appropriate and aligned to the new Scheme of Delegation. This will include selecting a sample of decisions to review and follow through the delegation levels in place.
Use and Payment of Compromise Agreements	10	Following the limited assurance opinion awarded in this area in 2015/16, a Task & Finish Group was set up, which included Internal Audit, to review the systems and processes to ensure that all the audit recommendations made as part of the 2015/16 audit review were addressed and implemented. New systems and processes were adopted following the above and this area will be revisited in 2019/20 to provide assurance the revised systems and processed are embedded and operating effectively.
Budgetary Control (Revenue)	25	The audit will continue to keep under review the key controls relating to the Council's revenue budgetary control system of the County Council to allow budgets to be appropriately set, approved, monitored and reported upon. As part of the review, a sample of volatile budget areas will be reviewed. This area is classified as a key financial system review in 2019/20.
Chip & Pin	6	Locally organised arrangements are in place with Barclaycard for chip and pin facilities. A project is to be undertaken in 2019/20 to upgrade the Capital 360 system on machines within registrars and expand the installation of chip and pin within Staffordshire Place, County Building and Libraries to be completed by December 2019. Time will be required in 2019/20 to review new arrangements and processes to ensure chip and pin machines are secure and operating effectively including verification and allocation of payments.
Insurance	3	IA will continue to provide the fidelity guarantee renewal under writing information in relation to systems and controls.
Total No. of Days	**508**	

Area	No of Days	Indicative Scope
Health & Care – Richard Harling		
Adult Social Care Pathway	15	As part of the Modernising Adult Social Care Customer Journey programme (MASC), the Adult Social Care pathway is in the process of being redesigned. The pathway is expected to "go live" during 2019/20 and there will be new policy and processes as a result. Management has requested a review of the policies and processes later in the year depending on the "go live" date for the new pathway.
Care Commissioning Programme	20	As part of the Care Commissioning Transformation a structured programme has been compiled to ensure it is managed appropriately. Management has requested Internal Audit review the governance and delivery of the programme as there is a potential a risk that whilst savings are being achieved the service is not delivering outcomes.
Care Director Software (Adults and Children's modules)	25	Internal Audit will continue to provide advice and assurance on the development of the self-assessment portal to be developed by Care Works. This portal will allow citizens to enter their details, including financial information, which will be submitted to the Care Director application for a financial means assessment. Internal Audit will continue to attend the project's technical workstream, advising on portal and data security.
CM2000 Finance Manager	15	CM2000 Finance manager will be an intermediary system between Care Director and CM2000 is due to be implemented during 2019/20. Similar to the Care Director Portal, Internal Audit will advise and provide assurance over the security controls to be implemented as part on the new system, including interfaces with other Council systems.
Brokerage	20	The centralised brokerage service has evolved since it was brought back to the Council in 2016/17. Internal Audit has reviewed various elements of the brokerage service since 2017/18 including the redesigned brokerage pathway, the performance management arrangements and in 2018/19 the brokerage pathway was reviewed, and a limited opinion awarded. Following the TSU review, management has requested that Internal Audit review the new processes once they have had time to embed.
Home and Community Care Contract Review	20	This area was reviewed in 2018/19 and a limited opinion has been given. Management has requested that this area is reviewed again in 2019/20, to identify progress on this contract. The review will cover similar areas to those for 2018/19; planning and governance arrangements, delivery arrangements, contract changes and supplier performance and capability.
Joint Funding & Billing (CCGs/CHC)	12	Revised protocols/processes have been set up for joint funding of care cases and go live is May 2019. The aim is to ensure that all parties to joint funding agreements are paying appropriately. Management would like assurance that the new protocols and processes are working and that the Council is getting the income to which it is entitled. Scope to be determined with Joint Funding Lead.
First Contact - Screening Assessments	25	As part of the Modernising Adult Social Care Customer Journey Programme an enhanced front door model in the First Contact team will be embedded to allow all potential referrals to be screened to minimise referrals to the Community Teams. Management would like Internal Audit to review the quality assessment process within First Contact Team to ensure consistency of decision making for contacts and screening of assessments, reviewing routes in and speed of resolution.

Area	No of Days	Indicative Scope
		There will be two audits: a review of the "as is" procedures in Q1 (13 days) and a review of the new procedures in Q3 to identify if there has been any improvement. (12 days).
All Age Disability - Housing Support Contract Review (previously Supported Living)	15	New framework contract came into effect from 1/4/17, with separate outcomes and performance frameworks to be introduced. In 2017/18 Internal Audit reviewed the proposed governance arrangements and the reasonableness of timescales for the introduction of contract management arrangement, giving positive assurance. The contract management arrangements and outcomes frameworks were implemented in 2018/19 and management has requested a review of these in 2019/20.
Public Health - Staffordshire Warm Homes Fund	12	The Council are responsible for administering the Staffordshire Warm Homes Fund which has a value of £3.795m. Time will be required in 2019/20 to provide assurance over the controls operating over the Fund. Scope to be determined with the Head of Strategy prior to the commencement of the audit review.
All Age Disability - Individual Service Funds (ISFs)	10	The Community Support Framework, from which ISFs will be called off for LD Supported Living, has gone through a formal variation process. There have been several proposed variations to the framework to enable formally the embedding of 'new ways of working' in supported living, including specific detail re the introduction and running of ISFs. Management would like assurance over a sample of ISFs to ascertain the processes in place to identify whether they are working, what difference has been made and how the service demonstrates any savings.
Appointeeships	23	The administration of appointeeships transferred back to the Council from Staffordshire and Stoke on Trent Partnership Trust in April 2018. A Working Group was set up to consider Phase 2; improved working for appointeeships. Internal Audit sit on the Working Group which for Phase 2 will transfer all appointeeships to pre-paid cards depending on the outcome of the pilot (April to June 19). In 2019/20 Internal Audit will: • continue to sit on the Working Group (5 days). • review the new design processes as part of the pilot (8 days). • review the live running of the scheme after the pilot. (10 days)
Better Care Fund - Pass through money	10	The County Council has received pass through money (previously known as S256) circa £ 17.1 million in 2018/19. This funding has been split with both the MPFT and SCC undertaking schemes that meet the eligibility criteria. The CCGs require assurance from the Council that the funding has been spent in accordance with the relevant terms and conditions.
Extra Care	15	Extra Care contract has been retendered during 2018/19 and a new contract is in place from 1st April 2019. Management would like a review of the effectiveness of the contract and whether value for money is being obtained and identified through contract management.
Prisoners Contract	10	In 2015/16 Internal Audit reviewed several new areas arising from the implementation of the Care Act 2014, including prisoners. A new contract was operational from 1st April 2018 and management have requested a review of the contract monitoring arrangements.
Residential Homes for Learning Disability	10	There remain three residential homes for Learning Disability (Greenfield House, Scotch Orchard and Douglas Road). Internal Audit will review compliance with Financial Regulations/Instructions and areas for review include; cash only purchase cards, payments, inventories, residents' property, cash income.

Area	No of Days	Indicative Scope
Approved Mental Health Practitioners (AMHPs)	15	The Authority has a statutory responsibility under the Mental Health Act in relation to the requirements for Approved Mental Health Professionals (AMHPs). This area was reviewed by Internal Audit in 2018/19 and a limited assurance opinion was given. Management has requested further work in this area during 2019/20 to review the succession planning for AMHPs regarding training with emphasis on the fields from which they are being recruited.
Public Health – Sexual Health	12	The two sexual health contracts in place (North and South) have been consolidated into one contract. Now that the contract has embedded management would like assurance on the contract management processed in place to ensure that the reduction in costs do not impact on equitable access to services in vulnerable localities.
Total No. of Days	**284**	
ICT – John Tradewell		
Virtualisation	15	The Council operates a large virtual computing environment which allows several virtual services to be provided from a single physical device. The virtualization audit review will provide management with a review of the effectiveness of the configuration of, controls over and security of the virtualized servers.
ICT Asset Management (Software & Hardware and Licensing)	10	The number of physical devices, such as laptops, being allocated to employees has increased rapidly over previous years to support agile working. This audit will determine whether adequate and effective IT asset management processes and controls are in place, to maintain the integrity of the IT assets while meeting and to provide management with assurance that the IT asset inventory and records are complete and accurate.
SICT Project Assurance	20	Internal Audit will provide the role of Project Assurance for high risk/critical ICT projects, as requested by SICT Management. The exact projects to be included as part of this work will be derived from conversions between Internal Audit and SICT Management throughout the year to determine that we are placed on critical or high- risk projects.
SQL Database System Management	15	SQL Servers are used to host several critical and non-critical application across all the directorates of the Council. The Microsoft SQL Server database audit review is to provide management with an assessment relating to the effectiveness of configuration and security of the Microsoft SQL Server database systems within the Council's computing environment.
Data Centre Threat Assessment	4	Following the 2018/19 Data Centre Environmental and Physical Security Audit where a Limited Assurance opinion was awarded, a recommendation was made to complete a Data Centre Threat Assessment. Internal Audit has been requested to aid this process during the initial completion of the assessment and the first 6-monthly review.
Exchange Server Security	12	Following migration of mailbox to the cloud as part of the Office 365 project, the numbers of exchange servers will be decrease. However, these exchange servers will also need to be upgraded from 2010 to 2016 and play a key role to the security of the network. This audit will provide support and assurance in the following areas: • Migration—All issues associated with migration from earlier versions of Exchange should be identified and resolved. • Role-based access controls (RBACs)—Exchange Server 2016 supports role-based access to optimize security.

Area	No of Days	Indicative Scope
		• eDiscovery—In the event of litigation, enterprises may be required to comply with court-mandated eDiscovery. Accordingly, techniques are covered to place litigation holds on specified mailboxes. • Compliance—Encryption may be required to comply with laws and standards like the Health Insurance Portability and Accountability Act (HIPAA) and the Payment Card Industry Data Security Standard (PCI DSS). • High availability (HA)— Exchange Server features a database availability group (DAG) design to support high availability where required for business objectives.
ICT Project & Programme Governance	5	SICT are changing the way they govern their ICT projects and a small amount of time has been requested by management to provide guidance in this area during the year.
Total No. of Days	**81**	
Grant Verification Work		
Local Transport Capital Funding (Integrated Transport and Highway Maintenance, Pothole, National productivity Investment Fund & Flood resilience Fund)	17	£23.533m has been received by SCC in 2018/19 to provide support in financing the capital costs of integrated transport measures and capital highway maintenance schemes. Internal Audit verification of grant expenditure is required to comply with the conditions of the funding (due 30th September 2019). As part of this sum £3.391m has been received relating to the Highways Maintenance incentive element and £1,123,967 has been received relating to the Pot Hole Action Fund and Flood Resilience Fund this is on top of an initial £565k.
Earned Autonomy/Building Resilient Families& Communities (BRFC)	8	The Service was successful in submitting a bid to the Department of Communities and Local Government for Earned Autonomy in 2017/18. Management has requested verification and quality assurance of returns, including whether the service is meeting its performance targets as included in the submission.
Local Enterprise Partnership - Core Funding Grant	5	From 1st April 2019, Staffordshire County Council will become the accountable body for the core funding grant (previously Stoke-On-Trent City Council). The grant funding is £0.5m p.a. with match funding of £0.25m from both local authorities. This area will require a grant audit in 2019/20 to be carried out by 30th June 2019.
Local Growth Deal Fund - Grant Verification	15	The purpose of the Local Growth Fund is to provide funds to local enterprise partnerships for projects that benefit the local area and economy. There are several capital schemes that benefit from the LGF. As part of the grant conditions, a declaration is required to be submitted and certified by the Chief Executive having first received assurance from the Chief Internal Auditor for the Authority that the conditions attached to the funding have been complied with. Therefore, a grant verification exercise will be required to be completed by 31st July 2019.
Superfast Broadband for Staffordshire Project - Grant Verification	5	The superfast broadband for Staffordshire programme costs circa £20m (phase 1) and £2m (phase 2). This area has been subject to review by BDUK and positive assurance has been received. However, there is a requirement for the end of year monitoring report to be verified and signed off by the Chief Internal Auditor. This is required to be carried out by Mid-March 2020 and therefore time is required in the audit plan to undertake this work. In respect of the governance arrangements for the programme, assurance will be taken from the positive assurance statement provided by BDUK.

Area	No of Days	Indicative Scope
Growth Hub Grant	5	The Department for Business, Innovation & Skills (BIS) has awarded Staffordshire County Council new growth hub monies of £205k p.a. since 2016/17 to 2019/20 to support the growth hub investment programme. Internal Audit is required as part of the grant conditions to verify grant spend for the year and therefore time will be required in May 2019 to verify the 2018/19 grant (timescale 31 May 2019).
Department for Transport - Bus Subsidy Grant	10	The Department for Transport awarded SCC £700k in 2018/19 in relation to Bus Transport Services. Within the grant conditions, there is a requirement for Internal Audit to provide assurance over grant expenditure and confirmation that grant conditions have been complied with. This is required to be submitted to the DfT by 30th September 2019. Time is therefore required in the audit plan to undertake this grant verification exercise.
Total No. of Days	**65**	
Cross Cutting Audit Activity		
Delivering Good Governance - Corporate Governance Working Group	10	CIFPA in 2016 published its work on delivering good governance in Local Government: Framework (2016 edition). In respect of this, the HIA&ACFS attendance and CIA's attendance (as required) at the Corporate Governance Working Group ensures that the Council's governance framework is kept under review. The CGWG covers areas such as Scheme of Delegation/ Gifts & Hospitality/AGS/Financial Regulations/Procurement Regulations. Time will also be required in 2019/20 to undertake a review of compliance with the code of Corporate Governance.
Sustainability and Transformation Plan	1	No specific work will be undertaken on this area in 2019/20, however, Internal Audit will keep a watching brief on this area in 2019/20.
Risk Management – Development of Assurance Mapping Framework	20	Time will be required in the Internal Audit plan to develop SCC's Assurance Mapping Framework in 2019/20.
Total No. of Days	**31**	
Management of the Service	135	Time required to manage the Internal Audit Service in-year.
Recommendation Tracking	20	Time to monitor and track audit recommendations in-year.
Contingency 2019/20	15	A provision to respond to new and emerging risks throughout 2019/20.
Total No. Days for SCC Plan	**1645**	

Appendix C – SCC Counter Fraud Plan 2019/20

Area	Number of Days
Strategic Development	
Review of key Fraud Policies to ensure they are up to date, and reflect current best practice, and latest legislation. Policies to be reviewed include: Whistle Blowing Policy and associated procedures, Fraud Bribery and Theft Policy, AML Strategy and Risk Assessment, and Serious Organised Crime Checklist.	8
To refresh of the IA/HR Protocol document.	2
To continue to keep under review SCC's response to the new Fighting Fraud & Corruption Locally - The Local Government Counter Fraud & Corruption Strategy 2016-19 published in March 2016 by CIPFA.	5
Participation in CIPFA anti-Fraud Surveys.	3
Update the Council's strategic fraud risk register, following which individual departmental/section fraud risk assessments will be undertaken to include theft related risks.	6
To report progress in the development of the Counter Fraud arrangements to the Audit & Standards Committee on a regular basis.	5
Provide input to HR's programme of Policy Updates as appropriate.	5
Representation at the MCCIAG Fraud Sub group and SCAG working groups.	3
Management Reporting and Liaison with the County Treasurer (&Section 151 Officer) and the Director of Corporate Services (Monitoring Officer) as and when issues arise.	5
Total Days	**42**
Development of an Anti-Fraud Culture	
E learning - Liaison with key management to help roll our programme.	4
Fraud Presentations - programme of training (also reference to using intranet to provide information on high risk areas).	5
Staff Survey – Publish results of 2018/19 staff fraud survey and undertaken staff fraud survey in 2019/20.	5
Intranet/Web pages - further development of intranet pages: news, guides to key fraud risks, publishing of CCM findings.	7
Total Days	**21**

Prevent and Deter	
• CCM Development - implementation of CCM over additional areas: Duplicate Invoice development/refinement, Health & Care Area, Integra activity, Overtime, Annual Leave Pay, as well as the further development of automated idea script, Taxation and Areas identified by NFI Findings. (20 days) • CCM continuation of testing developed already. (70 days) • CCM Dashboard Development - update completion monitoring document to provide a dashboard to be used in quarterly reporting and intranet reporting. (4 days)	94
Amey Cost Pack - To research the Amey Cost Pack and identify areas where scrutiny should be applied, setting up potential for inclusion with CCM if found feasible and effective.	10
Total Days	**104**
Detection	
National Fraud Initiative - NFI Phase 2 - The time set aside for processing matches released in January 2019. (25 days) NFI Transliteration Pilot - Contributions to a pilot exercise to enhance NFI matching process by incorporating transliteration technology and research to NFI data to identify other unrecognised matches. (5 days)	30
As part of the pro-active counter fraud programme for 2019/20 targeted testing will be carried out in several areas within the Adult Financial Services Team. Scope of areas still to be determined.	10
Probity Checks on Deputyship accounts - To perform sample testing on bank transactions relating to deputyship accounts to ensure they are legitimate.	10
Parking Tickets - Data focussed review of Parking Ticket income against issuing authority records, to identify incomplete income collection, and incorrectly allocated income collection.	6
Delayed and Incomplete Banking - Root Cause Analysis (RCA) investigation into sample of 5 areas of the Council where banking is identified as being incomplete, or not matched. To be undertaken on periodic basis throughout the year.	10
MHCLG Procurement Fraud - A paper on Procurement Fraud is expected detailing recommended action and preventative measures. Time has been put aside for reviewing this paper and commence follow up actions.	6
Chasewater Innovation Centre (including the country park) - More machines have been introduced at Country Parks to collect car parking fees and management would like a review of the procedures for income collection and banking.	5
Countryside Estate: Deer Callout Service - Rangers receive an additional payment for being called out to attend a deer where it has been injured in some way i.e. car collision. Management has requested assurance on the procedures and processes in place for the Deer call out service.	5
Schools Fixed Penalty Notices to Parents - A new business process in place and service would like a light touch review of compliance with new processes.	6
Total Days	**88**

Investigation	
Continue to undertake investigative work when issues of concern are identified through routine audit, reported by management or via the whistleblowing processes in place	200
Total Days	**200**
Grand Total (Days)	**455**

Appendix D – Staffordshire Pension Fund Internal Audit Plan – 2019/20

Local Government Pension Scheme (LGPS) Asset Pooling	15	In the July 2015, the government announced its intention to introduce a new regulatory framework which would facilitate collective investing. Following this, a joint proposal was developed with several Midland LGPS funds with combined assets of £35m to form an investment pool. In November 2016, the LGPS central has been formally approved as a Local Authority Pension Fund Pool. LGPS Central Limited has been set up (Private company) to act as an alternative investment fund manager to run and operate one or more collective investment vehicles to allow the administering authorities to pool their respective investments. The company is also authorised by the Financial Conduct Authority (December 2017). In 2018/19 extensive work was undertaken to develop the Pensions Assurance Framework for LGPS Central. This highlighted the need for the Partner Fund Internal Audit (IA) Functions to undertake individual audits, such as transitions as well as collective audits. In 2019/20, SCC Internal Audit function will undertake a review of the Governance Arrangements for LGPS Central on behalf of all the Partner Fund Internal Audit (IA) Functions. (10 days) In addition to the above, time is required in 2019/20 to maintain the Pensions Assurance Framework (SCC IA team to act as the lead authority for this) and to attend meeting throughout the year with the other Partner Fund IA Functions. (5 days)
Pooled Investments (LGPS Central)	10	In 2019/20, Internal Audit work will be undertaken to provide assurance over the transitions that have taken place into LGPS Central (the pool).
Pension Fund – Governance (SCC Local Arrangements)	10	New Pension Regulations came into force on 1st April 2015, which brought with it the Pensions Regulator and the Pension's Regulator's code of practice. These Regulation also introduced the requirement for new pension fund governance arrangements i.e. a pensions board. Our work in 2018/19 gave positive assurance. However, continued assurance is required in 2019/20 over the Pension Fund Governance arrangements including: continued compliance with the Public Service Scheme CoP and Public Service Regulatory Strategy in relation to Disclosure of Data; Maintenance of a Breaches Log, review of the monitoring process for covenant; review of policies and the development of a training plan for Pensions Committee Members. In additions, links between the LGPS Central governance arrangements (the pensions Pool) and our own Council's arrangements will also be reviewed.
Pension Fund - Pensions Administration	30	To keep under review the arrangements in place for administering SCC's pensions scheme. This will include a review of payments due to and payments made from the pensions fund as well as the operation of the new software I-Connects and compliance with the GDPR.
Total No of Days	**65**	

Appendix E – Quality Assurance Programme

Quality Assurance

Quality outcomes/process designed to deliver a consistently high quality audit service to our clients – fit for purpose/ meets client expectations/conforms to PSIAS.

Quality Improvement Plan

CIA reporting to the Audit & Standards Committee on the outcome of quality assurance review, together with the improvement action plan and any significant areas of non-conformance to PSIAS included in the Annual Report/Annual Governance Statement.

Ongoing Monitoring

Quality checks and oversight are undertaken throughout the audit review, ensuring that processes and practice are consistently applied and working well.

Role of the CIA

- To develop and maintain the Quality Assurance Improvement (QAIP) and resultant action plan.
- Focus on evaluating conformance with the Internal Audit Charter.
- Arrange an External Assessment in-conjunction with the Audit & Standards Committee.

Role of the Audit Managers

- Obtain on-going assurance that the audit planning, fieldwork, conduct and reporting/communication results adhere to audit standard practice (as defined in the audit manual).
- Undertake audit supervision and review. The extent of supervision needed will depend on the proficiency and experience of the internal auditors and the complexity of the review.

Role of Individual Auditors

- Conduct all audit reviews in accordance with the requirements contained in the audit manual and PSIAS.
- Behave at all times in accordance with the PSIAS Code of Ethics and Code of Conduct.
- Promote the standards and their use throughout the Internal Audit Activity.
- Actively seek feedback for all reviews undertaken.
- Demonstrable commitment to delivering quality services.

In January 2018, the Service’s first External Quality Assessment of the Team was performed by the Chartered Institute of Public Finance & Accountancy (CIPFA). The one recommendation and three suggestions arising from the review were implemented during 2018/19.

Building a better
working world

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Chief Executive
Staffordshire County Council
County Buildings
PO Box 11
Martin Street
Stafford
ST16 2LE

25 April 2019

Ref: Fee Letter/1920

Direct line: 07342 021990

Email: jburgess3@uk.ey.com

Dear John

Annual Audit fees 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year at Staffordshire County Council (SCC) and the Staffordshire Pension Fund (SPF).

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fees for covers the following:

- Audit of the financial statements (SCC and SPF);
- Value for money conclusion (SCC only); and
- Whole of Government accounts (SCC only).

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- The preparation of group accounts;
- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

For both the County Council and Pension Fund we have set the indicative fees based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £	Actual fee 2017/18 £
Total Code audit fee for Staffordshire County Council	84,511	84,511	144,310 *
Total Code audit fee for Staffordshire Pension Fund	22,050	22,050	28,637
IAS 19 assurances fee (SPF only)	TBC	5,500 **	5,500
Non-Audit work	N/A	N/A	N/A

* The 2017/18 audit fee included scale fee variations totalling £34,555 which was approved by PSAA for additional audit work including that undertaken by EY property valuer and IT specialists.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

** All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed quarterly as follows;
Staffordshire County Council; 1 instalment of £21,127 followed by 3 instalments of £21,128
Staffordshire Pension Fund: 1 instalment of £5,511 followed by 3 instalments of £5,513.

Audit plan

We expect both audit plans to be issued in March 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and Resources and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Chair of Audit & Standards Committee and the Pension Committee.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet ‘EY working with you’ which is enclosed.

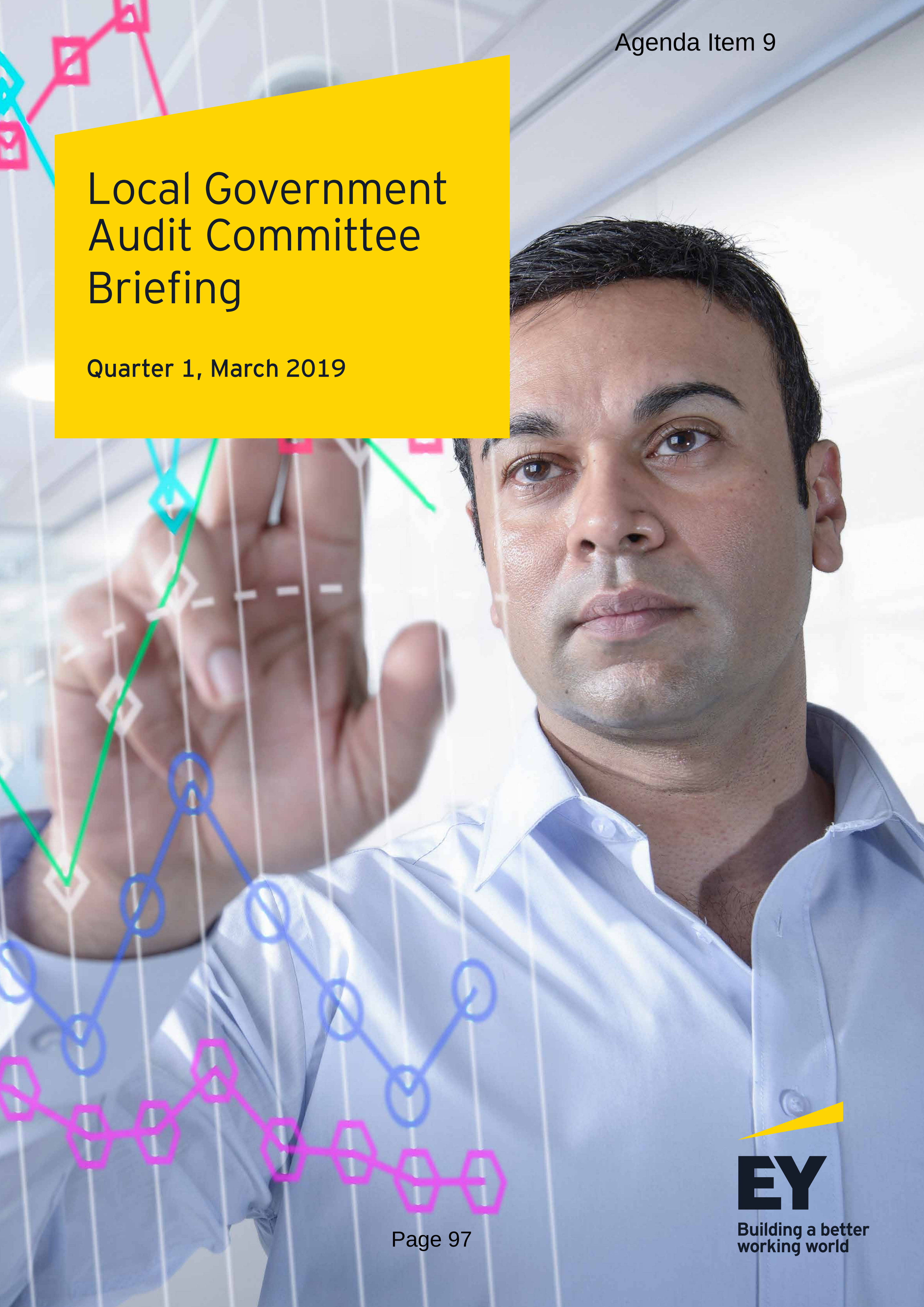
We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

S R Clark

Stephen Clark
Partner
For and on behalf of Ernst & Young LLP

cc. Suresh Patel, Associate Partner (for Staffordshire Pension Fund)
Rob Salmon, Deputy Director of Finance
Councilor Martyn Tittley, Chair of Audit & Standards Committee.
Melanie Stokes (Head of Treasury and Pension Fund)
Colin Greatorex (Chair of Pension Committee)



Local Government Audit Committee Briefing

Quarter 1, March 2019

EY
Building a better working world

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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation and the Local Government sector as a whole.

This briefing is produced by our national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

This briefing brings together not only technical issues relevant to the Local Government sector but also wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.

Government and economic news

EY Club Item

The EY ITEM Club's winter forecasts describe the UK economy as being 'mired in a Brexit fog'. The uncertainty arising from the lack of clarity around the timing and nature of the UK's withdrawal from the EU, along with the associated downside economic risks, contribute to a relatively gloomy outlook for the UK economy. This, in turn, has a number of significant consequences when applying a local government focus.

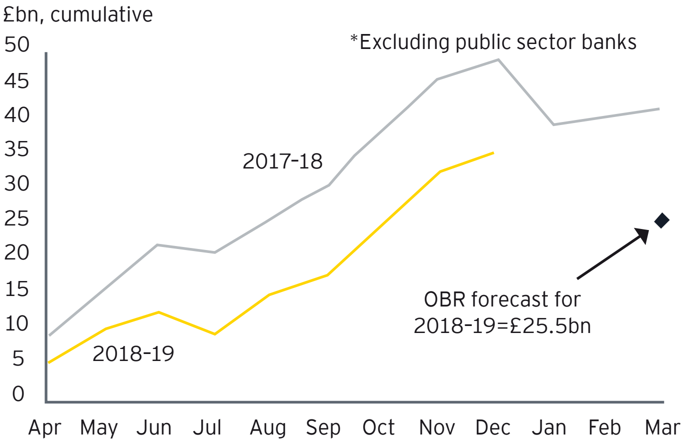
UK GDP grew 1.4% in 2018; the smallest rise since 2009. Under the assumption that the UK leaves the EU with a deal , growth is predicted to increase marginally to 1.5% in 2019, whilst a 'no-deal' scenario is projected to yield just 0.7% growth in 2019 (although there is significant uncertainty around this forecast). The initial economic shock, coupled with the current lack of capital investment and expected reduced migration, would adversely impact the level of UK economic activity in the long term.

Continued improvement to Public Sector Net Borrowing has not reversed the trend of rising local authority debt

Despite the UK's relatively slow recent economic growth, public finances have seen substantial year-on- year improvement over the fiscal year 2018/19 so far. This has continued the recent consistent pattern of the budget deficit – measured in terms of Public Sector Net Borrowing excluding banks (PSNBex) – coming in below the projections made by the Office for Budget Responsibility (OBR).

This has led the OBR to substantially revise down its forecasts for underlying government borrowing over the medium term. However, local authorities are continuing to take advantage of the powers granted under the Localism Act, allowing them to apply to borrow money cheaply from central government and provide capital support to LATCOs and Housing Associations. This has seen annual borrowing by local authorities double in just two years to £10bn in 2017/18, with total outstanding local authority debt approaching £100bn. Many local authorities are thereby exposed to the risk of a borrower defaulting, or a fall in asset prices if they have utilised debt to fund such acquisitions, a risk that is exacerbated by Brexit. This is substantiated by increased borrowing activity from the PWLB; the February 2019 rolling year to date figure borrowed from PWLB stands at £8.2bn, compared to £4.4bn at the same point in 2018. Whilst a number of local authorities are using the capital to fund integral activities such as regeneration schemes, a number are also restructuring their financing through converting shorter term debt into longer term borrowing.

Figure 1: UK — Public sector net borrowing



Source: EY ITEM Club

Public sector investment may form a crucial component in revitalising the economy

Whilst rhetoric from the government has suggested ‘an end to austerity', few firm commitments have been made to provide further funding to local government. However, the impact of Brexit, along with the need to deliver a number of core policy pledges (especially focused towards housing, regeneration and public health), may see an increase in public sector investment in the years ahead. Private consumption and investment is likely to be below the levels they otherwise would be, and public spending could contribute to making up this shortfall.

In addition to increasing consumer confidence, this may help to offset the effects of an anticipated interest rate rise in 2019, which – all else equal – would be expected to encourage saving and reduce consumption and investment in the short term.

Homelessness is at record levels

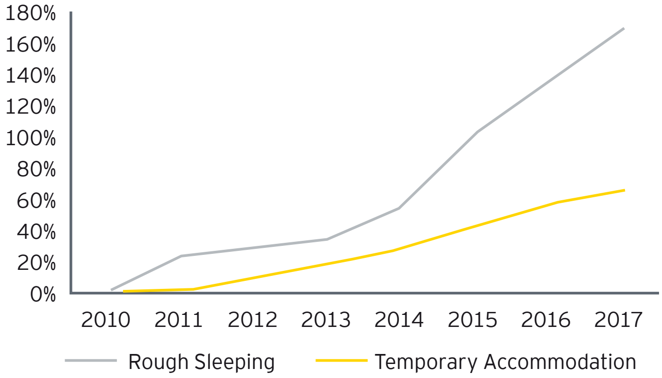
In a single night in autumn 2018, 4,677 people were counted or estimated to be sleeping rough across England. This represents an increase of 65% since 2010. Other sources, such as the charity Crisis, suggest that the true number may be much higher.

The task increasingly falls on local authorities to find new ways to deal with the growing problem of homelessness. The Homelessness Reduction Act 2017 introduced new duties to provide prevention and relief for homelessness for anyone eligible for public funds – not just those who are unintentionally homeless and have priority needs.

Rough sleeping is just one form of homelessness. On 30 June 2018, 82,310 households were in temporary accommodation. There are also likely to be many families living in unsuitable housing, sofa surfing, or staying with family and friends.

The most common reason for homelessness is the end of private tenancy. Tenancies can end for a range of reason; often the cause is the tenant becoming unable to able to pay their rent – either because their income (from benefits or work) decreases, joint incomes being split through separation, or rising rental costs.

Figure 2: %Increase in Homelessness, England 2010–2017



Source: MHCLG Homelessness Data (www.gov.uk)

Rent controls may ease affordability

What can be done to make housing more affordable? One possible solution is rent controls. By capping rents – or increases to rents – rent controls can reduce the costs of housing for tenants whilst preventing landlords from making excessive profits. Recently, there been calls for the Government to devolve the power to implement rent controls to local authorities, enabling them to set controls at the level required by the area.

The main argument against rent controls is that they distort the market. Those fortunate to be housed benefit from lower rents, but supply drops, making it harder to find housing in the first place. Providing rental properties becomes less attractive to landlords and developers; they may choose to invest less in maintaining or upgrading properties or sell them, reducing the size of the rental market.

Opponents to rent controls also argue that they discourage investment, reducing the quality of rental homes, and lead to more ancillary costs being passed on to tenants. Supporters, on the other hand, argue that the rental market is already distorted. Under this line of argument, landlords have market power through monopolistic competition that allows them to restrict the numbers of homes available, driving up the price (and their profits). By pushing the price back down, rental controls would force landlords to seek profits through increasing supply instead.

Ultimately, more homes are needed — and soon

The underlying problem with rent controls is that they focus on the symptom, not the cause. In order to address the housing shortage and reduce homelessness, local authorities need to focus on increasing housing supply.

Last year, the Government removed Housing Revenue Account borrowing caps, enabling district and unitary councils to finance more new developments. Only one in ten such authorities built any homes last year. Of the 340,000 new homes estimated to be needed in 2017/18, only 222,000 were built. A rapid shift toward large- scale house building is now possible, but it requires boldness and ambition — and a willingness to tackle the negative associations of council housing.

The house-building market is dominated by a small number of large firms, and some argue that reducing barriers to entry could help stoke competition. Releasing smaller plots of public land could help small builders enter the market and subsidies or policy intervention could encourage the introduction of innovative, new construction techniques. Other ideas include intervening where properties have not been occupied for large periods or supporting community- led housing groups. With Brexit likely to compound problems in the housing market, it's imperative that local authorities take positive action now.

2019/20 Local Government Settlement

On 29 January the Government confirmed the Local Government Finance Settlement for 2019/20. The settlement is the annual determination of funding allocations from central government to local government.

Key elements of the finance settlement include:

Council Tax

Authorities will be able to increase council tax for 2019/20 up to a maximum of 3% without the need for a local referendum. For shire district authorities, a higher limit of either 3% or £5 on a Band D bill applies. In addition, social care authorities are allowed to increase council tax by a further 2% (provided that the precept does not exceed a maximum of 6% increase over the three year period from 2017/18 to 2019/20). During consultation, the preference of many local authorities was for the council tax referendum level to be removed altogether, however the view of the government is that this level of flexibility should be sufficient to address local needs, whilst protecting households from excessive increase in council tax.

Business Rates

£180 million surplus in the business rates levy account was achieved in 2018/19 and will be distributed to authorities based on the local authority's 2013–14 Settlement Funding Assessment. The Secretary of State confirmed the aim to introduce 75% Business Rate Retention for all local authorities from 2020/21 Fifteen local authorities, London boroughs and the City of London Corporation will pilot certain aspects of the 75% Business Rate Retention scheme in 2019/20 prior to full implementation in 2020/21.

Social Care

The Government has confirmed £240 million of adult social care winter pressures funding in both 2018/19 and 2019/20. Local authorities will also receive an additional £410mn social care grant in 2019/20 to support both adult and childrens social care services. This grant is aimed at preventing additional demand on the NHS.

New Homes Bonus

The payment threshold for New Homes Bonus will remain unchanged at 0.4%. This threshold represents the baseline housing growth required by central government to qualify for New Homes Bonus funding. Central government will be providing an additional £18 million to allow this baseline to remain unchanged.

On top of these financial measures, the Government also announced that it was developing a package of support to help councils become more efficient and achieve better service outcomes. A continuous improvement tool is expected to be launched in Spring 2019.

The Government also confirmed that it is likely to implement the Fair Funding Review in April 2020. This review will impact how funding is allocated and distributed across local authorities. It is expected the review will focus on population, deprivation and sparsity as the main cost drivers. The government closed consultation on how the fair funding review will work in practice on 21 February 2019. The areas of focus in the consultation included options to implement a relative needs assessed funding formulae and options to measure the council tax base.

The Local Government Association (LGA) has responded to the finance settlement by stating that, overall, local authorities will still face a £3.2bn funding gap during 2019/20. The finance settlement saw some welcomed extra funding in relation to social care; however this one off funding is not an answer to the long term sustainability of the social care sector. This settlement is the final year of the existing four year offer. The LGA has raised concerns that there is no clarity over funding levels after March 2020, which hampers meaningful financial planning

The Chartered Institute of Public Finance and Accountancy (CIPFA) has responded to the settlement by calling on central Government to consider policy options for longer term reform in order to increase financial sustainability across the local government sector, including fire and police bodies.

Additionally, CIPFA have welcomed the Secretary of State's concern over some local authorities that are borrowing in advance of need to purely create profit which does not 'sit right' with the council's obligation to be prudent and the primary purpose to deliver services. It is estimated that over the past two years local authorities have in total spent £1.8bn on investment properties. This is a six times increase compared to 2013/14 levels of spending. Returns from investment properties are exposed to the volatility of market conditions. This introduces a level of risk into local authority budgets, as authorities may become over reliant on rental income to finance services for the public. There is an even greater risk if the initial investment was financed through borrowing; if the markets were to take an unfavourable turn, then it would be left to the council tax payers to foot the bill. It is for this reason that CIPFA has urged authorities to take a balanced and proportional approach to commercial ventures.

Council Tax Increases for 2019/20

Local authorities have established their annual budget for the 2019/20 financial year beginning 01 April 2019. An integral part of setting a balanced budget is the determination of the appropriate level of council tax. Council tax is a key source of funding for local authorities.

CIPFA has conducted a Council Tax Survey based on responses from 312 local authorities in England. The results of the survey concluded that 80% of authorities increased council tax by the maximum amount allowable of 2.99% without triggering a local referendum. The average band D council tax bill for English authorities increased by £75.60, equivalent to 4.5%, for 2019/20. This is the second largest increase of council tax that has occurred in the previous ten years.

The CEO of CIPFA has commented that the extent of council tax increases is a reflection of the 'incredible fiscal pressure' faced by local authorities. CIPFA has called on central Government to take decisions to secure the future funding of local authorities as 'council tax is regressive, and increasingly divorced from the reality of property values'.

Accounting, auditing and governance

NAO report: Local Authority Governance

The National Audit Office (NAO) has published a report on local authority governance. The report examined the pressures faced by local government governance systems, the extent to which local governance arrangements function as intended and whether the Ministry of Housing, Communities and Local Government (MHCLG) is fulfilling its responsibilities as steward of the system.

Key findings of the report were that:

- The risk profile faced by many local authorities has increased due to reduced spending power, increased demand for services and increased commercial activity in order to generate new income streams. External auditors have indicated that risk profiles were 37% higher in 2017/18 as a result of these activities.
- Effective governance arrangements are important to ensure financial control at times of financial pressure. Local authorities are accountable to their communities on how monies are spent and ensuring that spending represents value for money. Good governance means that proper arrangements are in place to ensure effective budgetary control and budget setting scrutiny.
- Concerns have been raised by external audit firms on the effectiveness of internal checks and balances; including the effectiveness and sustainability of internal audit, governance arrangements and the adequacy of risk management processes.
- Over half of section 151 officers requested greater focus from external audit on value for money conclusion and less on capital assets.
- MHCLG has the ability to intervene where it has concerns over governance arrangements; however the process for engagement is not transparent.

The NAO report recommended that MHCLG should adopt a stronger leadership role to oversee and coordinate the key aspects of the governance framework.

CIPFA's Chief Executive Officer welcomed the report stating that no authority should remain complacent with their current governance arrangements, given the significant financial and delivery challenges authorities face. The report also found that while 87% of s151 officers who report directly to the Chief Executive responded as they were able to provide unfettered advice to the senior leadership team, this dropped to 52% where s151 officers who responded as not having a clear reporting line. CIPFA has called for all s151 officers to be placed in a position where they can directly report any concerns they may have to the senior leadership team.

Accounting Standard IFRS 16: Leases — change of timetable

The Government's Financial Reporting Advisory Board (FRAB) has decided to defer the implementation of the new Accounting standard IFRS 16 Leases until 01 April 2020, which is one year later than originally intended. The CIPFA/LASAAC Local Authority Accounting Code Board has similarly agreed to delay the implementation of IFRS 16 in the Local Government Code of Practice until 01 April 2020 for local government bodies. This decision was made to avoid the additional work load caused by the Whole of Government Accounts data collection process and to finalise the approach relating to the subsequent re-measurement of right-of-use assets.

CIPFA/LASAAC have encouraged local authorities to continue to progress their plans for the implementation of the new standard including to ensure that local authorities have the appropriate information, processes and systems in place.

CIPFA: Streamlining of the accounts

CIPFA, in conjunction with the Society of London Treasurers and external audit firms, has prepared guidance for local authorities, aimed at chief finance officers and heads of finance, on how to streamline the authority's annual financial statements; including the year end closure processes and format of the published financial statements.

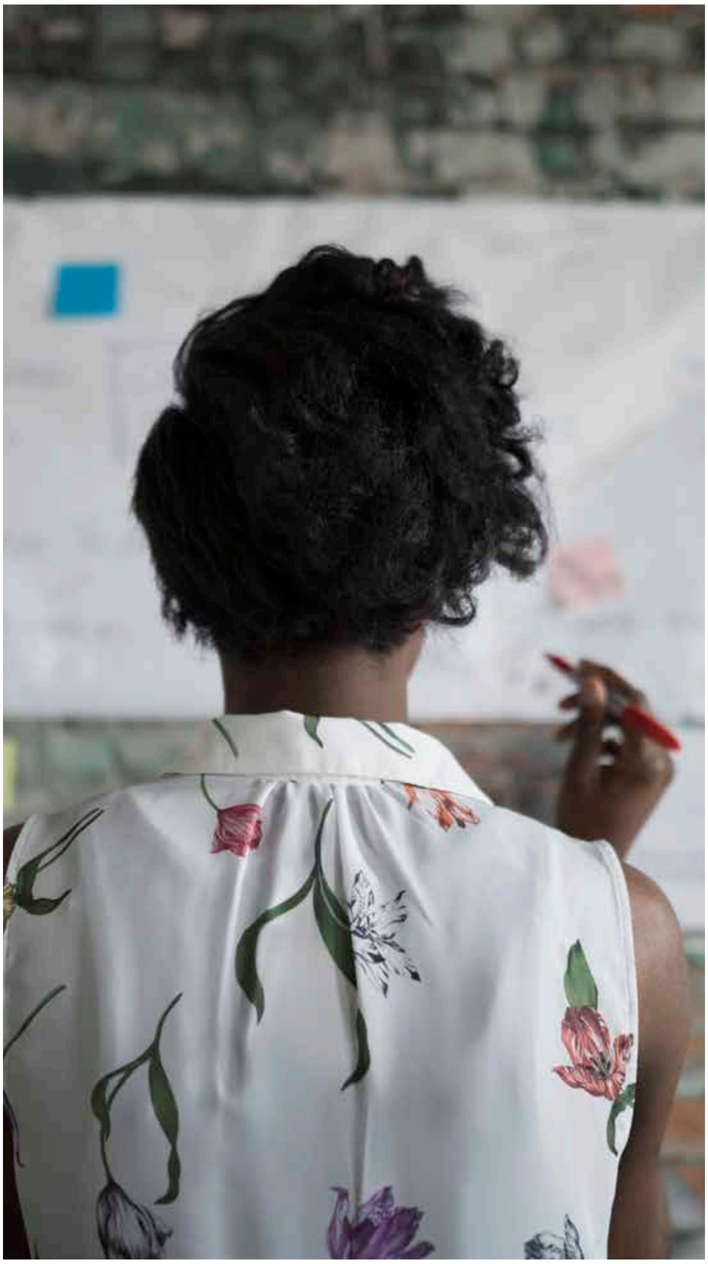
Aspects covered by the guidance include using materiality to avoid key messages being obscured by excess detail, reviewing accounting policies so that only relevant information is included and consideration of the presentation and layout of the financial statements themselves.

The key benefits to local authorities for stream lining their financial statements and year end closure processes include:

- More accurate in year information.
- Reduced time to prepare the accounts.
- Enhanced reputation of the finance function.
- Smoother external audit process.

The report includes guidance on how to prepare working papers with sufficient and appropriate audit evidence, which will inevitably reduce delays/issues during the external audit process and a pre-audit checklist on the draft year-end accounts.

This guidance is available free from CIPFA's website and is based on information as per Public Sector Accounts Workshops.



Regulation news

Financial Resilience in English Authorities

CIPFA have released a briefing on the financial resilience index for local authorities in England. The index provides aggregated statistics on councils across a range of indicators including ‘change of reserves’, ‘council budget flexibility’ and ‘reserves depletion time’. A beta version of the tool has been shared with authorities.

The index indicated that the majority of authorities had a stable financial position and were not showing signs of potential risk to their financial stability. This demonstrates that the majority of authorities have shown effective financial management in a challenging context given the pressures that authorities have faced in the past years and continue to face.

However, approximately 10–15% of authorities showed signs of risk to their financial stability. CIPFA have stated that they will discuss professional support to the Chief Finance Officer’s of the authorities affected. CIPFA believes timely, transparent and clear advice to these authorities, can be effective in stabilising these authorities before it is too late.

The NAO has also recently developed a financial sustainability visualisation tool based on the data published by MHCLG over the past seven years. The tool is useful to clearly visualise trends within the local government sector by individual authority. The NAO has highlighted that whilst the data in the visualisation can provide a relevant assessment of the financial sustainability of individual authorities it by no means represents a full assessment. The purpose of the tool is to facilitate comparison between individual authorities or groups of authorities.

Key questions for the Audit Committee

EY Club Item

Is your authority prepared for the different scenarios on the UK's exit from the EU?

Is your authority exposed to risk of borrowers' default, if there is a fall in asset price?

How is your local authority dealing with the growing problem of homelessness?

2019–20 Local Government Settlement

Has your authority considered the impact of the 2019-20 finance settlement? How has this been reflected in budget setting and medium term financial planning?

Does your authority have a balanced and proportionate approach to commercialisation ventures?

Has your authority considered the potential impacts from the Government's Fairer Funding Review, and if so what those impacts will have on your authority?

NAO report: Local Authority Governance

Is your authority satisfied that appropriate governance arrangements are n place?

Does your s151 officer have the ability to raise concerns directly with the senior leadership team of the authority?

Accounting Standard IFRS 16 Leases

What plans does the authority have in place to ensure it will be ready to implement the IFRS 16 new accounting standard when it becomes effective on 1st April 2020? Does the authority have the appropriate information, processes and systems in place?

CIPFA: Streamlining of the accounts

How has the authority reflected on the first year (2017–18) of the faster close accounts deadline?

How has the authority considered what improvements and efficiencies can be achieved for the current year (2018–19)?

Has the authority reviewed how it can streamline its financial statements and year end closure processes?

Financial Resilience in English Authorities

What was the outcome of CIPFA's financial resilience index for your authority? What are the medium term risk to financial resilience of your authority?

Has your authority used the NAO's financial stability visualisation tool to identify the risks to financial stability compared to similar authorities?

Find out more

EY Club Item

https://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy

2019–20 Local Government Settlement

https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2019-to-2020-written-statement

https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201920-day

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement-201920

https://www.thebureauinvestigates.com/stories/2018-12-04/councils-borrow-billions-to-buy-real-estate

Council Tax Increases for 2019/20

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/council-tax-increases-in-england-to-be-second-highest-in-10-years

NAO report: Local Authority Governance

https://www.nao.org.uk/report/local-authority-governance-2/

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-response-to-nao-report-on-local-government-governance

Accounting IFRS 16: Leases – change of timetable

https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board

Financial Resilience in English Authorities

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-releases-briefing-on-financial-resilience-index

https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/

CIPFA: Streamlining of the accounts

https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel

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ED None

EY-000090644.indd (UK) 03/19. Artwork by Creative Services Group London.

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Local Members' Interest
N/A

Audit and Standards Committee – Wednesday 12 June 2019

Deprivation of Liberty Safeguards

Recommendations:

Following the recommendations made and agreed by Cabinet in May 2019 in respect of the Local Government and Social Care Ombudsman report dated March 2019 it was agreed that the report would also be considered by the Audit and Standards Committee. Cabinet agreed to:

a. Review the legislation amending the Mental Capacity Act 2005 and the associated codes of practice in relation to Deprivation of Liberty Safeguards when finalised.

b. Produce an action plan to implement this legislation in compliance with the recommendations of the Local Government and Social Care Ombudsman as set out in paragraph 18 and on page 3 of their final report dated 8 March 2019.

c. In the interim amend the approach to Deprivation of Liberty Safeguards to complete full assessments on medium and low priority cases if resources allow and use additional one-off funding to support new full assessments and reduce the back-log of full assessments.

d. Extend the Deprivation of Liberty Safeguards triaging process to community deprivation of liberty and prioritise assessments that are high priority individuals.

Report of the Director of Health and Care

Reasons for Recommendations:

Deprivation of Liberty Safeguards

1. The Mental Capacity Act 2005 (MCA) was introduced in April 2007 and fully implemented in October 2007. It is a statutory framework to protect people who may lack the capacity to make certain decisions – it makes it explicit when public bodies must make decisions on a person's behalf because they are unable to do so and makes it a duty for public bodies to make those decisions in the person's best interests.

2. It was recognised at the time that there was a gap in the provisions of MCA, relating to people (who were not eligible for detention under the Mental Health Act) who needed to be deprived of their liberty in a hospital or care home in order to provide their treatment and care safely and effectively. Specifically, MCA did not grant powers to allow this deprivation to occur, nor did it put safeguards in place to protect people in this situation.

3. The Mental Health Act 2007 (MHA), which received Royal Assent in July 2007, included an amendment to the MCA to introduce additional Deprivation of Liberty Safeguards to fill this gap from 1st April 2009.

4. The Deprivation of Liberty Safeguards (DoLS) provide additional protection for the most vulnerable people living in residential homes, nursing homes or in hospitals; they enshrine in law the requirement that care will always be provided in a way that is consistent with the human rights of people lacking capacity, who are not otherwise protected or safeguarded through the use of the Mental Health Act or Court of Protection powers.

5. DoLS apply to people:

   a. aged 18 and over;
   b. who suffer from a mental disorder or disability of the mind – such as dementia or a profound learning disability;
   c. are in hospitals or care homes whether placed under public or private arrangements;
   d. who lack the capacity to give informed consent to the arrangements made for their treatment and / or care;
   e. for whom deprivation of liberty is considered, after an independent assessment, to be necessary in their best interests to protect them from harm.

6. DoLS were designed to protect the interests of an extremely vulnerable group of service users and to:

   a. ensure people can be given the care they need in the least restrictive regimes;
   b. prevent arbitrary decisions that deprive vulnerable people of their liberty;
   c. provide safeguards for vulnerable people;
   d. provide them with rights of challenge against unlawful detention; and
   e. avoid unnecessary bureaucracy.

7. If there is no alternative but to deprive such a person of their liberty, the DoLS require that a hospital or care home (the Managing Authority) must apply to the Local Authority for authorisation. The Local Authority is known as the Supervisory Body.

8. The Safeguards add an extra requirement for Independent Mental Capacity Advocates (IMCAs) to represent people's interests throughout the assessment process (if the people being assessed have nobody other than paid carers to fulfil this role or as a support to those family members/friends). The Local Authority has a duty to ensure that the IMCA service is commissioned to meet this requirement.

9. On the 19 March 2014 a Supreme Court judgement in P v Cheshire West and Chester Council and another and P and Q v Surrey County Council changed the definition of what constituted a deprivation of liberty as defined within the Mental Capacity Act 2005. A wider definition of restrictions - defined as being: "*The person is under continuous supervision and control and is not free to leave, and the person lacks capacity to consent to these arrangements*".

10. This decision resulted in a significant increase in DoLS requests to all Local Authorities in England. In 2017/2018 there was a seventeen-fold increase to about 227,400 requests, from 13,000 requests in 2013/14. Nationally there is a backlog of 126,000 DoLS applications.

11. This resulted in many Local Authorities prioritising DoLS applications in order to ensure that the highest priority people could be given a full assessment. The Association of

Directors of Social Services produced guidance to assist Local Authorities with the prioritisation process.

12. The Law Commission in 2017 recommended that the DoLS be repealed and replaced. The current legislative framework has been deemed not fit for purpose. The Mental Capacity (Amendment) Bill has now passed through the houses of parliament and has received Royal Assent. This is expected to come into force in 2020 although no specific date has been announced. Consultation relating to the associated Code of Practice is expected over the summer. An amended impact assessment is expected shortly (June 2019) which will contain resource information relating to the new legislation. (Information relating to the replacement legislation can be found in Appendix c).

Management of Deprivation of Liberty Safeguards in Staffordshire

13. All applications for DoLS are initially assessed by a social care professional and triaged into three categories: high, medium and low (Appendix B). Cabinet decided in 2016 to proceed to full assessments only for those applications considered high priority in order to focus limited resources and ensure that full assessments could be completed for the most vulnerable and highest risk individuals.

14. An example of a high priority referral is Mr A who has indicated that he wishes to move from the care home he has been placed in following discharge from hospital and wants to return to live at home. Mr A is getting very upset and unsettled and constantly attempts to leave the care home to go home. Currently he remains in the care home following a recent review. An example of a low priority referral is Mrs B who chose to move into a care home six years ago following a decline in her general health and wellbeing. Mrs B who now lacks capacity is settled in the care home with regular contact with family.

15. In 2018/19 the Council had 3451 applications for DOLS, of which 1153 (33%) were triaged as high priority. 1144 full assessments were completed during this 12-month period. The backlog of full assessments at 31 March 2019 from this and previous years is shown in table 1.

Table 1: backlog of DOLS full assessments at 31 March 2019

High priority	**88**
Medium priority	**656**
Low priority	**2827**
Total	**3571**

Local Government Social Care Ombudsman (LGSCO) investigation

16. During 2018 the LGSCO launched an investigation into management of DoLS in Staffordshire. This was in the absence of any complaint or specific concern about risk to any individual and arose after the prioritisation process came to their attention during their work on another enquiry.

17. The findings of the LGSCO investigation were published in March 2019. The report states:

The Council has acted with fault in deciding not to assess low and medium priority Deprivation of Liberty Safeguards applications. The Council is also taking too long to deal with urgent applications. This is causing a potential injustice to the thousands of people in its area who are being deprived of their liberty without the proper checks that the restrictions they are subject to are in their best interests.

The Council decided to stop assessing a majority of DoLS requests in response to financial pressures. This is fault because the Council is failing to comply with the legislation and guidance that is currently in place, the Mental Capacity Act 2005 and DoLS Code of Practice.

This is causing a potential injustice to about 3,000 people who have had no or delayed access to the proper legal process designed to check that any decision to deprive a person of their liberty is:

- *properly made;*
- *lawful; and*
- *implemented for only as long as necessary.*

18. The report acknowledges comments made by the Council:

The Council says it considers no individual has complained about the Council's policy. It also says that:

- *the Council's triage system ensures no harm to individuals is likely because it assesses those cases where there is a real possibility that a person may be deprived of their liberty inappropriately;*
- *in the unlikely event a person was deprived of their liberty inappropriately, they would have a court remedy and would probably be entitled to compensation.*

19. The LGSCO made the following recommendations – set out on page 3 of their report:

a. An action plan should be produced to set out how Staffordshire County Council is going to deal with DOLS requests in compliance with amended legislation once in force and how it is going to deal with the backlog of unassessed DoLS requests.

b. This action plan should be produced within three months of the amendment to the Mental Capacity Act 2005 being finalised by Parliament.

c. The action plan should take into account any changes to the law and Government guidance.

d. The action plan should include a mechanism for addressing those cases where the request is eventually not approved, and an unlawful deprivation of liberty has had a potentially harmful impact on that person.

e. Staffordshire County Council should review the action plan should there be any further changes to the law or Government guidance.

Next Steps

20. The Council accepts the findings and recommendations of the LGSCO and will implement the recommendations as set out in paragraph 18 and on page 3 of their final report dated 8 March 2019.

21. The Council maintains that the process of initial assessment, triage and then full assessment focused on high priority cases is appropriate and in line with practice elsewhere. This process has been managing risk effectively and there is no evidence that any harm has arisen or that any individual has suffered an injustice.

22. The additional cost of completing full assessments for all new DOLS applications would be £1.5m to £2.0m annually, and the additional cost of completing full assessments for the backlog of medium and low priority applications would be in the range of £1.5m to £2.0m as a one-off sum. The Council does not consider that this is a priority for use of limited resources and will therefore continue with an approach of focusing full assessments on those applications considered high priority.

23. Currently available funding for DOLS of £250,000 for Best Interests assessors (BIA) annually will be maintained and the recommendation is that if resources allow then full assessments will be extended to medium and low priority applications. £50,000 of one-off funding will be made available to add additional resource into the DoLS team to support new full assessments and reduce the back-log of full assessments.

Deprivation of liberty in the Community

24. Deprivation of liberty may also occur in people’s homes where the State is responsible for making arrangements for their care. Deprivation of liberty in settings outside of care homes and hospitals must be authorised by the Court of Protection.

25. The Council has around 450 people with a learning disability in supported living arrangements and other community settings to whom a community deprivation of liberty may apply. Each community deprivation of liberty assessment with an application to authorisation to the Court of Protection takes around 37 hours. As a part of the process the Council is required to provide evidence of ‘unsoundness of mind’, which must be completed by a medical professional, and for which there is an additional fee of around £100. There is also a requirement to pay an application fee of £400 to the Court of Protection. The Court of Protection may authorise community deprivation of liberty for up to 12 months, at which point a further application must be made.

26. There have been 31 requests by a single care provider for the Council to undertake community deprivation of liberty assessments, alongside further requests from solicitors acting on behalf of individual people. 25 community deprivation of liberty applications have been authorised by the Court of Protection and a further 18 are currently ongoing.

27. In order to ensure that community deprivation of liberty assessments can be completed for the most vulnerable and highest risk individuals the recommendation is to extend the DoLS triaging process to community deprivation of liberty and prioritise assessments that are high priority. This was agreed by cabinet.

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List of Background Papers/Appendices:

Appendix A - Local Government and Social Care Ombudsman Report
Appendix B - Prioritising Tool
Appendix C - Information on MCA Amendment Bill
Appendix D - Community Impact Assessment

Local Government &
Social Care
OMBUDSMAN

Report by the Local Government and Social Care Ombudsman

Investigation into a complaint against Staffordshire County Council (reference number: 18 004 809)

8 March 2019

The Ombudsman’s role

For 40 years the Ombudsman has independently and impartially investigated complaints. We effectively resolve disputes about councils and other bodies in our jurisdiction by recommending redress which is proportionate, appropriate and reasonable based on all the facts of the complaint. Our service is free of charge.

Each case which comes to the Ombudsman is different and we take the individual needs and circumstances of the person complaining to us into account when we make recommendations to remedy injustice caused by fault.

We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- apologise
- pay a financial remedy
- improve its procedures so similar problems don’t happen again.

Section 30 of the 1974 Local Government Act says that a report should not normally name or identify any person. The people involved in this complaint are referred to by a letter or job role.

Report summary

Adult Social Care

Since May 2016 the Council unlawfully decided not to carry out assessments of low and medium priority Deprivation of Liberty Safeguards (DoLS) applications and significantly delayed assessing the remaining applications.

Finding

Fault causing injustice and recommendations made.

Recommendations

To remedy the injustice to those who may be affected, and to prevent similar problems from recurring, we make the following recommendations.

- The Council should produce an action plan for how it is going to deal with all incoming DoLS requests and the backlog of unassessed DoLS requests.
- The Council should produce the action plan within three months of the amendment to the Mental Capacity Act 2005 being finalised by Parliament.
- The action plan should take into account any changes to the law and Government guidance.
- The action plan should include a mechanism for addressing those cases where the request is eventually not approved, and an unlawful deprivation of liberty has had a potentially harmful impact on that person.
- The Council should review the action plan should there be any further changes to the law or Government guidance.

The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. ***(Local Government Act 1974, section 31(2), as amended)***

The complaint

1. Since May 2016 the Council unlawfully decided not to carry out assessments of low and medium priority Deprivation of Liberty Safeguards (DoLS) applications and significantly delayed assessing the remaining applications.

Legal and administrative background

The Ombudsman's role and powers

2. We may investigate matters coming to our attention during an investigation, if we consider that a member of the public who has not complained may have suffered an injustice as a result. ***(Local Government Act 1974, section 26D and 34E, as amended)***

3. We investigate complaints about 'maladministration' and 'service failure'. In this report, we have used the word 'fault' to refer to these. We must also consider whether any fault has then had an adverse impact on any person affected by the matters that came to the Ombudsman's attention. We refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. ***(Local Government Act 1974, sections 26(1) and 26A(1), as amended)***

The Deprivation of Liberty Safeguards (DoLS)

4. The Mental Capacity Act 2005 (and the Code of Practice 2007) describes the steps a person should take when dealing with someone who may lack capacity to make decisions for themselves. It describes when to assess a person's capacity to make a decision, how to do this, and how to make a decision on behalf of somebody who cannot do so themselves.

5. The Deprivation of Liberty Safeguards (DoLS) is an amendment to the Mental Capacity Act 2005 and came into force on 1 April 2009. The safeguards provide legal protection for individuals who lack mental capacity to consent to care or treatment and live in a care home, hospital or supported living accommodation. The DoLS protect people from being deprived of their liberty, unless it is in their best interests and there is no less restrictive alternative. The legislation sets out the procedure to follow to get authorisation to deprive an individual of their liberty. Without the authorisation, the deprivation of liberty is unlawful. It is the responsibility of the care home or hospital to apply for authorisation.

6. The Government issued a DoLS Code of Practice in 2008 as statutory guidance on how DoLS should be applied in practice. The Law Society published non-statutory guidance, *Identifying a deprivation of liberty: a practical guide* (April-2015) to help those involved with DoLS to understand the process.

7. The Supreme Court decided on 19 March 2014, in the case of P v Cheshire West and Chester Council and another and P and Q v Surrey County Council, that deprivation of liberty occurs when: "*The person is under continuous supervision and control and is not free to leave, and the person lacks capacity to consent to these arrangements*".

8. Once there is, or is likely to be, a deprivation of liberty it must be authorised under the DoLS scheme in the Mental Capacity Act 2005.

9. The 'managing authority' of the care home (the person registered or required to be registered by statute) must request authorisation from the 'supervisory body' (the local authority). There must be a request and an authorisation before a person is lawfully deprived of his or her liberty.

10. There are two types of authorisation: standard authorisations and urgent authorisations. Standard authorisations are made by the local authority.

11. On application, the supervisory body must carry out assessments of the six relevant criteria: age, mental health, mental capacity, best interests, eligibility and 'no refusals' requirements. A minimum of two assessors, usually including a social worker or care worker, sometimes a psychiatrist or other medical person, must complete the six assessments. They should do so within 21 days, or, where an urgent authorisation has been given, before the urgent authorisation expires.

12. Urgent authorisations are made by the managing authority of the care home in urgent cases only, for seven days, pending application for a standard authorisation or while awaiting a response to a standard authorisation request. In exceptional circumstances, a supervisory body can extend an urgent authorisation to a maximum of 14 days.

How we considered this complaint

13. We produced this report after examining relevant documents and written information provided by the Council. This includes:

- details of current and past backlog figures;
- the Council's guidance on prioritising DoLS requests; and
- sample requests, assessments and decisions.

14. We have also considered the Mental Capacity Act 2005 and associated statutory and non-statutory guidance.

15. The Council has had an opportunity to comment on a draft version of this report.

What we found

Background

16. While investigating another complaint, it came to our attention that the Council:

- decided in May 2016 not to carry out assessments for most of the DoLS requests it receives;
- was aware this does not comply with relevant legislation and statutory guidance;
- made the decision during an informal cabinet meeting, because of lack of financial resources; and
- had a backlog of 2,927 unassessed DoLS requests at the end of March 2018.

17. We considered the Council's actions may have caused an injustice to members of the public and decided to investigate this further, under Section 26D of the Local Government Act 1974.

18. The Council says it considers no individual has complained about the Council's policy. It also says that:

- the Council's triage system ensures no harm to individuals is likely because it assesses those cases where there is a real possibility that a person may be deprived of their liberty inappropriately;
- in the unlikely event a person was deprived of their liberty inappropriately, they would have a court remedy and would probably be entitled to compensation.

19. We decided to investigate this matter without individual complaints being brought to us because the people who are likely to be affected are vulnerable, may not be aware of their rights to complain or go to court, and may not be able to complain either in their own right or through representatives. Our conclusion below explains why we consider delay or a lack of assessment are in themselves an injustice.

National context

20. The 2014 Supreme Court judgment resulted in a significant increase in DoLS requests to local authorities across England. According to NHS Digital official statistics, there were 13,000 DoLS applications in England in 2013/14. In 2014/15, there was a tenfold increase to about 137,000 requests. The latest NHS Digital statistics say councils in England:

- received about 227,000 DoLS requests in 2017/18; and
- had backlogs totalling about 126,000 requests including 40% (about 48,500) received before 1 April 2017.

21. In response to the increase in demand for DoLS assessments, the association of directors of adult social services in England (ADASS) has published a screening tool to help councils prioritise DoLS requests. ADASS's introduction to the guidance cautions that the "*use of this tool must be balanced against the legal criteria for the Deprivation of Liberty Safeguards which remains unchanged*". The tool suggests criteria for prioritising requests into 'higher', 'medium' and 'lower' priorities. It does not suggest that councils should not carry out assessments for requests classed as medium or lower priority.

22. In March 2017, a Law Commission report recommended the DoLS be repealed urgently and replaced with a scheme which simplifies assessments and extends who is responsible for giving authorisations.

23. In July 2018, the Mental Capacity (Amendment) Bill was introduced to the House of Lords. It seeks to replace the DoLS with a new, simpler system called 'Liberty Protection Safeguards'. At the time of writing, Parliament has not yet passed the new legislation, which is subject to change. The Bill is likely to become law in 2019. If it is passed in its current form, it will mean that local authorities will still be responsible for authorising deprivation of liberty in care homes. However, care homes will be responsible for arranging the relevant assessments.

What happened

24. During an informal cabinet meeting in May 2016, the Council decided not to carry out assessments for the DoLS requests it classes as low or medium priority. The Council accepts this does not comply with legislation and statutory guidance and says it made the decision because of lack of financial resources. It says it has experienced a 14-fold increase in DoLS requests because of the Supreme Court judgment, but only has enough resources to deal with the numbers of requests it had before the judgment.

25. The Council created its own guidance for ranking DoLS requests into high, medium and low priority. The Council has based its guidance on the ADASS screening tool but the criteria are slightly different, so in practice, fewer requests are categorised as high priority. The Council says that it used an adapted version because:

- using the ADASS tool would mean classing most of the requests as high priority;

- it "*required a tool which would enable limited financial resources… to focus on those individuals in which the risks were perceived by a registered professional to be the greatest*".

26. The Council has a rota of staff who examine and prioritise all incoming requests. The staff are all professionals who should have the knowledge and experience to identify requests with the most risk. The Council also runs 'prioritisation moderation sessions' which should ensure consistency in prioritising requests. For the period January to March 2018, the average time to prioritise a request was three days, compared with six days in the period April to June 2017. These figures indicate the Council has quick oversight of all incoming requests. However, the professionals' judgement at this stage is based on the limited information provided by the managing authorities making the request.

27. The Council should be carrying out assessments for standard authorisation requests within 21 days. The Council has shown that, on average it has met or done better than the 21-day timescale since July 2017 when assessing standard requests it has classed as 'high priority'. However, it classes most of the requests as low or medium priority and does not assess them at all. Between 1 July and 31 December 2017, the Council assessed about 21% of all standard requests within 21 days. Between 1 January and 31 March 2018, this has increased to 26% of all requests. However, currently 74% of all standard requests are either not assessed at all or assessed late.

28. The Council on average takes 18 days to assess 'high priority' urgent cases. Again, most of the urgent requests are not assessed at all because the Council does not class them as 'high priority'. Currently, about 92% of urgent requests are either not assessed at all or assessed late.

29. The Council says that, on average, it currently takes 17 days to issue a 'not granted' decision. This is within the statutory timescale for standard authorisations but significantly longer than the seven days it should take to assess and grant or refuse an urgent request.

30. At the end of March 2018, the Council had a backlog of 2,927 DoLS requests for which it had not carried out the relevant assessments. This had increased to 3,033 at the end of June 2018, with the oldest unassessed request dated 11 August 2014. Without an authorisation in place, the people that are the subject of these applications are being unlawfully deprived of their liberty.

31. Since May 2016, the Council has closed 1,957 applications without assessment because a person has died before an assessment could take place.

32. The Council says the priority tool "is not designed to exclude individuals but prioritise the order in which assessments are completed". However, by deciding not to assess anything but high priority requests, excluding individuals is precisely what the Council is doing.

33. The Council says that, since July 2017, it has done the following to reduce its backlog.

    - Recruited more Best Interest Assessors (BIAs).
    - Direct learning and development work with BIAs.
    - Streamlined the assessment process and improved the way it assigns work to assessors.

34. The Council says this work is continuing and has so far led to a 59% increase in assessments, which is reducing the backlog. However, this only applies to those applications the Council classes as high priority. Other applications are still not being assessed.

35. Because the Council does not assess the majority of incoming requests, we simply do not know whether there are people waiting in the backlog who are wrongly being deprived of liberty when they actually have capacity or when less restrictive options are available.

36. The Council estimates it would cost about £3.5 million to clear the backlog and deal with all its incoming DoLS requests within statutory timescales. It says that:

- the only way it could find this money would be to reduce spending on other essential services;
- its elected Members are unlikely to be able to justify this to its local population, as the money would be spent on complying with legislation which is considered ‘not fit for purpose’ and which is being replaced; and
- even if the funds were available, the Council would not be able to recruit and train enough Best Interest Assessors before the new legislation comes into force, probably with retrospective effect on local authorities’ backlogs of applications.

37. The Council has told us it has started to review its policy with a view to ensuring it is as sensitive as it can be to individual circumstances, any need to improve care packages, and the possibility that a person is experiencing a deprivation of liberty that needs to be ended. It says it is improving monitoring and communication with managing authorities and is in regular contact with other councils to find out how they are coping with similar problems.

A representative sample

38. We have examined a sample of 57 requests the Council received in one week in 2017.

39. The Council closed 16 of the requests because the individuals had moved or died. Eighteen are in the unassessed backlog because they are classed as low or medium priority. The Council assessed and granted 21 of the requests.

40. The Council decided not to grant two of the requests following assessment. The Council should have issued the ‘not granted’ decisions within seven days of receiving these urgent requests. The Council took about seven weeks for one and about 12 weeks for the other to issue the ‘not granted’ decisions. The individuals involved did not suffer a significant detriment other than the delay. This is because, by the time the Council did the assessments, they had regained mental capacity and were complying with their treatment.

41. In one of the cases we saw, we had significant concerns about how the person was being deprived of their liberty and whether that deprivation was having a potentially detrimental impact on that person. However, this individual’s circumstances have now been considered by the Court of Protection. We are therefore barred from investigating this individual case in more detail.

Conclusions

42. The Council decided to stop assessing a majority of DoLS requests in response to financial pressures. This is fault because the Council is failing to comply with

the legislation and guidance that is currently in place, the Mental Capacity Act 2005 and DoLS Code of Practice.

43. This is causing a potential injustice to about 3,000 people who have had no or delayed access to the proper legal process designed to check that any decision to deprive a person of their liberty is:

- properly made;
- lawful; and
- implemented for only as long as necessary.

44. Applying the process properly would not change the outcome for most of the people affected, other than confirming that it is in their best interests to be deprived of liberty. However, it is possible that some of the people stuck in the backlog for years should never have been deprived of their liberty.

45. We acknowledge the wider context in which the Council is operating.

- National statistics indicate this Council is not the only one struggling with an increase of applications at a time of severe financial constraints. The backlog across England totals about 126,000.
- 2015 Department of Health guidance issued in response to the Supreme Court judgment acknowledged that DoLS applications increased approximately ten-fold since the Supreme Court judgment and that many local authorities were "*struggling to process these within the legal time limit*".
- The Mental Capacity (Amendment) Bill, which seeks to replace the DoLS with a new, simpler system is progressing through Parliament. If it becomes law in its current form, it will pass much of the responsibility for the equivalent of DoLS assessments of care home residents from local authorities to the care homes themselves.

46. However, the current legislation is still in force. At the time of writing, it is the main legal protection available to vulnerable people deprived of their liberty in care home settings. Resource constraints are not a legitimate reason for failing to carry out assessments required by law or statutory guidance. It is only legitimate for public bodies to deviate from relevant guidance where they have cogent reasons for doing so; a lack of money is not such a reason.

47. We do not criticise the approach of prioritising applications as suggested by ADASS and endorsed by the Government. We also recognise the effort the Council is making to tackle the incoming high priority applications. But it is not acceptable that the only way low and medium priority applications are resolved is because the people involved move away or die.

Recommendations

48. The Council says it has started to review its policy and we commend this. To remedy the injustice to those who may be affected, and to prevent similar problems from recurring, we make the following recommendations.

- The Council should produce an action plan for how it is going to deal with all incoming DoLS requests and the backlog of unassessed DoLS requests.
- The Council should produce the action plan within three months of the amendment to the Mental Capacity Act 2005 being finalised by Parliament.

- The action plan should take into account any changes to the law and Government guidance.
- The action plan should include a mechanism for addressing those cases where the request is eventually not approved, and an unlawful deprivation of liberty has had a potentially harmful impact on that person.
- The Council should review the action plan should there be any further changes to the law or Government guidance.

49. The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. ***(Local Government Act 1974, section 31(2), as amended)***

Decision

50. The Council has acted with fault in deciding not to assess low and medium priority Deprivation of Liberty Safeguards applications. The Council is also taking too long to deal with urgent applications. This is causing a potential injustice to the thousands of people in its area who are being deprived of their liberty without the proper checks that the restrictions they are subject to are in their best interests.

High Priority	Priority	Lower priority
• Continuous 1:1 care throughout the day and night • Sedation/medication used frequently to control behaviour • Physical restraint used regularly equipment or persons • Restrictions on family/friend contact (or other Article 8 issue) • Objections from relevant person • Objections from family /friends • Meaningful attempts to leave • Confinement to a particular part of the establishment for considerable period of time • Unstable placement • Possible challenge to Court of Protection, or Complaint	• Already subject to DoLS about to expire • Psychiatric or acute Hospital and not free to leave	• Minimal evidence of control/ supervision • No specific restraints or restrictions being used. E.g. in a care home not objecting, no additional restrictions in place. • Has been living in the care home for some time (at least a year) • Settled placement in care home/hospital placement, no evidence of objection etc. but may meet the requirements of the acid test. • End of life situations, intensive care situations which may meet the acid test but there will be no benefit to the person from the Safeguards

The Mental Capacity (Amendment) Bill was approved by Parliament on 24 April 2019, meaning it will become law shortly, when it receives Royal Assent.

The legislation provides for the repeal of the Deprivation of Liberty Safeguards (DoLS) contained in the Mental Capacity Act 2005 (MCA), and their replacement with a new scheme called the Liberty Protection Safeguards (LPS)

The LPS establishes a process for authorising arrangements enabling care or treatment which give rise to a deprivation of liberty within the meaning of Article 5(1) of the European Convention on Human Rights (ECHR), where the person lacks capacity to consent to the arrangements. It also provides for safeguards to be delivered to people subject to the scheme.

Highlights from the parliamentary debate on the bill

- DoLS replacement bill approved by Parliament with Liberty Protection Safeguards due to come into force in 2020
- Lords approves DoLS replacement bill following significant changes to boost safeguards for those detained

The government is currently working on the LPS code of practice, which it has committed to publish for public consultation later this year. A number of regulations will also need to be drafted before the legislation can be implemented.

The government has not yet announced the date on which the legislation will come into force. But it is possible that this could take place in Spring 2020. The government has confirmed that for up to a year the DoLS system will run alongside the LPS to enable those subject to DoLS to be transferred to LPS in a managed way.

What is the meaning of deprivation of liberty?

The legislation does not define deprivation of liberty. Instead, it retains section 64(5) of the MCA, which provides that references to deprivation of a person's liberty have the same meaning as in Article 5(1) of the ECHR. The means that the meaning of deprivation of liberty will continue to be led by case law, such as *Cheshire West* and the decisions of the European Court of Human Rights.

It also amends section 42 of the MCA to require that the code of practice under LPS must include guidance about what kinds of arrangements would give rise to a deprivation of liberty. This guidance must be reviewed within three years of the legislation coming into force and then subsequently every five years.

What types of arrangements can be authorised and for whom?

Whereas the DoLS only apply to hospitals and care homes, the LPS can be used in other settings, for instance supported living, shared lives and private and domestic settings. The LPS are also not tied to accommodation or residence; they could be used, for example, to authorise day centre and transport arrangements. Authorisations can also be given for arrangements being carried out in more than one setting.

Whereas the DoLS apply to those aged 18 and over, the LPS apply to people aged 16 and over. This brings the LPS into line with the rest of the MCA which applies to 16 and 17-year-olds (with a few exceptions). It would also mean that a court application is no longer required to authorise the deprivation of liberty of a 16 or 17-year-old who lacks the relevant capacity.

Who is the responsible body?

The LPS replace the “supervisory body” under the DoLS with the “responsible body”, as the agency charged with authorising the arrangements that give rise to a deprivation of liberty.

There can only be one responsible body for any authorisation that is granted, identifiable through the following hierarchy:

- if the arrangements are carried out mainly in an **NHS hospital**, the responsible body is the “hospital manager” (in most cases, the trust that manages the hospital in England or the local health board in Wales);
- if the arrangements are carried out mainly in an **independent hospital**, the responsible body is the “responsible local authority” in England (normally the authority meeting the person’s needs or in whose area the hospital is situated) or the local health board in Wales for the area in which the hospital is situated;
- otherwise, if the arrangements are carried out mainly through the provision of **NHS continuing health care**, the responsible body is the relevant clinical commissioning group in England or local health board in Wales; and
- **otherwise the responsible body is the “responsible local authority”** (in most cases this will be the authority that is meeting the person’s needs or in whose area the person is ordinarily resident).

What are the criteria for an authorisation?

Under LPS, a responsible body may authorise arrangements if the following “authorisation conditions” are met:

- the person lacks capacity to consent to the arrangements;
- the person has a mental disorder within the meaning of section 1(2) of the Mental Health Act 1983; and
- the arrangements are necessary to prevent harm to the person and proportionate in relation to the likelihood and seriousness of harm to the person.

In the case of the assessments for the first two criteria (referred to as the “capacity” and “medical” assessments) the responsible body can rely on previous assessments or assessments for any other purposes, if it is reasonable to do so.

Before arrangements can be authorised, consultation must take place with the following individuals in order to ascertain the person’s wishes or feelings, (unless it is not practicable or appropriate to do so):

- the person;
- anyone named by the person as someone to be consulted;
- anyone engaged in caring for the person or interested in the person’s welfare;
- any donee of a lasting power of attorney or an enduring power of attorney;
- any deputy appointed by the Court of Protection; and
- any appropriate person and any independent mental capacity advocate.

In addition, before authorising arrangements, the responsible body must:

- be satisfied that any duty to appoint an appropriate person or independent mental capacity advocate has been complied with; and
- have arranged a pre-authorisation review which has been completed.

The pre-authorisation review

This is intended to provide the degree of independence required by Article 5 of the ECHR. The review must be carried out by a person who is not involved in the day-to-day care or providing any treatment to the person, and (in relevant cases) does not have a prescribed connection with a care home.

A pre-authorisation review can be completed by either an approved mental capacity professional (AMCP), or some other health or care professional (the government has said it will set out which professions can undertake this role in the statutory guidance). The AMCP is a new role which is intended to build upon the existing best interests assessor role. **Local authorities** are responsible for the approval of individual AMCPs and ensuring there are sufficient numbers of AMCPs for their area. A regulation-making power allows, amongst other matters, the government to prescribe:

- the criteria for approval as an AMCP (such as qualifications, training or experience); and
- bodies (such as Social Work England) to approve training.

In the following cases, the pre-authorisation review must be undertaken by an AMCP:

- if it is reasonable to believe that person does not wish to reside in, or receive care or treatment at, a particular place;
- the arrangements provide for the person to receive care or treatment mainly in an independent hospital; or
- the responsible body refers the case to an AMCP and the AMCP accepts the referral.

In deciding whether the first of these applies, the responsible body must consider the views of any “relevant person” (a person engaged in caring for the person or interested in the person’s welfare) about the wishes of the person that are brought to its attention.

The AMCP is required to:

- meet with the person and consult all those listed above as requiring consultation (if it is appropriate and practicable to do so); and
- review the information and determine whether the authorisation conditions are met.

In cases which are not referred to an AMCP, the reviewer must:

- review the information; and
- determine whether it is reasonable for the responsible body to conclude that the authorisation conditions are met.

The responsible body cannot authorise arrangements unless the person carrying out the pre-authorisation review has determined that the authorisation conditions are met (in AMCP cases) or that it is reasonable for the responsible body to conclude that the authorisation conditions are met (in non-AMCP cases).

Care home arrangements

If the person is aged 18 or over, and the proposed arrangements would be carried out wholly or partly in a care home, then potentially a different process could apply. In such cases, the responsible body can decide if:

- it will arrange the necessary assessments and other evidence to be provided; or
- whether the care home manager should do so .

If the care home manager is performing this role, then he or she is required to provide a statement to the responsible body confirming that:

- the person is aged 18 or over,
- the arrangements give rise to a deprivation of the person’s liberty (with reasons);
- the arrangements are not mental health arrangements or requirements (see below);
- the “authorisation conditions” are met;
- they have carried out the required consultation (see above), and
- they are satisfied (with reasons) that if it is reasonable to believe that person does not wish to reside in, or receive care or treatment at, a particular place, that neither applies, or that a decision cannot be made as to whether either applies.

The statement must be accompanied by:

- a record of the assessments confirming that the authorisation conditions are met;
- evidence of the consultation carried out, and
- a draft authorisation record.

This information must be presented to the responsible body, which then decides whether to authorise arrangements based on this information (as well as other information, such as the pre-authorisation review arranged by the responsible body).

The responsible body can also decide for the care home manager to undertake the review and/or renewal processes.

The effect and duration of an authorisation

An authorisation can have effect immediately, or up to 28 days later. An authorisation does not provide a general authority to deprive a person of their liberty; instead, those carrying out the arrangements are provided with a defence to civil or criminal liability.

An authorisation can last for an initial period of up to 12 months and can be renewed for a second period of up to 12 months and thereafter for periods of up to three years. It is intended that longer term renewals are only used in the cases of persons whose condition and circumstances are likely to be long-term and stable.

The responsible body can at any time determine that an authorisation should cease. An authorisation also ceases to have effect if the responsible body believes or ought reasonably to suspect that any of the authorisation conditions are not met. In other words:

- the person has, or has regained, capacity to consent to the arrangements;
- the person does not have a mental disorder; or
- the arrangements are no longer necessary and proportionate.

Any authorised arrangements also cease to have effect if at any time they are not in accordance with requirements of a community power under the Mental Health Act 1983, such as guardianship or a community treatment order, to which the person is also subject.

Renewals and reviews

Under the DoLS, there is no ability to renew a standard authorisation; the supervisory body must arrange for a new authorisation to begin immediately after the expiry of the current authorisation. Under LPS, a responsible body can renew an authorisation if it is satisfied that:

- the authorisation conditions continue to be met, and
- it is unlikely that there will be any significant change in the person’s condition during the renewal period which would affect whether those conditions are met.

The responsible body is required to carry out consultation before an authorisation can be renewed.

The responsible body must specify a programme of regular reviews of authorisations. This must be set out in the person's authorisation record and could include the fixed dates or prescribed intervals for reviews.

A review must also be carried out:

- before an authorisation is varied, or if that is not practicable or appropriate, as soon as practicable afterwards;
- if a reasonable request is made by a person with an interest in the arrangements;
- if the person becomes subject to mental health arrangements or requirements;
- if (in any other case) there has been a significant change in the person's condition or circumstances.

"The reviewer" is the responsible body unless, in relation to care home arrangements, the responsible body decides the care home manager should be the reviewer.

Appointment of an independent mental capacity advocate (IMCA)

Under the LPS the responsible body is required to take reasonable steps to appoint an IMCA if:

- the person has capacity to consent to the appointment and makes a request, or
- the person lacks capacity to consent, unless the responsible body is satisfied that being represented and supported by an IMCA would not be in the person's best interests.

The duty however does not apply if there is an "appropriate person" to represent and support the person. In most cases, this will be a family member or friend of the person. An appropriate person must consent to this role and cannot be someone who is engaged in providing care or treatment to the person in a professional capacity or for remuneration. In addition, the person themselves must consent to the appointment of the appropriate person, of if the person lacks capacity to do so, the responsible body must be satisfied that the appointment is in the person's best interests. The appropriate person has a right to IMCA support.

Rights of legal challenge

Under LPS, the right of legal challenge is to the Court of Protection. Applications can be made by the person and others without the permission of the court. The court can determine any question relating to whether the LPS apply to the arrangements, whether the authorisation conditions are met, the duration of the authorisation and what the authorisation relates to. In doing so, the court can make an order varying or terminating the authorisation, or directing the responsible body to vary the authorisation.

The Mental Health Act 1983 (MHA) interface

To a large degree, the LPS seek to maintain the existing interface between the DoLS and the MHA. Broadly speaking, it provides that the LPS cannot be used to authorise “mental health arrangements”, which are defined as arrangements for the assessment or medical treatment of mental disorder in hospital where:

- the person is detained in hospital under the MHA, or
- where an application for detention in hospital under the MHA could be made and the person objects (and a donee of a lasting power of attorney or a court - appointed deputy has not consented on the person’s behalf).

Staffordshire
County Council

Community Impact Assessment – Checklist and Executive Summary

Name of Proposal: Deprivation of Liberty Safeguards

Project Sponsor: Richard Harling

Project Manager: Peter Hampton

Date: **07/05/19**

Final Checklist

Prior to submitting your Community Impact Assessment (CIA), please ensure that the actions on the checklist below have been completed, to reassure yourself/ SLT/ Cabinet that the CIA process has been undertaken appropriately.

Checklist	Action Completed (tick)	Comments/Actions
The project supports the Council's Business Plan, priorities and MTFS.	**y**	Yes, this decision balances the Council's statutory duties against the funding available in the MTFS.
It is clear what the decision is or what decision is being requested.	**y**	Following an LGSCO investigation Cabinet is being asked to review the decision made in 2016 to prioritise high priority cases for a full Deprivation of Liberty Safeguards (DoLS) assessment. The recommendations are: to implement new legislation when this is passed; continue to triage DoLS applications and prioritise high priority cases for a full assessment; complete full assessments on medium and low priority cases if resources allow and use additional one-off funding (£50,000) to support new full assessments and reduce the back-log of full assessments; b) Extend triaging to community deprivation of liberty applications and prioritise full assessments for high priority individuals.
For decisions going to Cabinet, the CIA findings are reflected in the Cabinet Report and **potential impacts are clearly identified and mitigated for** (where possible).	**y**	See attached report.
The **aims, objectives and outcomes** of the policy, service or project have been clearly identified.	**y**	See attached report
The **groups** who will be affected by the policy, service or project have been clearly identified.	**y**	Citizens and their families/ carers, specific Staff group, partners under Section 75 and independent practitioners
The **communities** that are likely to be more adversely impacted than others have been clearly identified.	**y**	Individuals who lacks capacity for the specific decision in question.

Engagement / consultation has been undertaken and is representative of the residents most likely to be affected.	**y**	No specific local consultation, the prioritisation process has been supported by the government, Department of Health and Social Care and ADASS who issued guidance to local authorities.
A range of people with the appropriate knowledge and expertise have contributed to the CIA.	**y**	SCC Director of Health and Care SCC Finance Partner SCC Team Leader Legal services SCC Statutory Services lead
Appropriate evidence has been provided and used to inform the development and design of the policy, service or project. This includes data, research, engagement/consultation, case studies and local knowledge.	**y**	Health and care in the UK will change significantly over the next five to ten years. The combination of an ageing population, rising costs and a budget which is falling in real terms has created an unprecedented financial challenge. The Council's approach to DoLS is informed by the resources available.
The CIA evidences how the Council has considered its statutory duties under the Equality Act 2010 and how it has considered the impacts of any change on people with protected characteristics.	**y**	Yes
The next steps to deliver the project have been identified.	**y**	The Council will continue with an established process of triaging DoLS applications and full assessments for higher priority cases.

Executive Summary – The Executive Summary is intended to be a collation of the **key issues and findings** from the CIA and other research undertaken. This should be completed **after** the CIA and research has been completed. Please structure the summary using the headings on the left that relate to the sections in the **CIA template**. Where no major impacts have been identified, please state N/A.

	Which groups will be affected?	Benefits	Risks	Mitigations / Recommendations

PSED – What are the impacts on residents with a protected characteristic under the **Equality Act 2010?** *Highlight any concerns that have emerged as a result of the equality analysis on any of the protected groups and how these will be mitigated.* ***It is important that Elected Members are fully aware of the equality duties so that they can make an informed decision and this can be supported with robust evidence.***	The residents who are most affected by the decision are individuals who lack capacity to make decisions about their accommodation for the purpose of care/ treatment- and their family/carers. In 2018/2019 SCC had 3451 applications for DoLS.	The proposals provide clarity and consistency which enable citizens and staff to understand what SCC can and will offer them in respect of Deprivation of Liberty. The ongoing proposal ensures that those individuals who are most in need of these safeguards have allocated resource and a timely response. The decision was originally made by cabinet in 2016.	Risks are complaints, legal action and further investigation by the LGSCO. Ultimately this could include judicial review.	The triage process which is completed by a health and social care professional ensures that resource is allocated to those individuals in which the risk is greatest. No complaints have been made specifically relating to this decision.
Health and Care – How will the proposal impact on residents' health? How will the proposal impact on demand for or access to social care or health services?	No additional Impact. Of the total number of referrals in 2018/2019 1153 were triaged as High priority and 1144 of these assessments were completed. The cumulative backlog of applications was 3571.	There will be no change relating to a residents health. DoLS is a discrete assessment process utilising practitioners on a rota basis and independent contractors. The current proposal is not expected to further impact on practitioners.	See above The proposal is not expected to impact on quality or timeliness of assessments.	See above in addition referrers are asked to recontact the Council should circumstances change for the individual which will lead to reconsideration of the prioritisation of the individual through the triage process.
Economy – How will the proposal impact on the economy of Staffordshire or impact on the income of Staffordshire's	None DoLS is a discrete assessment	**N/A**	**N/A**	**N/A**

residents?	process providing a statutory legal safeguard to vulnerable individuals.			
Environment – How will the proposal impact on the physical environment of Staffordshire?	**N/A**	**N/A**	**N/A**	**N/A**
Localities / Communities – How will the proposal impact on Staffordshire's communities?	**N/A**	**N/A**	**N/A**	**N/A**

Local Members' Interest
N/A

Audit and Standards Committee – Wednesday 12 June 2019

Special Panel of the Audit and Standards Committee for the Appointment of Independent Remuneration Panel members

Recommendation

a. For the Audit and Standards Committee to appoint five Members to sit on the Special Panel of the Audit and Standards Committee for the purpose of recruitment of Independent Remuneration Panel Members.

Summary

1. At the County Council meeting held on 21 March 2019, it was agreed "That the Audit and Standards Committee be requested to carry out a recruitment process for the Independent Remuneration Panel as soon as possible."

2. The Audit and Standards are requested to establish a Special Panel of the Audit and Standards Committee consisting of five Members who will shortlist and interview the applications before making recommendations to Full Council that the successful applicants be appointed to the Independent Remuneration Panel.

3. Shortlisting of Panel applicants is planned for 2 July 2019, with interviews planned for 8 July 2019, with a view to making recommendations to full Council on 25 July 2019.

Report

Background

4. The County Council is required to establish and maintain an Independent Remuneration Panel to provide advice and recommendations to the Council on its Members' Allowances Scheme. The Panel meets each year to consider the recommendations to be made to the Council in respect of the level and nature of the forthcoming year's allowances.

5. The maximum number of people that can be appointed to the Independent Remuneration Panel is five. Panel members serve for a period of four years and panel members can be re-appointed. There are currently two vacancies.

Contact Officer:

Name and Job Title: Ann-Marie Davidson, Head of Law and Democracy
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Staffordshire County Council

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
11 March 2019				
Annual Report of the Management of Complaints made under the Members’ Code of Conduct Lead Officer: Ann-Marie Davidson				
New item: Review of the Effectiveness of Audit and Standards Committee Report of Director of Corporate Services Lead Officer: Debbie Harris				
External Audit Plan 2018/19 Report of Ernst & Young				
Staffordshire Pension Fund Audit Planning 2018-19 Report of Ernst & Young				
Local Government Audit				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Committee briefing Report of Ernst & Young				
Part Two: Cyber Essentials Update: Tracy Thorley/Natalie Morrisey			Follow up of uncompleted actions proposed at meeting on 30.10.18.	Item deferred from December meeting
Part Two (new item): Use of Data, Analytics and the Development of Continuous Controls Monitoring Report of Director of Corporate Services Lead Officer: Debbie Harris				
Forward Plan for the Audit and Standards Committee	All meetings			
Proposed changes to the Constitution	As required			
Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items)*	As required			Part 2 items - Exemption paragraph 3.
12th June 2019				
Appointment of Independent Remuneration Panel Members 2019-20 Report of Director of Corporate Services Lead Officer: Ann-Marie Davidson				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Annual Information Governance Statement Report of Director of Corporate Services Lead Officer: Tracy Thorley, Head of Business Support & Compliance				
Code of Corporate Governance Report of Director of Corporate Services Lead Officer: Lisa Andrews				
Report of the Local Government and Social Care Ombudsman – Investigation into a complaint against Staffordshire County Council. Lead Officer: Kate Loader				
Internal Outturn Report 2018-19 Report of the County Treasurer Lead Officer: Debbie Harris				
Audit Charter 2019 Report of the County Treasurer Lead Officer: Debbie				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Harris				
Internal Audit Plan 2019-20 Report of the County Treasurer Lead Officer: Debbie Harris				
Correspondence received from Ernst & Young re audit fee 2019-2020				
Interim update report 2018/19 Report of Ernst & Young				
Local Government Sector Update Report – Report of Ernst & Young.				
PART TWO EXEMPT Internal Audit Special Investigations/Reports of Limited Assurance/Top Ten Risk Areas *(Part 2 of agenda)*				Part 2 Exempt items
New item: - Report of the Standards Panel Report of the Director of Corporate Services				
Forward Plan for the Audit and Standards Committee 2019/20	All meetings			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
30th July 2019				
Annual Governance Statement 2018-19 Report of Director of Corporate Services Lead Officer: Lisa Andrews				
New item: Annual Report of the work of the Audit & Standards Committee Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
New Item: Managing risks within Highways Report of the Director of Corporate Services Lead Officer: Lisa Andrews/James Bailey				
Training on Statement of Accounts				
Statement of Accounts 2018-19 Presentation and Report of County Treasurer Lead Officer: Rachel Spain				
Report to those charged with Governance (ISA 260) Report of Ernst & Young				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Staffordshire Pensions Fund _ Audit results Report (year ended March 2019 Report of Ernst & Young				
Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items).*	As required			Part 2 items - Exemption paragraph 3.
Forward Plan for the Audit and Standards Committee	All meetings			
14th October 2019				
Strategic Risk Register - Update Director of Corporate Services Lead Officer: Lisa Andrews				
New item: Development of an assurance framework Joint Report of Director of Corporate Services & County Treasurer Lead Officer: Debbie Harris				
Proposed changes to the Constitution As required	As required			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
New Item: Appointment of Independent Member to Audit and Standards Committee Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Annual Audit letter 2018/19 Report of Ernst & Young				
New item: Potential use of automation in audit and use of Artificial Intelligence Report of Ernst & Young				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items)*	As required			Part 2 items - Exemption paragraph 3.
PART TWO EXEMPT Cyber Essentials Update: Tracy Thorley/Natalie Morrisey			Regular Update to members on simulation results	PART TWO EXEMPT Cyber Essentials Update: Tracy Thorley/Natalie Morrisey
PART TWO EXEMPT National Fraud Initiative (2018) – Update				
PART TWO EXEMPT Internal Audit Special Investigation – Prisons and Approved Premises Team – Care Assessment and Management	October 2019		At its meeting on 24.9.18 Members asked that a further update be brought to the Committee in 12 months' time.	

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Forward Plan for the Audit and Standards Committee	All meetings			
2nd December 2019				
Health, Safety and Wellbeing Performance Annual Report Report of Director of Corporate Services Lead Officer: Becky Lee				
Internal Audit Plan 2019/20 - Update				
Local Government Sector Update Report Report of Ernst & Young				
Proposed changes to the Constitution As required	As required			
PART TWO EXEMPT Continuous Controls Monitoring - Update				
PART TWO EXEMPT Update on Data Centre Environmental & Physical Security Controls – Implementation of previous recommendations				
PART TWO EXEMPT Update on Approved Mental Health Professionals – Implementation of previous recommendations				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items)*	As required			Part 2 items - Exemption paragraph 3.
PART TWO EXEMPT Cyber Essentials Update: Tracy Thorley/Natalie Morrisey			Regular Update to members on Multi agency exercise in November 2019	
Forward Plan for the Audit and Standards Committee	All meetings			
9th March 2020				
Annual Information Governance Statement Report of Director of Corporate Services Lead Officer: Tracy Thorley				
Amendments to the Strategic Risk Register Report of Director of Corporate Services Lead Officer: Lisa Andrews				
Review of the effectiveness of the Audit & Standards Committee – Update Report of the Director of Corporate Services Lead Officer: Debbie Harris				

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 Report of the Director of Corporate Services Lead Officer: Ann-Marie Davidson				
External Audit Plan 2019-20 Report of Ernst & Young				
Staffordshire Pension Fund Audit Planning Report 2019/20 Report of Ernst & Young				
Proposed changes to the Constitution As required	As required			
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items)*	As required			Part 2 items - Exemption paragraph 3.
Forward Plan for the Audit and Standards Committee	All meetings			

Membership

Derek Davis, OBE
Mike Davies
Michael Greatorex
Martyn Tittley (Chairman)
Paul Northcott
Jeremy Oates
Carolyn Trowbridge
(Vice-Chairman)

Calendar of Committee Meetings
(All meetings at 10.00 a.m. unless otherwise stated)

11 March 2019
12 June 2019
30 July 2019

David Brookes	Ross Ward	14th October 2019 - ****14:00
Colin Greatorex	Bernard Williams	2nd December 2019 ****14:00
Jill Hood	Victoria Wilson	9th March 2020
Ian Lawson	Susan Woodward	
		Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH

Local Members Interest
N/A

Audit and Standards Committee – 12th June 2019

Internal Audit Outturn Report 2018/19

Recommendation

a. To receive the outturn report containing the annual internal audit opinion for 2018/19.

Report of the County Treasurer

Background

1. This report outlines the work undertaken by Internal Audit in respect of the 2018/19 annual plan.

2. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements, i.e. the control environment of the organisation. Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes[1].

3. Internal Audit is required by professional standards, i.e.UK Public Sector Internal Audit Standards (PSIAS), to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. In accordance with these requirements the Head of Internal Audit must provide an annual opinion that covers the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:

   a. The opinion;
   b. A summary of the work that supports the opinion; and
   c. A statement on conformance with PSIAS and the Local Government Application Note (LGAN), highlighting any areas of non-conformance.

4. The underlying principles to the 2018/19 plan were outlined in the Internal Audit Strategy and Plan paper presented to and approved by Members of the Audit & Standards Committee on 13 June 2018. Since the original plan was approved, a number of additional audits have been required, whilst some planned reviews were no longer needed and several deferred due to operational requirements. The net effect is that the key performance target has been achieved. Work is scheduled to meet the requirements of the business area to ensure the greatest benefit is

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[1] Public Sector Internal Audit Standards definition of Internal Auditing.

achieved from the audit work. Therefore it is not uncommon for reports to be at draft report stage at the end of the audit year.

5. Audit opinions are awarded for individual systems and compliance audits within one of the following categories listed below. Further information as to how these are determined is given in **Appendix 1**.

   a. Substantial Assurance
   b. Adequate Assurance
   c. Limited Assurance

6. Paragraph 9 provides a high level summary of the work undertaken by the Section analysed by the following categories:

   a. High Risk Auditable Areas
   b. Main Financial Systems
   c. Systems Audits (reported by exception, i.e. only those with "Limited Assurance" and/or those with a High Level Recommendation)
   d. Compliance Reviews
   e. Financial Management in Maintained Schools including payroll arrangements
   f. Special Investigations/Fraud & Corruption Related Work.

7. For those areas awarded 'Limited Assurance', action plans have been or are in the process of being agreed with the relevant Director /Head of Service. During 2018/19, Members of the Audit & Standards Committee have continued to receive full copies of all "Limited Assurance", High Risk Auditable areas (regardless of opinion) and Major Special Investigation reports (i.e. greater than £10,000 financial loss/Significant Corruption issues) once finalised. Relevant managers have attended the Committee to provide assurance that appropriate action has been taken regarding the implementation of recommendations. Internal Audit will continue to track and report on the implementation of High Level recommendations, including those contained within reports awarded "Adequate Assurance".

2018/2019 Audit Plan Outcomes

High Risk Auditable Areas

8. Our Internal Audit and Strategy and Plan Paper identified the top risk audits/reviews for the County Council in 2018/19. These reviews acknowledged the financial pressures that the Council is being faced with, with its continued work on the Medium Term Financial Strategy (MTFS); it's project and programme work relating to Care Director (Adults and Children's Modules) and the Adult and Children's Financial Services review programme in support of the Council's digital transformation programme, in addition to reviews of high value contracts such as the Home and Community Care Contract, and reviews relating to General Data Protection Regulations (GDPR) and the Council's cyber arrangements.

9. The audit opinions for all the high-risk reviews are summarised in the table below:

System Area	2018/19 Opinion	2018/19 Consultancy
Medium Term Financial Strategy	Adequate Assurance	
Liberata Payroll System	Adequate Assurance	
Care Director (Adults & Children's Modules)		✓ Project advisory work during development stage of on-line portal. Position statement Issued
Adults & Children's Financial Services Review Programme – Project Advisory		✓ Project advisory work prior to go live
Home & Community Care Contract Review	Limited Assurance	
Cyber Assurance – Data Breach Incidents & Response Plans	Adequate Assurance	
Cyber Assurance – Patch Management	Adequate Assurance	
General Data Protection Regulations (GDPR)	Substantial Assurance	
Commercial Services - Procurement	Adequate Assurance	
**Dynamic Purchasing System	Draft Report with Management (Adequate Assurance)	

** Currently at draft report stage, therefore the high-level recommendation has not been included within this section of the Outturn report. Once finalised the completed report will be circulated to Members of the Audit & Standards Committee.

10. The one Limited Assurance report issued for the high-risk systems areas in 2018/19, relates to the Home and Community Care Contract which reviewed Home and Community Care via the framework agreements for Personalised Care and Support services to ensure the contract terms and conditions were being met. The contracts commenced 1st October 2017 for 4 years with an annual contract value of £40 million for 2018/19. The Council originally expected mobilisation of providers to be completed by December 2017 but delays in mobilisation meant that the Commercial Team staff were required to assist with the process due to the large volume of work required. This additional work has impacted on the Commercial Team's ability to perform their contract management responsibilities, through no fault of their own which has led to a number of significant weaknesses being highlighted as part of the 2018/19 audit review. The high-level issues arising from this review are as follows:

System Area	Areas for Improvement
Home & Community Care Contract	• **Contract Management Methodology** - A clear contract management methodology was not in place for the monitoring of all Key Performance Indicators (KPIs) as the method to be used to monitor some of the key metrics has not been identified yet. • **Monitoring and Enforcement of KPIs** – The audit review found that not all KPIs were being enforced and monitored to ensure the service provided under the contract is effective, performance issues are identified and addressed, and value for money is being achieved.

	• **Mobilisation of Providers –** At the time of the audit review, mobilisation was still not completed fully. • **Council Only Pays for Services Received** - Audit testing highlighted that visits recorded within CM2000 are paid automatically as actual costs without any detailed checks being performed. Testing of 20 CM2000 payments identified five instances of under-delivery and three instances of over-delivery by more than an hour. In addition, eight occasions were identified where there were small under or over delivery discrepancies of less than an hour within the charged week. If extrapolated over the total payments made, there could be significant overpayments. • **Use of the CM2000 System** – the audit review identified that there are providers that are not using the CM2000 system, which is a requirement of the contract, instead they are submitting invoices to obtain payment for service provision. • **Use of Pre-Purchase Rotas (PPRs)** – The audit review highlighted that Pre-Purchased Rota (PPR) contracts with one provider, costing over £76,000 per annum, are legacy contracts that are not providing value for money as the provider is delivering only to a small number of citizens. • **Provider Appeals Process** – The audit review found that there was a large backlog of provider appeals awaiting processing (518 appeals awaiting processing with amounts requested totaling £403,490) as ACFS are receiving more appeals than their resources can cope with, although additional temporary funding has been provided for four officers to assist with the backlog. It was noted that these costs had not been accrued in the Council's budget.

11. In addition, for those reports relating to high risk auditable areas, with an opinion of at least “Adequate”, six high level recommendations were made as follows:

System Area	Areas for Improvement
Medium Term Financial Strategy	• **MTFS Assumptions are Reasonable** - The audit review acknowledged that whilst the Council has put in place a range of mitigating actions to reduce the financial pressures, the MTFS did not account for a continued rise in the number of children looked after by the Council or the price paid per placement.
Liberata Payroll System	• **Overpayments are identified and Addressed Promptly** – Audit testing highlighted that overpayment notification letters were not being issued timely, resulting in delays in generating invoices to recover the overpayments. This issue was also raised within the previous audit report, dated 16th May 2018. In addition, audit testing indicated that overpayments are not always promptly calculated, although this may be due to delays in the Council employees recording leavers in the iTrent system.
Care Director (Adults & Children’s Modules)	• **Implementation of 2 Factor Authentication** – The review highlighted that there were currently no plans to implement any 2 Factor Authentication solution to the

System Area	Areas for Improvement
	portal and this has yet to be reviewed by a Senior Information Risk Officer. • **Document Upload to the Portal** - No solution had been found to ensure that documents uploaded from the web portal are scanned for malware. However, a suitable solution should be in place to check all files uploaded via the web portal for malicious content.
Cyber Assurance – Data Breach Incidents & Response Plans	• **Data Breach Notifications** – The audit review highlighted that incidents were not being reported to Information Governance Unit (IGU) in a timely manner to enable it the fulfil its obligations under the Data Protection Act 2018.
Cyber Assurance – Patch Management	• **Patching Procedures** – The audit review found that the Council are not deploying critical patches within 14 days of release as required by Cyber Essentials (the standard).

12. The Home & Community Care Contract Review limited assurance audit along with the top risk audit review relating to the Medium-Term Financial Strategy is contained in the confidential agenda and will be discussed in detail when the Committee reaches this part of the agenda. The remaining top risk reviews which have not been previously presented to the Audit and Standards Committee will be distributed to Members of the Committee as part of the July Committee meeting Confidential Agenda Pack for further consideration.

Main Financial Systems

13. Coverage of these areas is in line with the audit strategy.

Main Financial System	2015/16 Opinion	2016/17 Opinion	2017/18 Opinion	2018/19 Opinion	Direction of Travel
Pensions Payroll	Substantial Assurance	Adequate Assurance	Adequate Assurance	Substantial Assurance	↑
Pension Fund – Custodian, Investment Managers and Pensions Property.	Substantial Assurance	Substantial Assurance	Substantial Assurance	Not Covered in 2018/19	→
Pensions Fund – Local Government Pension Scheme (LGPS): Asset Pooling Arrangements	N/A in 2015/16	N/A in 2016/17	N/A in 2017/18	Project Advisory Work in 2018/19	→
Pension Fund – Pension Administration	Substantial Assurance	Adequate Assurance	Adequate Assurance	Substantial Assurance	↑
Pension Fund - Governance	Not covered in 2015/16	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Budgetary Control	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Procure to Pay	Not covered in 2015/16	Adequate Assurance	Adequate Assurance	Not covered in 2018/19	→

Main Financial System	2015/16 Opinion	2016/17 Opinion	2017/18 Opinion	2018/19 Opinion	Direction of Travel
Sales to Cash	Adequate Assurance	Limited Assurance	Limited Assurance	Limited Assurance	→
Debt Recovery (Legal Services) now included within the Sales to Cash audit review since 2016/17	Adequate Assurance				
E- Payments	Not covered in 2015/16	Not covered in 2016/17	Substantial Assurance	Substantial Assurance	→
Cheque Control	Not covered in 2015/16	Not covered in 2016/17	Not covered in 2017/18	Substantial Assurance	→
Nominal Ledger Including Bank	Substantial Assurance	Project work & reported under the high-risk areas	Bank Reconciliations Adequate Assurance	Substantial Assurance	↑
Treasury Management & Lloyds Link	Substantial Assurance	Not covered in 2016/17	Not covered in 2017/18	Substantial Assurance	→
Value Added Tax (VAT)	Not covered in 2015/16	Not covered in 2016/17	Not covered in 2017/18	Substantial Assurance	→

14. There has been one Limited Assurance report issued for the main financial systems areas in 2018/19 relating to sales to cash (including debt recovery). This was also reported as a limited assurance audit review in 2017/18. The high-level issues arising from this review are as follows:

System Area	Areas for Improvement
Sales to Cash	• **Outstanding Debt level** - The latest debt position for debt older that six months was £12.851 million against a self-imposed target of £5 million. Whilst there are proactive steps being taken to recover debt from CCGs and other government bodies, individual and commercial debt older than six months has increased by £2.221 million since March 2018. It was also noted that the methodology to calculate the current debt position has not been documented and supporting documentation not retained. • **Debt Recovery Action** – Audit testing found that debt recovery action is not being undertaken promptly and the automatic reminder letter function in My Finance was not working for debts raised in Company Code 1 (SCC). Therefore, debt recovery action was not occurring as per debt recovery processes. • **Legal Debt Recovery** - New debts were not referred for legal recovery in 2018/2019. This issue had previously been reported in the Sales to Cash audit 2017/2018.

15. The Sales to Cash limited assurance review is contained in the confidential agenda and will be discussed in detail when the Committee reaches this part on the agenda.

16. For information, for those reports with an opinion of at least "Adequate" for each financial system, no other high-level recommendations have been made.

Systems Audits – (reported by exception, i.e. only those with Limited Assurance and/or those with a high-level recommendation).

System Area	**2018/19 Opinion**
Approved Mental Health Professionals (AMHPs)	Limited Assurance
Prison and Approved Premises Team	Limited Assurance
Data Centre Environmental & Physical Security Controls	Limited Assurance
Data Sharing Agreements	Limited Assurance
Financial Assessments and Property Follow-Up	Limited Assurance
Deputyships	Limited Assurance
My HR System Security	Limited Assurance
Brokerage – Non-Residential Pathway	Limited Assurance

One other system audit review has also been awarded a Limited Assurance opinion. This review is at draft report stage and therefore, the high-level recommendations have not been included within this section of the Outturn report. Once finalised, the completed report will be circulated to Members of the Audit & Standards Committee.

17. Assurance could not be provided regarding the operation of the following control objectives:

System Area	**Areas for Improvement**
Approved Mental Health Professionals (AMHPs)	• **Dedicated Administrative Support for the AMHP Service** – The audit review highlighted that the Administrator is now line managed by the BEST Administrative Support Team, with a generalized job description, therefore there is no longer dedicated, specialist administrative support for the AMHP service. • **Section 75 Agreement** – There was no signed Section 75 Agreement currently in place. In addition, the current draft of Schedule 2 Part B of the Section 75 Agreement does not include clear and specific terms and conditions relating to the AMHP service and activities meaning that oversight by the Council may be impeded. • **Data Collection** – The audit review found gaps in data collection and inconsistent review of performance data in relation to the AMHP service. • **AMHP Recruitment Process** – Audit testing highlighted that there is no process in place for the verification of DBS checks prior to AMHP authorisation, and inconsistency around how checks on professional registrations are managed.
Prison and Approved Premises Team	• **Processes and Procedures** - Prison Social Workers do not follow consistent processes relating to the completion of care assessments, support plans and reviews. Also, policies and procedures are not documented. • **Information Sharing and Compliance with the General Data Protection Regulations (GDPR)** – testing found that evidence that consent to care or information sharing had been obtained from citizens in custody was not on file.

	• **Financial Assessments** - Financial assessments and Continuing HealthCare (CHC) checklists had not been completed resulting in a potential loss of income to the Council. Additionally, staff were unaware of the processes in place for ensuring this documentation is completed. • **Re-Assessment of Care Needs** – Audit testing identified that annual re-assessments have not been completed as per the requirements of the Care Act 2014 and six-week reviews of support plans have either not been completed, were completed incorrectly or were completed late.
Data Centre environmental & Physical Security Controls	• **Maintenance Schedules and Logs for data centre hardware** – The audit noted that a lack of meetings and centralised log of issues and maintenance work at the Eastgate Street Data Centre has led to numerous outstanding issues not being resolved and items of equipment not being serviced to schedule. • **Physical Security- CCTV** - During a site visit and further examination of the CCTV cameras at the EDC, Internal Audit identified numerous issues. • **Physical Security of the Data Centre** - Site visits highlighted numerous insecurities at the EDC that affected the physical security of the server room.
Data Sharing Agreements	• **Data Sharing Records** – The audit review highlighted that documentation around data sharing was not consistently signed, dated and saved in a read only format. • **Contract Documentation** – The audit review also highlighted that contract documentation did not include Data Sharing Agreements. • **Retention and Destruction of Data** – The audit review found that there has been no confirmation or audit trail of the destruction or transfer of data once the time-period stated within Data Sharing Agreements has come to an end.
Financial Assessments and Property Follow-Up	• **Completion of Deferred Payment Agreements (DPAs)** – Our follow-up work found that processes in place for securing DPAs are not being implemented consistently. • **Evidence of Legal Charges** – Our follow-up work highlighted instances where debt has been incorrectly classified as secure.
Deputyships	• **Management Oversight** – The audit review found that a number of supervision/management checks have not been completed or not completed at the required intervals increasing the risk that citizen finances are not managed properly and safeguarded. • **Internet Banking Controls** - It was found that there are weaknesses in internet banking controls (access and transaction controls) which increase the risk of unauthorised transactions being made.
Brokerage – Non-Residential Pathway	• **Completion and Authorisation of Service Provisions** – The audit review found that there is a significant backlog of draft service provisions outstanding within the Brokerage Team. • **Quality Assurance Process** – The audit review also found that there is no Terms of Reference for the Brokerage Quality Assurance Panel (BQAP) and it is unclear how cases are prioritised and processed, which could cause delays in the decision-making process.

18. The limited assurance reviews not previously reported to the Audit & Standards Committee will be distributed to Members of the Committee as part of the July Committee meeting Confidential Agenda Pack for further consideration.

19. The following table lists those systems audits where high-level recommendations have been made to address control weaknesses within Adequate Assurance reports:

System Area	Areas for Improvement
Growing Places Fund	• **Award of Grant Funding** – Audit testing found that there was a lack of transparency over the decision-making process and rationale for the award of grants from the Growing Places Fund for 2 of the 4 applications reviewed.
Household Waste Recycling Centre	• **Contract Key Performance Indicator (KPI) Data** – The audit review found that KPI data was not being presented by the Contractor contrary to contract requirements.
Arts & Museums - Collections	• **Income from Sales/Disposal of Museum Items** – The audit review highlighted that no reconciliation is completed to ensure all sales income has been received in full and accounted for appropriately in accordance with the Council's Financial Regulations (F4). Also, it was noted that the transfer of income between staff is not undertaken in accordance with the Council's Financial Regulations (F9)
Appointeeships – Agency Account Reconciliations	• **Bank Reconciliations** – The audit review identified that bank reconciliations were not always up to date for the sample of agency accounts reviewed.
Office 365 Project	• **Back Up Strategy** - A backup solution for Office 365 has not yet been identified by the Office 365 project
IT Disaster Recovery	• **Recovery of Critical Systems** – It was noted that systems identified by the business areas have not been prioritised to identify the most critical to least critical systems. Further to this, IT Action Cards that have been documented by individual business areas have not been done so in partnership with SICT.
Identity and Access Management	• **User Access Permissions** – The audit review found that new user accounts are created by copying an existing account of someone in a similar role. This could lead to inappropriate access permissions being granted which is compounded over time. This is further exacerbated by a lack of specific guidance for line managers to assist with assigning user access permissions.
Recruitment - Core	• **Pre-Recruitment Checks** - Testing found that the contractor had not maintained TRIM files for three of nine files where it was expected to, and that there was inconsistency in the quality of the files.
Innovate UK Grant	• **Grant Agreement and Documentation** – Internal Audit was unable to be provided with a copy of the grant agreement to provide clarification of the funding criteria, or the Project Plan and Milestone Register, which were supporting documentation initially submitted to Innovate UK for the project.

System Area	Areas for Improvement
My Finance Upgrade	• **Record of Testing** – The audit review highlighted significant inconsistencies in relation to the recording and quality of tests to be undertaken and completed.

Note: There can be a maximum of one high level recommendation contained in a report awarded adequate assurance.

Compliance Reviews

Audit Type	Audit Opinion			Total No.
	Substantial Assurance	Adequate Assurance	Limited Assurance	
Compliance - Adults				
Comforts Funds*	12	0	0	12
Other Compliance				
Educational Endowment Funds*	5	0	0	5
Register Offices	3	0	0	3
Compliance Reviews	**20 (100%)**	**0 (0%)**	**0 (0%)**	**20**

*These reviews related to the audit of accounts and no issues were identified.

20. The review of Register Offices highlighted the following areas of weakness:

    a. Not all income was being receipted as per the guidance (3 offices)
    b. Receipts were not being used sequentially (1 office)

21. The above weaknesses raise the risk that there is an insufficient audit trail to provide assurance that all income collected has been banked.

Financial Management in Maintained Schools

Schools Payroll

22. For the year 2018/19, payroll services to schools have been provided by two providers. As a result, Internal Audit has continued to undertake a themed audit review of payroll services to provide assurance on the internal control environment operating in schools for this area. To ensure efficiency of operation, the payroll themed review was undertaken at the same time that the compliance review was completed at the school, hence only one opinion has been given covering all systems at the school. The detail from the themed audit reviews on payroll is provided at the Schools Compliance section below.

Schools Compliance

Audit Type	Audit Opinion			Total No.
	Substantial Assurance	Adequate Assurance	Limited Assurance	
Schools Compliance – High Schools*	1	3	0	4
Schools Compliance – All other schools*	2	9	1	12

TOTAL	**3 (19%)**	**12(75%)**	**1 (6%)**	**16**

**NB Payroll themed reviews - no separate opinion has been given as all incorporated into the one opinion for the school as highlighted at 9.5.1*

23. The compliance and payroll themed reviews identified non-compliance with key controls in the following areas:

Schools – General Compliance

24. Governance

  a. Scheme of Delegation requires amendment/approval. (*15 schools*)
  b. Budgets have not been set or approved or reviewed in accordance with the Scheme of Delegation. *(4 schools*)
  c. Policies not approved in accordance with the Scheme of Delegation. (*5 schools*)
  d. No/out of date debt management policy or does not cover all areas of income. (*7 schools*)
  e. School Fund not audited and approved in accordance with requirements of Financial Regulations. (*5 schools*)
  f. Pecuniary interest register not up to date or held/published in accordance with guidance. (*9 schools*)
  g. Leases not in the name of the school, not signed in accordance with Scheme of Delegation /or copies not held by the school. (*5 schools*)
  h. Governing Body Agendas and minutes not held by the school or do not cover all items. (*3 schools*)

25. Income

  a. Income is not banked promptly and/or intact. (*6 schools*)
  b. Income is not recorded or receipted in accordance with Financial Regulations, including a clear audit trail. (*10 schools*)
  c. There is a lack of separation of duties or independent check in the income and banking process. (*13 schools*)
  d. Cash is not held securely and/or may not be held in accordance with SCC Insurers cash holding limits. (*6 schools*)
  e. Lettings are not administered appropriately, including VAT and evidence of insurance. (*10 schools*)
  f. Lettings charges are not made in accordance with policy or reviewed and approved annually. (*5 schools*)
  g. Invoices have not been raised in the finance system or unofficial invoices have been raised. (*4 schools*)
  h. No independent reconciliation or review of Parent Pay postings. (*5 schools*)

26. Procurement

  a. No financial limits set for declared pecuniary interest in companies. (*5 schools*)
  b. Procurement/purchasing card transactions not in accordance with Scheme of Delegation and Procurement Regulations. (*14 schools*)
  c. Purchase card is not held/ used in accordance with the Purchase Card Manual/Financial Regulations. (*5 schools*)

d. Incorrect accounting for VAT. (*6 schools*)

27. Expenditure

a. Lack of supporting documentation to evidence expenditure incurred. (*1 school*)
b. Academy conversion grant has not been repaid to the DfE as a result of non-conversion. (*1 school*)

Schools – Payroll Themed Audit

28. Although control weaknesses relating to payroll processes operating at schools have been identified in 2018/19, it is pleasing to note that fewer control weaknesses have been identified this year when compared to previous years. The weaknesses found related to the following areas:

a. Authorisations for appointments, terminations and variations could not be evidenced, is not consistent and/or retained on personnel files. (*9 schools*)
b. Additional hours claim forms not signed by employee and/or not authorised in accordance with the Scheme of Delegation. (*9 schools*)
c. Validation checks and agreement/authorisation of the payroll is not evidenced. (*6 schools*)
d. Service level agreement for current year to confirm services to be provided/costs not received. (*1 school*)
e. Contract for provision of payroll services not authorised in accordance with Scheme of Delegation. (*3 schools*)
f. Procedures not in place to ensure the prompt receipt of contracts of employment. (*1 school*)
g. Lack of separation of duties between input of payroll information and checking of payroll reports. (*3 schools*)

Special Investigations/Fraud & Corruption Related Work

29. A summary of work undertaken in relation to fraud and corruption and specific counter fraud testing is attached as **Appendix 2** in the confidential part of the agenda. Overall, the counter fraud and corruption work carried out in 2018/19 indicated that there are minor lapses in the application of controls leading to an increase in the risk of fraud. The table below summarises those exercises and investigations which involved confirmed financial losses. Reports have been issued to ensure that the control weaknesses have been addressed and re-occurrence prevented.

Area	Financial Value £	Control Objective
Internal Special Investigations of Fraud	23,085	This figure includes suspected loss from ongoing investigations.
National Fraud Initiative (NFI)* (all losses are subject to final validation & recovery action)	54,000	Payments to Care Homes for Deceased Residents - to date
Total	**77,085**	

**NFI = National Fraud Initiative. This is a national exercise undertaken biennially which is currently administered by the Cabinet Office. Data submitted by the Council is crossed checked against other public sector* *organisations' data highlighting potential areas of fraud/error. These are then investigated locally. Detailed reports are reported regularly to Members of the Audit & Standards Committee highlighting the results of this work.*

30. The quantity of concerns referred to Internal Audit is comparable with the previous year with a slight increase of two, during the year to 27. Potentially, this is due to our continued anonymous methods of reporting fraud available (such as the online reporting form). The actual loss related to referrals has increased from £11,238 in 2017/18 to £23,085 in 2018/19. This value is not seen to be material.

31. In order to evaluate the effect this element of Internal Audit work has upon the wider control environment, a threshold of £300,000 financial loss per annum has been set. When this level is exceeded it is considered to have a material effect on the control environment. This year's level of actual financial loss does not indicate detected fraud is a significant problem to the Council.

32. It should be noted that the figures below include error and losses identified during the NFI 2018 exercise to date. As outlined in Appendix 2, these losses include both fraud and error, much of which we expect to be recovered. Of the £77,085 identified as losses from fraud and error in 2018/19, only £23,085 relates to suspected fraud against the Council, the remainder (£54,000) being errors identified during the NFI. The table below shows the trend of actual financial loss due to fraud and error over recent years:

Year	Financial Value	Direction of Travel
2011/12	£179,312	↑
2012/13	£29,831	↓
2013/14	£101,753	↑
2014/15	£94,140	↓
2015/16	£73,115	↓
2016/17	£56,690	↓
2017/18	£105,232	↑
2018/19	£77,085	↓

33. The special investigations category consists of two elements: firstly, the financial loss incurred, and secondly an evaluation of the control environment based on the counter fraud and corruption work outlined as a separate item on the agenda. Proposed percentage allocations are as follows:

Special Investigations		Fraud and Corruption Work	
£0 – below £50,000 loss	50%	Procurement /Contract arrangements	10%
£50,000 - £150,000 loss	40%	Physical Cash/Asset management arrangements	10%
£150,000 - £200,000 loss	30%	Payment mechanisms	10%
£200,000 - £300,000 loss	20%	Payroll /Expenses	10%
Above £300,000 loss	10%	Income	10%

34. Based on the above criteria the overall score awarded for this category is **90%** (i.e.40% for the special investigations elements as the actual financial loss incurred is between £50,000 - £150,000. 50% has been awarded for the fraud and corruption elements based on the details outlined in the report contained in the confidential agenda).

Overall Opinion on the Control Environment

35. Following discussion at the Audit & Standards Committee at its meeting on 30 July 2012, it was agreed to endorse the methodology outlined below, which was used as the basis to form the annual assessment of the overall internal control environment. It is not proposed to amend this method for the 2018/19 assessment.

Current Methodology

36. Each separate category of audit work is assessed against a benchmark of achieving a score of at least 90% of the total number of audits performed being awarded an opinion of "Adequate or above" within each category. For a reason of simplicity, each category attracts equal weighting and a simple pass / fail assessment is used to differentiate the overall opinion between "Substantial, Adequate and Limited" as illustrated below:

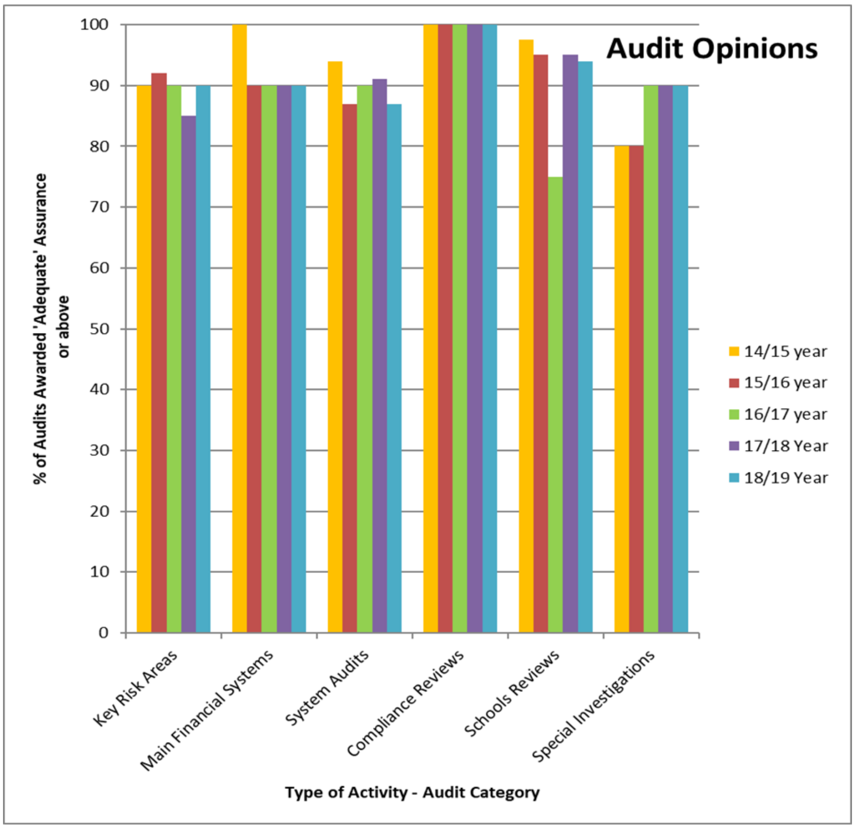
Overall Opinion Level	No of categories achieving the 90% benchmark
Substantial Assurance	6 out of the 6 categories
Adequate Assurance	4 or 5 out of the 6 categories
Limited Assurance	3 and below out of the 6 categories

Implications

37. The following table details the calculation of the 2018/19 overall assessment:

Audit Category	% awarded an opinion of at least "adequate"	Pass/Fail
Key Risk Areas *(paragraph 9.1)*	90%	Pass
Main Financial Systems *(paragraph 9.2)*	90%	Pass
System Audits *(paragraph 9.3)*	87%	Fail
Compliance Reviews *(paragraph 9.4)*	100%	Pass
Financial Management in Schools *(paragraph 9.5)*	94%	Pass
Special Investigations/Fraud & Corruption Related Work *(Paragraph 9.6)*	90%	Pass
Overall Total		**5 out of 6 categories passed**

38. The chart below details the audit opinions given to the key audit categories and provides a comparison with those awarded over the last five years, 2014/15 to 2018/19:



39. Based on the above, an **"Adequate Assurance"** opinion has been given on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, i.e. the control environment in 2018/19. This year's audit plan has been dominated with audit activities which support not only the Council's digital transformation programme but also the Adult Social Care (ASC) Pathway. Adopting agile auditing approaches within our audit processes, has allowed the Internal Audit Service to provide a just-in time and proactive approach to support the right projects at the right depth and focus, at the right time. This approach has been adopted specifically within our on-going project work as part of the Adults and Children's Financial Services Transformation Programme; the ASC Digital by Design Project and the Office 365 Project during 2018/19. Some high-level issues have been raised in 2018/19 within these areas and the Internal Audit Service will continue to support the design and implementation of a robust control environment in 2019/20.

40. Following the successful launch of My HR and My Finance in September 2017 and November 2017 respectively, the high-level issues raised in relation to the system security arrangements for both My HR and My Finance have continued to be monitored in year along with all the other agreed recommendations made as part of the suite of work forming the "SAP Replacement Programme". In addition, for the first time, an audit review on the My Finance control function which sits within Accountancy was carried out in-year, and a substantial assurance opinion was given over the control and monitoring arrangements in place within the Team. Whilst it is pleasing to note that many of those recommendations made as part of the SAP

replacement programme have been implemented now, the My HR systems security review has again been awarded a limited opinion. In respect of this, although three out of the five previously high-level recommendations have now been implemented as well as mitigating controls in place to reduce the risks of the remaining two high level recommendations, there are three control areas that remained outstanding from the previous year that Internal Audit has still been unable to give assurance on, due to a lack of evidence provided by the contractor, as well as some other control issues relating to access, security and back-up arrangements. In respect of this matter, the County Treasurer needs to continue to liaise with the contractor to obtain evidence of these controls in place or accept the risks associated with these weaknesses going forward.

41. The payroll control environment for the Council's core payroll has improved in 2018/19, which has resulted in the system being awarded an adequate assurance opinion this year (a limited assurance opinion was previously awarded in 2017/18). The Schools' compliance element of the assessment has achieved the benchmark also. Although control weaknesses relating to payroll processes operating at schools have continued to be identified in 2018/19, it is worth noting that fewer control weaknesses have been identified this year when compared to previous years. Also, the main financial systems element of the assessment has achieved the benchmark, with an improved direction of travel relating to both the administration of the Staffordshire Pensions Fund Local Government Pension Scheme and the nominal ledger highlighted in 2018/19. However, it is concerning that the level of outstanding debt continues to grow, and further improvements are required in respect of the debt recovery process. For these reasons, this area of operation has been given greater prominence and for the year ahead has been re-categorised as a top risk area.

42. Several other system audit reviews during 2018/19 have identified high level issues which have resulted in these reviews being awarded limited assurance opinions. It is noted that the overall number of limited assurance opinions being awarded within this category has increased again, up by 50% when compared to last year. An analysis of the high-level control issues arising from these reviews indicates that although there are a few system control weaknesses that need to be addressed, such as the physical security controls at one of the Council's locations and improvements to internet banking controls within another service area, predominantly the high-level control issues relate to officer non-compliance with agreed policy, best practice and procedures. The non-completion of key tasks and the failure to complete tasks consistently and correctly along with poor record keeping and a lack of management checks carried out were common themes arising from these reviews. One reason for this may be due to issues of capacity within the Council to undertake key activities. The issue of capacity was also identified last year as a potential concern. It is important that the key actions identified in these audits are addressed, implemented as agreed and progress monitored to ensure that the necessary steps have been taken to strengthen the control environment. This will continue to be a key focus for the 2019/20 Internal Audit Plan.

Performance Measures

43. Key performance indicators (KPI) for the Internal Audit Service are detailed below. The Service has met its key performance target of more than 90% of reports being issued to draft report stage for both systems and compliance audits during 2018/19. The Service continues to meet the KPI targets for the quality questionnaire feedback.

Description	Target %	2016/17	2017/18 %	2018/19 %
Reports issued to draft report stage:				
➢ Systems Audits	**90**	91	92	96
➢ Compliance Audits	**90**	100	95	92
Average score for Quality Questionnaires from clients is equal to or exceeds the 'good' standard:				
➢ System Audits	**90**	100	100	100
➢ Compliance Audits	**90**	100	100	100

Performance against the UK Public Sector Internal Audit Standards (PSIAS)

44. The UK PSIAS came into force on 1 April 2013 with the aim of promoting further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. These have been updated periodically since (last updated April 2017). A Local Government Application Note (LGAN) has also been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide further explanation and practical guidance on how to apply the standards. The LGAN is also updated periodically (last updated March 2019).

45. The Internal Audit Service works to an Audit Charter approved regularly by the Audit & Standards Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way in which it interfaces with the Council. A detailed paper outlining how the Service meets the specific requirements of PSIAS & LGAN was presented to the Committee in June 2014 and since this date, internal self-assessments have been undertaken. In January 2018, the Service procured its inaugural external quality assessment (which is required to be conducted once every five years) by CIPFA and the highest category level was awarded regarding compliance with the PSIAS and LGAN. One recommendation was made together with three suggestions for improvement and the full assessment was reported to the Audit and Standards Committee in March 2018. Progress in implementing these improvements is reported below:

No.	Action Point	Current Status
R1	The Chief Internal Auditor should update the Senior Management Team and the Chief Executive on a regular basis on Internal Audit's progress on delivering the annual audit plan	**Completed** – The Chief Internal Auditor presents the proposed Internal Audit to SLT in May each year prior to submission to the June Audit & Standards Committee. The Chief Internal Auditor regularly reports on delivery of the audit plan to the Head of Internal Audit & Financial Services throughout the year. Section 151 matters are reported in all instances to the County

No.	Action Point	Current Status
		Treasurer who reports to SLT for all Section 151 matters. Any issues regarding the delivery of the audit plan would be reported to the County Treasurer and the Senior leadership Team (as appropriate).
S1	It is suggested that a sentence is added to section nine of the audit charter clearly attributing the term 'Senior Management' to the Council's Senior Leadership Team. An example of such a sentence could be 'For the purposes of the UK Public Sector Internal Audit Standards, the Council's Senior Leadership Team performs the role of the 'senior management'.	**Completed** - The suggested details have been incorporated into the Internal Audit Charter since 2018.
S2	It is suggested the Internal Audit liaises with external audit over the timing of the audits of the key financial systems for the Council and the external clients to ensure clients are not audited by both teams in a relatively short space of time, usually in the last quarter of the financial year. Alternatively, the Service should consider shifting their audits of the key financial systems away from quarter to four to an earlier part of the financial year, say quarter two or three.	**Completed** - Ongoing discussions are held with External Audit to ensure that the timings of key financial audits are co-ordinated.
S3	Consider adding a statement to the individual audit reports stating that the audit has been conducted in accordance with the public sector internal audit standards. Where this is not the case, an alternative statement of non-conformance should be used instead.	**Completed** – A statement has been added to the individual audit report template stating that the audit has been conducted in accordance with the public sector internal audit standards

46. As part of our Internal Audit Quality Assurance and Improvement Framework (QAIP), as well as the *external quality assessment* (conducted every five years); internal assessments are also carried out, as mentioned above. These internal assessments take the following two forms:

    a. *On-going monitoring of the performance of the internal audit activity* - This is an integral part of the day to day supervision, review and measurement of the internal audit activity. On-going monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Mission of Internal Audit, Definition of Internal Auditing, Core Principles and the Code of Ethics; and
    b. *Periodic self-assessment* - On an annual basis, the Chief Internal Auditor will update the Public Sector Internal Audit Standards (PSIAS)/LGAN self-assessment checklist and review evidence to demonstrate conformance with the standards. This self-assessment also incorporates conformance with the Mission of Internal Audit, Definition of Internal Auditing, Core Principles and the Code of Ethics.

47. The results of this year’s updated self-assessment exercise against the current standards and LGAN are summarised below. It can be seen that 94% of the standards are deemed to be fully in place.

Standard			
In Place	**Partially In Place**	**Not In Place**	**Not Applicable**
127 (94%)	3 (2%)	4 (3%)	1 (1%)

48. For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to affect significantly the effectiveness of Internal Audit.

49. Four areas of non-conformance (not in place) were highlighted as part of the self-assessment which will not involve any further action being taken namely:

    a. The Chief Internal Auditor reports to the Head of Internal Audit & Financial Services. Section 151 matters are reported in all instances to the County Treasurer who reports to SLT for all Section 151 matters. Alternative reporting arrangements are detailed within the Internal Audit Charter, should the need arise.
    b. The Audit & Standards Committee does not approve the Internal Audit budget. This is the responsibility of the County Treasurer via Full Council.
    c. The Audit & Standards Committee does not approve decisions relating to the appointment and removal of the Chief Internal Auditor, this responsibility lies with the Head of Internal Audit & Financial Services in-conjunction with the County Treasurer. The County Treasurer would also liaise with the Director of Corporate Services in respect a matter of this nature.
    d. The Audit & Standards Committee does not approve the remuneration of the Chief Internal Auditor. The Pay of the Chief Internal Auditor is in accordance with the Council’s Pay structure, Grading and JE processes which are corporately owned.

50. The one standard which is categorised as “not applicable” related to an external internal audit service provider who acts as the internal audit activity.

51. The full action plan is attached as **Appendix 3** to this report.

52. The work undertaken by the Internal Audit Service during 2018/19 and reported within the Annual Outturn Report has been performed in accordance with PSIAS. In relation to this, there are no impairments or restrictions in scope or impairments in independence or objectivity during the year which prohibit the Chief Internal Auditor or the Service from delivering the annual Head of Internal Audit opinion for 2018/19.

Equalities Implications

53. There are no direct implications arising from this report.

Legal Implications

54. There are no direct implications arising from this report.

Resource and Value for Money Implications

55. The net budget of the Internal Audit Section in 2018/19 was £619,310 of which £53,400 related to payments to external providers.

Risk Implications

56. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit will continue to align its work with the Corporate Strategic Risk Register.

Climate Change Implications

57. There are no direct implications arising from this report.

Report Author:

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List of Appendices:

Appendix 1 - Audit Opinions
Appendix 2 - Summary of Work Undertaken **(Exempt)**
Appendix 3 - Compliance with PSIAS & LGAN Self-Assessment 2018/19 Action Plan

List of Reference Material

1. Audit Management System
2. Annual Audit Plan & Strategy 2018/19
3. 2018 Audit Charter
4. Public Sector Internal Audit Standards – revised with effect from 1st April 2017.
5. Local Government Application Note – with effect from 1st March 2019
6. Accounts and Audit (England) Regulations 2015.
7. CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition).
8. Progress Reports to Audit & Standards Committee & various Internal Audit Report

Appendix 1 – Audit Opinions

Recommendation Risk Ratings

At the conclusion of each audit, control weaknesses are rated based on their potential impact against the organisation and likelihood of any associated risks occurring.
The scoring matrices below are used by Auditors as a guide to assessment of each control weakness, and therefore generating the priority rating of the resultant recommendation.
Priority ratings may be adjusted subsequently; for example, in a minor system with a total budget of £100,000, financial loss of £5,000 would be considered more a more significant risk to system objectives than the matrix below would initially suggest.

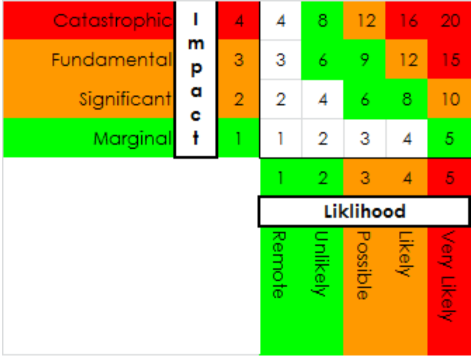
Impact Ratings

Risk Type	Marginal 1	Significant 2	Fundamental 3	Catastrophic 4
Financial	Lack of VFM or overspend resulting in a financial loss below £10,000	Lack of VFM or overspend resulting in a financial loss between £10,000 and £100,000	Lack of VFM or overspend resulting in a financial loss between £100,000 and £0.5m	Lack of VFM or overspend resulting in a financial loss in excess of £0.5m
Reputation	Adverse publicity unlikely (e.g. Just can't demonstrate that probity has been observed.)	Needs careful public relations (e.g. Minor theft of property or income.)	Adverse local publicity (e.g. Minor fraud case.)	Adverse national publicity (e.g. Major fraud or corruption case.)
Legal/Regulatory	Breaches of local procedures / standards	Breaches of regulations / standards	Breaches of law punishable by fines only	Breaches of law punishable by imprisonment
Legal/Regulatory	Not an issue that would interest the External Auditors	An issue that may require further checks to satisfy the External Auditor that control is sufficient.	Would warrant mention in the Annual Audit Letter or Annual Governance Statement (AGS).	Could lead to qualification of Council's Statement of Accounts
Legal/Regulatory	Unlikely to cause complaint / litigation	High potential for complaint, litigation possible	Litigation to be expected	Litigation almost certain and difficult to defend
Performance	Doesn't materially affect a departmental performance indicator or service objective.	Has a material adverse affect on a departmental/corporate performance indicator or service objective.	Could adversely affect a number of departmental/corporate performance indicators or could seriously damage Departmental objectives / priorities.	Could call into question the Council's overall performance framework or seriously damage a Council objective / priority.
Service Delivery	Doesn't affect any identified objectives	Adversely affects a service objective	Seriously damage Departmental objective / priority	Seriously damage any Council objectives / priorities
Service Delivery	No significant disruption to service capability	Short term disruption to service capability	Short term loss of service capability	Medium term loss of service capability
Service Delivery	No more than 3 people involved	No more than 10 people involved	Up to 50 people involved	More than 50 people involved
Health & Safety	No injuries beyond "first aid" level	Medical treatment required - long term injury	Extensive, permanent injuries; long term sick	Death

Likelihood ratings:

Risk Score	Description	Example Detail Description
5	Very Likely	Likely to occur within a year / Over 80% Probability of Likelihood
4	Likely	Likely to occur within 1 to 3 Years / 60%- 80% Probability of Likelihood
3	Possible	Likely to occur within 3 to 5 Years / 40%-60% Probability of Likelihood
2	Unlikely	Likely to occur within 5 to 10 Years / 20%-40% Probability of Likelihood
1	Remote	Likely to occur greater than 10 Years / Less than 20% Probability of Likelihood

Priority Ratings Matrix



Catastrophic	Impact	4	4	8	12	16	20
Fundamental		3	3	6	9	12	15
Significant		2	2	4	6	8	10
Marginal		1	1	2	3	4	5
			1	2	3	4	5
			Liklihood				
			Remote	Unlikely	Possible	Likely	Very Likely

Risk Score		Recommendation Rating
>=	<	
1	5	Minor Priority
6	10	Low Priority
10	13	Medium Priority
15	21	High Priority

Internal Audit Assurance Ratings

Each Internal Audit report completed provides a level of assurance of either Limited, Adequate or Substantial Assurance. The following table is a guide to how assurance levels are determined. Dependent on the nature of the recommendations raised, the Internal Audit function may increase or decrease the level of assurance provided. For example a single, very significant control weakness may give rise to only one recommendation but severely compromise the effectiveness of a system and therefore result in a limited assurance report, or on occasion an audit may give rise to recommendation numbers close to the thresholds shown below for two or more categories of recommendation.

Assurance Level	Typical Findings
Limited	Either: 2+ high priority recommendations, 8+ medium priority recommendations, or 13+ low priority recommendations
Adequate	Either: 1 high priority recommendation, 3-7 medium priority recommendations, or 7-12 low priority recommendations
Substantial	0 high priority recommendations, 0-2 medium priority recommendations, and 0-6 low priority recommendations

Compliance with PSIAS & LGAN Self-Assessment 2018/19 Action Plan

Appendix 3

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
1.	5.2 1110	Organisational Independence Does the CAE report to an organisational level equal or higher to the Corporate management team?	The Chief Internal Auditor (CIA) reports to the Head of Internal Audit & Financial Services. Section 151 matters are reported in all instances to the County Treasurer who reports to SLT for all Section 151 matters. Alternative reporting arrangements are detailed within the Internal Audit Charter, should the need arise.	The current reporting line in place is satisfactory. The CIA has alternative reporting arrangements, should she require which are outlined in the Internal Audit Charter. This has been reported in the annual outturn report as an area of non- compliance with PSIAS. No further action to be taken.	N/A	N/A
2.	5.2 1110 (c)	Organisational Independence Is the organisational independence of internal audit realised by functional reporting by the CAE to the board? (c) approves the internal audit budget and resource plan	The Audit & Standards Committee does not approve the Internal Audit budget. This is the responsibility of the County Treasurer via Full Council.	This will be reported in the annual outturn report as an area of non-compliance with PSIAS. No further action will, however, be undertaken.	N/A	N/A
3.	5.2 1110(e)	Organisational Independence Is the organisational independence of internal audit realised by functional reporting by the CAE to the board? (e) approves decisions relating to the appointment and removal of the CAE.	The Audit & Standards Committee does not approve decisions relating to the appointment and removal of the CIA, this responsibility lies with the Head of Internal Audit & Financial Services in-conjunction with the County Treasurer. The County Treasurer would also liaise with the Director of Corporate Services in respect a matter of this nature.	This will be reported in the annual outturn report as an area of non-compliance with PSIAS, however, no further action is planned.	N/A	N/A
4.	5.2 1110(f)	Organisational Independence Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?	In response to this, pay of the CIA is in accordance with the Council's Pay structure, Grading and JE processes which are corporately owned.	This will be reported in the annual outturn report as an area of non-compliance with PSIAS, however, no further action is planned.	N/A	N/A

		(f) approves the remuneration of the CAE.				
5.	5.3 1210	Proficiency and Due Professional Care Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	This area is improving; however, it is recognised that the skills and knowledge is largely held with the ICT Audit Manager and Counter Fraud Audit Manager. Demonstrations of IDEA have taken place with Staff at the last team meeting in March 2019, with further 1-2-1 training offered. The CIA has also requested that staff book on the advanced Excel course which will also be beneficial to staff. Additional experience of CAAT techniques is still required across the breath of the team and this will be improved/strengthened in 2019/20.	The CIA will continue to implement an integrated data driven approach to our audit process by promoting the use of IDEA in the work carried out and to facilitate and support members of the team through peer training. <Partial conformance to standard>	CIA in conjunction with ICT Audit Manager & Counter Fraud Audit Manager	On-going throughout 2019/20
6.	6.1 2050	Performance Standards: Managing the IA Activity – Co-ordination Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources? The CAE may also carry out an assurance mapping exercise	Other sources of assurance are captured as part of the annual audit planning process. Time is set aside in 2019/20 to formulate an assurance map for the Council. As this is a large-scale exercise, the focus will be to map the assurance for the Council's top ten risk areas in 2019/20. A pensions assurance framework has been produced for the new pensions pooling arrangements during 2018/19. In addition, an assurance framework has been developed for SEND governance.	The CIA will need to include time in the 2019/20 audit plan to conduct an assurance mapping exercise for the top ten risks faced by the Council. The CIA need to link in with the Head of Internal Audit & Financial Services regarding the Council's risk management arrangements. <Partial conformance to standard>	CIA in conjunction with the Head of Internal Audit & Financial Services	31/10/2019
7.	6.2 2120	Performance Standards: Nature of	The Head of Internal Audit &	In 2019/20, time will be taken to	CIA in	31/12/2020

		Work – Risk Management Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes?	Financial Services is responsible for risk management as a function. This role was previously carried out by the CIA role. So, the CIA role is now independent of these arrangements. Time in 2019/20 will be given to developing an assurance framework for the Council’s top 10 risk areas. Risk management will be considered as part of the annual audit planning process for 2020/21.	produce an assurance map for the top 10 risk areas for the Council and to liaise with the Head of Internal Audit & Financial Services as part of this process (see above also). Internal Audit will consider the area of risk management as part of the annual audit planning process for 2020/21. <Partial conformance to standard>	conjunction with the Head of Internal Audit & Financial Services	

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of the Local Government Act 1972

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