

Audit and Standards Committee

Monday 13 September 2021

10:00

Oak Room, County Buildings, Stafford

NB. The meeting will be webcast live which can be viewed here -
<https://staffordshire.public-i.tv/core/portal/home>

John Tradewell
Director of Corporate Services
3 September 2021

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 13th July 2021** (Pages 1 - 6)
4. **Annual Audit Letter 2019/20** (Pages 7 - 32)
5. **Changes to the Constitution - Number of Questions by Members at Full Council** (Pages 33 - 34)

Report of the Director for Corporate Services

6. **Forward Plan 2021/22** (Pages 35 - 42)
7. **Exclusion of the Public**

The Chairman to move:-

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

PART TWO

(reports in this section are exempt)

8. **Exempt minutes of the meeting held on 13th July 2021** (Pages 43 - 46)

9. **Infrastructure + Contract Quality Systems - Final Audit Report 2020-21** (Pages 47 - 76)
Final Audit Report (Paragraph 3)
10. **Taxi Compliance Exercise - Use of PPN 02/20 COVID 19 Supplier Relief Payments By A Taxi Operator - Special Investigation Report 2020/21** (Pages 77 - 116)
Special Investigation Report (Paragraph 3)
11. **Counter Fraud Proactive Exercise: School Transport Taxi Payments - Final Audit Report 2020/21** (Pages 117 - 134)
Final Audit Report (Paragraph 3)
12. **Climate Change - Final Audit Report 2020/21** (Pages 135 - 156)
Final Audit Report (Paragraph 3)
13. **Digital Programme - Value - Final Audit Report 2020/21** (Pages 157 - 176)
Final Audit Report (Paragraph 3)
14. **Adult Social Care Pathway - Final Audit Report 2020/21** (Pages 177 - 194)
Final Audit Report (Paragraph 3)
15. **Proactive Counter Fraud - Purchasing Card Cash Withdrawals Follow Up Final Audit Report 2021/22** (Pages 195 - 210)
Final Audit Report (Paragraph 3)

Membership

Carolyn Trowbridge (Vice-Chairman)	Bernard Peters
Ross Ward	James Salisbury
Bernard Williams	Janice Silvester-Hall
Ann Edgeller	Ian Wilkes
Richard Ford	Mike Worthington (Chairman)
Philippa Haden	Conor Wileman
Phil Hewitt	Arshad Afsar
Graham Hutton	

Minutes of the Audit and Standards Committee Meeting held on 13 July 2021

Present: Mike Worthington (Chairman)

Attendance

Carolyn Trowbridge (Vice-Chairman)	Phil Hewitt
Bernard Williams	Janice Silvester-Hall
Ann Edgeller	Ian Wilkes
Richard Ford	Arshad Afsar
Philippa Haden	

Apologies: Ross Ward, Graham Hutton, Bernard Peters, James Salisbury, Conor Wileman and Ian Parry

PART ONE

71. Declarations of Interest

Resolved – Mr Arshad Afsar placed on record his owing of a taxi company which delivers school transport for the local authority.

Resolved – Mrs Ann Edgeller placed on record her position as a school governor.

72. Minutes of the Meeting held on 12 April 2021

RESOLVED – That the minutes of the meeting held on 12 April 2021 be approved as a correct record and signed by the Vice Chairman.

73. Review of Changes to the Constitution

RESOLVED – That the Changes to the Constitution be approved.

74. Standards Panel Membership 2021/22

Chris Ebberley updated the Committee on the membership of the Standards Panel Membership 2021/22.

RESOLVED – That the Standards Panel Membership 2021/22 be approved and comprise Philippa Haden, Graham Hutton, Carolyn Trowbridge, Bernard Williams and Mike Worthington.

75. Staffordshire County Council - Provisional Audit Planning Report

Helen Henshaw (Ernst & Young) attended the meeting for this item and presented the Staffordshire County Council - Provisional Audit Planning Report.

Regarding the increased EA fee of £183,000, it was asked what the is scope for reviewing / changing the fee and in order to agree to that fee, we would need absolute assurance that the reports and accounts would be completed on time.

It was reported that the situation with the backlog of audits is affecting the whole industry and is a national issue. It is not something that is going to be turned around in the short term. We are looking to recruit and are doing everything we can to work through the backlog.

Rob Salmon commented that SCC have not yet approved the new fee and will not until we have the necessary assurances that work will be completed. The current audit will be used to gauge performance and progress.

RESOLVED – That the Staffordshire County Council - Provisional Audit Planning Report be approved.

76. Staffordshire Pension Fund - Outline Audit Plan

Hassan Rohimun (Ernst & Young) attended the meeting for this item and presented Staffordshire Pension Fund - Outline Audit Plan.

RESOLVED – That the Staffordshire Pension Fund - Outline Audit Plan be noted.

77. Information Governance Annual Statement

Natalie Morrissey attended the meeting for this item and presented the Information Governance Annual Statement.

It was queried how are information breaches reported. The response was that we do have a robust process which includes an online form whereby an assessment is made.

It was asked how risks from home working are being assessed. It was reported that there was an initial rise in April last year but it's hard to correlate that this was caused by home working or as a result of awareness and training. The rise has levelled off now.

RESOLVED – That the Information Governance Annual Statement be noted.

78. Proposed Internal Audit Strategy & Plan 2021/22

Debbie Harris presented the Proposed Internal Audit Strategy and Plan 2021-22.

The Internal Audit Plan has been prepared in line with the Audit Strategy detailed in the report on page 3 of Appendix 1.

Members asked if elaboration could be given on the schools audit programme. It was reported that 20 audits take place throughout year of Pupil Referral Units (PRUs) primary, secondary and special schools. Academies can choose to buy in to the audit programme.

It was queried whether children in care should be considered to be a key risk by audit.

The children's transformation programme picks up children in care. 2020/21 work programme did pick up several children related audit activities and children's transformation has previously been considered a top risk review area (governance and place based approach).

Members commented on how well the Internal Audit Team have performed despite the year just gone.

Members considered whether the apprenticeship levy is the best way to attract the right people to the organisation.

It was reported that IA currently have two apprenticeships undertaking Chartered Institute IA qualification. Attracting and developing staff via apprenticeships is a good way to build resilience within the service and to retain good staff.

Members questioned whether work with South Staffordshire District Council will help Parish Councils reduce high precepts as has been the case this year with at least one Parish Council this year.

It was reported that IA work only covers SSDC and not Parish Council Activity.

Regarding work on Children's Mental Health, and the new contract for Children's mental health services, members asked for more details to be provided. The CIA agreed to provide to provide this and circulate to members of the committee. In relation to the the Mental Care Act - Section 117 payments, members questioned how the money is being spent with identified at risk individuals.

It was reported that the audit will pick up on how these monies have been spent.

RESOLVED – That the Proposed Internal Audit Strategy & Plan 2021/22 be endorsed and recommend approval of the Internal Audit Plan for 2021/22 to the County Treasurer.

79. Code of Corporate Governance

Lisa Andrews presented the Code of Corporate Governance.

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.

RESOLVED – That the Code of Corporate Governance be approved.

80. Internal Audit Outturn Report 2020-21

Debbie Harris presented the Internal Audit Outturn Report 2020-21.

This report outlines the work undertaken by Internal Audit in respect of the 2020/21 annual plan.

Pleasing that we recouped the fraud balance outlined, what is the case with the Purchase Card fraud incident.

Response: Monies from the Purchase Card fraud case have been returned via the Council's Insurers (less the excess).

Based on Internal Audit's work for 2020/21, an "Adequate Assurance" opinion was given on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework, i.e. the control environment in 2020/21.

RESOLVED – That the Internal Audit Outturn Report 2020-21 be noted.

81. Code of Conduct for Members – Report on the Management of Complaints (October 2020 – May 2021)

Chris Ebberley presented the Code of Conduct for Members – Report on the Management of Complaints (October 2020 – May 2021).

In this reporting period 14 complaints were received and concluded. Details of the 14 complaints and agreed action are shown at Appendix 1 to this report.

There two additional complaints referenced in the report are now concluded.

1. The complainant didn't want to follow up
2. The member in question is to receive training on code of conduct and declarations of interest.

Members asked whether we will continue to review the member code of conduct in light of any further changes from government.

It was reported the code of conduct will always take on board legislative changes or areas of best practice.

RESOLVED – That the Code of Conduct for Members – Report on the Management of Complaints (October 2020 – May 2021) be noted.

82. Forward Plan 2021/22

Lisa Andrews presented the Audit and Standards Committee Forward Plan 2021/22.

RESOLVED – That the Forward Plan be noted.

83. 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 paragraph of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 as indicated.

84. Exempt Minutes of the meeting held on 12 April 2021

85. Minutes of the Standards Panel 23 April 2021

86. Internal Audit Outturn Report 2020-21 - Appendix 2 - Counter Fraud and Corruption Work

87. Update on Cyber Security

88. Governance and Culture of Cyber Security - Final Audit Report 2020-21

89. Sales 2 Cash (including Debt Recovery Function and Debt Management) - Final Audit Report 2020-21

90. Covid-19 - Infection Control Grant (Tranche One) - Final Audit Report 2020-21

91. SEND Transformation - Governance - Decision Making Process - Final Audit Report 2020-21

Chairman

Staffordshire County Council and Pension Fund

Annual Audit Letter

Year Ended 31st March 2020

24 May 2021

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Agenda Item 4

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right.

Building a better
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - 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, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 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. We can provide further information on how you may contact our professional institute.



Section 1

Executive Summary

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Executive Summary

We are required to issue an annual audit letter to Staffordshire County Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on the delivery of the audit	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
Impact on our risk assessment	
▶ Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.
Impact on the scope of our audit	
▶ Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk: <ul style="list-style-type: none"> ▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and ▶ Agree IPE to scanned documents or other system screenshots.
▶ Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

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Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	
▶ Financial statements	<p>We issued an unqualified opinion on the County Council and Pension Fund financial statements on 30 April 2021.</p> <p>The audit was significantly protracted due to the unforeseen sickness absence of key members of the audit team.</p> <p>We conclude that the financial statements give a true and fair view of the financial position of the County Council and the Pension Fund as at 31 March 2020 and of its expenditure and income for the year then ended.</p> <p>Within the audit opinion we did include a paragraph to emphasise the disclosures made by the pension fund in respect of the material uncertainty reported on the valuation of its directly held property investments.</p>
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	As a result of our procedures, we conclude that a qualified 'except-for' conclusion with respect to the Council's arrangements to secure economy, efficiency and effectiveness in your use of resources is appropriate.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 28 th November 2020 and reported to the Audit and Standards Committee on 9 December 2020. We wrote to the Chair of the Audit and Standards Committee on in April 2021 to communicate the remaining key findings of the audit.

We presented an initial Pension Fund Audit Results Report to the Pensions Committee on 18 December 2020. Following completion of outstanding audit procedures we issued the final Audit Results Report on 29 April 2021.

Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.

We certify that we have completed the audit of the accounts of Staffordshire County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Our certificate was issued on 30 April 2021

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Staffordshire Pension Fund. On 29 April 2021 we issued an opinion that stated the Pension Fund Annual Report was consistent with the audited Pension Fund financial statements

We would like to take this opportunity to thank the Council and Pension Fund's staff for their assistance during the course of our work.



Helen Henshaw (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
19 May 2021

Section 2

Purpose and Responsibilities

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Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the Audit and Standards Committee, representing those charged with governance. We also wrote to the Chair on the Committee to communicate the results from the remaining areas of the audit. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 08 June 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit

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Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 April 2021.

Our detailed findings were reported to the Audit committee on 8th December 2020. The key issues identified as part of our audit were as follows:

Council

Significant Risk	Conclusion												
Misstatements due to fraud or error	We did not identify any matters to report to the Audit Committee.												
Risk of fraud in revenue and expenditure recognition	<p>We noted a misclassification of £15.8m of income disclosed as Government Grants and Contributions in note 11 to the draft financial statements. This was actually 'fees charges and other service income', and was corrected by management in the final financial statements.</p> <p>We noted that the Council received £22m of C-19 grant funding from Central Government in March 2020. There were no conditions attaching to this grant and therefore this should have been recognized as income in the 2019/20 financial year and not deferred on the balance sheet. Management corrected this error in the final statement of accounts.</p>												
Valuation of land and buildings	<p>2 errors were noted in the assets revalued in year which have been corrected in the final statement of accounts:</p> <table border="1"> <thead> <tr> <th>Asset</th> <th>Original valuation</th> <th>Revised valuation</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Stafford household Waste Site</td> <td>1,923,000</td> <td>1,306,000</td> <td>617,000 decrease</td> </tr> <tr> <td>Amberwood Care Home</td> <td>6,879,000</td> <td>7,339,000</td> <td>460,000 increase</td> </tr> </tbody> </table> <p>In addition, assets which are not formally revalued in year are subject to indexation by the Council. The Council, in the preparation of the draft accounts, used national indices in order to perform this revaluation. EY challenged this approach and sourced a Staffordshire specific index which resulted in a £13.9m reduction to the valuation of assets. Management have adjusted the final financial statements to reduce the valuation by £13.9m</p>	Asset	Original valuation	Revised valuation	Difference	Stafford household Waste Site	1,923,000	1,306,000	617,000 decrease	Amberwood Care Home	6,879,000	7,339,000	460,000 increase
Asset	Original valuation	Revised valuation	Difference										
Stafford household Waste Site	1,923,000	1,306,000	617,000 decrease										
Amberwood Care Home	6,879,000	7,339,000	460,000 increase										

Financial Statement Audit

Key Issues (continued)

Council

Significant Risk	Conclusion
Accounting for disposals of schools converting to academies	We did not identify any matters to report to the Audit Committee.
Pension Valuation Liability - LGPS	<p>Management obtained revised actuarial reports to reflect the recent McCloud remedy consultation which resulted in changes to the draft financial statements. The net liability moved from £1,128.2m in the initial draft financial statements to £793.37m in the final draft financial statements.</p> <p>We also noted in our review of the draft statement of account that the pension liability did not equal the pension reserve. This was due to the inappropriate treatment of a pension (employer contribution) prepayment made in the 2017/18 financial year. The Council have adjusted the financial statements via a prior period adjustment to correct this issue. This has resulted in a £24.2m prepayment being added to the 2017/18 balance sheet (and the pension liability) which then unwinds in subsequent years.</p>
Other areas of audit focus	Conclusion
Accounting for PFI waste scheme	We did not identify any matters to report to the Audit Committee.
Going Concern	We did not identify any matters to report to the Audit Committee.

Financial Statement Audit (cont'd)

Key Issues

Pension Fund

Significant risks	Conclusion
Risk of Management Override: Year end investment journals	We did not identify any matters to report to the Committee.
Valuation of level 3 investments	The Pension Fund has a number of hard to value level 3 investments which required significant audit procedures to gain assurance over the material accuracy of valuations at 31 March 2020. We completed our work and did not identify any matters to report to the Committee.

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Other audit risks on the Pension Fund audit

Valuation of directly held property investments - The Fund's draft accounts were updated to reflect the Covid-19 related valuation uncertainty reported by the Pension Fund's external valuer of the £415m directly held property. We have emphasised the disclosure in our audit opinion. This is not a modification to the audit report but highlighting to the reader of the accounts an important disclosure in the Fund's accounts. The Pension Fund has made an appropriate disclosure in the statements.

Local Government Pension Scheme (LGPS) Asset Pooling Arrangements - The Pension Fund has put in place appropriate governance arrangements for using the LGPS asset pool for its investments.

Going concern - the Pension Fund has assessed the impact of Covid-19 on its cash and asset position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>SCC: We determined planning materiality to be £10.9m, which is 1% of gross revenue expenditure reported in the accounts.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council</p> <p>SPF: Our planning materiality of £47.4m represents 1% of the prior year's net assets, consistent year on year. Performance materiality represents 50% of planning materiality.</p>
Reporting threshold	<p>SCC: We agreed with the Audit and Standards Committee that we would report to the Committee all audit differences in excess of £0.55m</p> <p>SPF: We agreed with the Audit and Standards Committee that we would report to the Committee all audit differences in excess of £2.4m</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any members allowances, severance payments, exit packages and termination benefits: We assess the Senior officer remuneration disclosures including any severance payments, exit packages and termination benefits as numerically sensitive and set a materiality level of £1k, being the rounding number in the financial statements.
- ▶ Related party transactions: For any errors identified in related parties we considered the concept of the materiality of transactions and balances as would relevant to the related individual or organisation.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. There was only one case of uncorrected misstatements as below:

Prior year disclosure misclassification misstatement:

- Income from fees, charges and other service income misclassified as grant income in 2018/19 of £43.2m. This is a disclosure issue only and does not affect the Comprehensive Income and Expenditure statement.

Section 4

Value for Money



Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified 2 significant risks around these arrangements. The tables below present our findings in response to the risks in our Audit Planning Report dated 8 June 2020 and any other significant weaknesses or issues we want to bring to your attention.

As a result of our procedures, we conclude that a qualified 'except-for' conclusion with respect to your arrangements to secure economy, efficiency and effectiveness in your use of resources is appropriate.



Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Sustainable resource deployment</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p>	<p>From the medium term financial strategy (MTFS), updated in January 2019, has proposed balanced budget budgets for 2020/21 and 2021/22. However, the MTFS has identified the Council will experience budget gaps from 2022/23 to 2024/25 ranging from £1.1m to £6.8m, respectively.</p> <p>Going forward the Council will need to continue to scrutinise its financial plans to achieve budget savings in order maintain delivery of Council services to enable it to hold an adequate level of useable reserves.</p>	<p>At 31 March 2020 key balances were as follows:</p> <ul style="list-style-type: none"> • Cash and Cash equivalents £79m • General Fund £35.5m • Total usable reserves £240m • Borrowing £452.5m (of which £413.1m is payable > 1 year). <p>Therefore Staffordshire County Council has significant cash and cash equivalents balances and usable reserves. There is no indication that statutory services will not be maintained at least for the next 12 months. Government funding received to date has reimbursed almost all C-19 expenditure, lost income and savings delays (with a £2m shortfall which is immaterial).</p> <p>The MTFS (February 2020), identified headroom of £1.1m in 22/23, £3.3m in 23/24 and £6.8m in 24/25, however this was after significant savings, rising to £62.7m by 2024/25.</p> <p>We have reviewed Management's assessment of how quickly general balances would be used up if the council did nothing to address matters e.g. no savings programme in place. This shows that all general balances would be fully utilised by the end of 23/24 if costs increase at their assumed 'worst case' levels.</p> <p>Our work on reviewing the assumptions within the MTFS and the arrangements to develop robust savings plans concluded that there are no matters to report in our audit opinion in relation to this significant value for money risk.</p>

Value for Money Risks (continued)

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Working with partners and third parties</p> <p>Working with third parties effectively to deliver strategic priorities</p>	<p>In January 2019, a joint report was issued by OFSTED and the CQC relating to the joint inspection 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 joint report highlighted significant weaknesses which was significant VFM risk in terms of working with third parties effectively to deliver strategic priorities.</p> <p>Our review in 2019 concluded that the Council had an action plan in place to address the weaknesses identified. However, as the inspectorates have yet to complete their follow-up review and conclude that the recommendations have been fully implemented, the matter is retained as a significant risk for 2019/20.</p>	<p>During 2019/20 the County Council requested internal audit to conduct a review to identify how progress had been made in completing actions within the Written Statement of Actions. The internal audit report, published May 2020, provided limited assurance noting "The review of the written statement as at January 2020 showed that overall the situation across all eight priority areas had remained broadly similar since October 2019, with the majority (at least five/six) recorded as Amber (work is progressing and expected to be completed within the timescales set)."</p> <p>This issue is evidence of weaknesses in proper arrangements for:</p> <ul style="list-style-type: none"> partnership working in the local area and the ability of organisations to work together to effectively deliver strategic priorities, improving the health and experiences of the local population. <p>Actions to address the identified weaknesses have not progressed with appropriate urgency during the 2019/20 financial year.</p>

Overall conclusion

We identified 2 significant risks around these arrangements. The tables above present our findings in response to the risks in our Audit Planning Report dated 8 June 2020 and any other significant weaknesses or issues we want to bring to your attention.

As a result of our procedures, we conclude that a qualified 'except-for' conclusion with respect to your arrangements to secure economy, efficiency and effectiveness in your use of resources is appropriate, specifically in relation to the SEND Written Statement of Actions.



Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We have substantially completed this work subject to receiving the revised version of the consolidation pack. This has been delayed due to a national IT issue. HM Treasury are working on a fix, which once applied will enable us to conclude this work and report to the National Audit Office.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We had no matters to report.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 15 October 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Section 6

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It was proposed that IFRS 16 (Leases) would be applicable for local authority accounts from the 2021/22 financial year, deferred a year due to the impact of Covid-19.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>However in response to the ongoing pandemic and its pressures on council finance teams, the CIPFA LASAAC Local Authority Accounting Code Board has announced that the implementation of IFRS 16 in the Code of Practice on Local Authority Accounting in the UK (the Code) will be deferred until the 2022-23 financial year. This decision brings the Code in line with the decision by the Government's Financial Reporting Advisory Board to put back the effective date for the implementation of the standard to 1 April 2022.</p> <p>CIPFA LASAAC has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p> <p>The announcement is available on CIPFA's website.</p>	<p>There are transitional arrangements within the standard and It is assumed this will be reflected in the 2021/22 Accounting Code of Practice for Local Authorities when published. CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Section 8

Audit Fees

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Audit Fees – County Council

Our proposed audit fees were reported in our 2019/20 Audit Planning Report dated 8 June 2020. The table below sets out the final audit fee for the 2019/20 audit.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Annual Audit Fee - Code work	84,511	84,511	84,511	84,511
Additional audit fee (scale fee variation to rebase the scale fee to a sustainable level - as communicated in our audit plan)**	98,495	98,495	N/A	0
Additional audit fee (additional costs incurred specific to the 19/20 audit)*	25,103	N/A	N/A	77,500
Total Audit Fee	208,109	183,006	84,511	162,011
Non-audit work	0	0	0	0
Total Fees	208,109	183,006	84,511	162,011

*There have been specific additional costs incurred in the delivery of the 19/20 audit which can be summarised as follows:

PPE – valuation (assets not valued in year)	£1,856
Covid 19 (risk assessment, reassessing materiality, going concern considerations)	£8,787
Value for money qualification	£4,187
Prior period adjustments	£4,722
McCloud adjustments	£842
Accounts quality issues	£4,709
Total	£25,103**

**We have had initial discussions regarding the scale fee variation with management and it is subject to approval by PSAA Limited.

Audit Fees (contd.) – Pension Fund

Staffordshire Pension Fund -

Items 1 and 2 are outside of the PSAA fee regime and therefore we will seek agreement with the Treasurer only.

	Final fee 2019/20	Planned fee 2019/20	Final Fee 2018/19
	£	£	£
Scale Fee - Code work	21,553	21,553	21,553
Additional audit fee (scale fee variation to rebase the scale fee to a sustainable level)	30,947	30,947	N/A
Additional work for 19/20 and associated fees:			
IAS 19 Assurance Work - annual approach (1)	9,500	6,000	5,500
Triennial Review Procedures (2)	11,500	12,000	-
Going concern and PBSE assessments and disclosures including EY consultations	4,250	-	-
Additional work to obtain assurance over valuation of directly held property investments.	5,750	TBC	-
Total indicative Pension Fund fee	83,500	TBC	27,053

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Local Members Interest
N/A

Audit and Standards Committee – Monday 13th September 2021

Change to the Constitution – Number of Questions by Members at Full Council

Recommendation

- a. I recommend that paragraph 8.3 of Section 12 (Procedural Standing Orders) of the Council's Constitution is amended to limit the maximum number of questions that may be submitted by a member to one rather than the current two so that the wording of paragraph 8.3 will then read:

Each Member may submit a maximum of one question each, however only the first 15 questions received by the Director for Corporate Services before the deadline will be dealt with at the meeting. All other questions will receive a written answer

Report of the Director for Corporate Services

Proposed Change

1. The Staffordshire County Council Constitution sets out in section 12 the procedure to be followed at Council Meetings (known as Procedural Standing Orders). Among other things, these deal with how many questions may be submitted by each member at each meeting of the Council under the agenda item known as Members' Questions Under Standing Order 8. The maximum number of questions that may be submitted by Members under Standing Order 8 is currently 2 per member per meeting. It is suggested that the limit is revised to a maximum of 1 question per member per meeting.

Reason for the Change

2. The change will ensure that each member has a better chance of being able to successfully put forward a question at each meeting. It would guarantee that 15 members are allowed to submit a question at each meeting whereas under the current maximum the number of members able to submit a question can be limited by those members who choose to submit two questions.

Risk Implications

3. The change proposed should not reduce the ability of members to either obtain information, or to hold the Executive to account, as members would still have a range of other routes to seek answers to questions (e.g. by writing to the Portfolio Member or Officer, by raising the matter under the Leader's Statement).

Legal Implications

4. The changes proposed in this report are designed to ensure that Staffordshire County Council operates a system of good governance, accountability, and transparency as required by the Localism Act 2011, other legislation and more generally as required.

Resource and Value for Money Implications

5. The proposals in the report do not generate any additional resource implications for the Authority

Climate Change Implications

6. There are no climate change implications arising as a result of this report.

List of Background Documents/Appendices:

Section 12 of Constitution – Procedural Standing Orders

Contact Details

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Audit and Standards Committee Forward Plan 2021/22

If you would like to know more about our work programme, please get in touch with Lisa Andrews, Head of Audit & Financial Services, 01785 276402 or Lisa.Andrews@staffordshire.gov.uk

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
12 April 2021				
Annual Report of the work of the Audit & Standards Committee Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Charter 2021/22 Report of the County Treasurer Lead Officer Lisa Andrews				
Proposed changes to the Constitution	As required			
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).	As required			
Special Guardianship Payments Arrangements – progress report Lead Officer – Deborah Ramsdale				
Review of Joint Funding & Billing CCG's Continuing Healthcare - Progress Report Lead Officer – Karen Webb				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
SEND Services – Further Progress Report. Lead Officer – Tim Moss				
13 July 2021				
Review of the Constitution (as approved by Annual Council 20 th May 2021) Lead Officer: Chris Ebberley				
Appointment of Members to Standards Panel 2021/22. Lead Officer: Chris Ebberley				
External Audit Plan 2020/21 Report of Ernst & Young	Moved from February 2021			
Staffordshire Pension Fund Audit Plan 2020/21 Report of Ernst & Young	Moved from February 2021			
Annual Report on Information Governance Report of the Director of Corporate Services Lead Officer: Tracy Thorley/ Natalie Morrisey				
Internal Audit Plan 2021/22 Report of the County Treasurer Lead Officer: Debbie Harris				
Code of Corporate Governance – 2021/22 Update Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Outturn Report 2020/21 Report of the County Treasurer Lead Officer: Debbie Harris				
Code of Conduct for Members – Annual Report on the Management of Complaints Report of Director of Corporate Services Lead Officer: Chris Ebberley				
Forward Plan for the Audit and Standards Committee				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).	As required	As required		
Review of the arrangements in place to address the risks of Cyber Attack. Lead Officers: – Natalie Morrissey/ Dave Sharkey				
13 September 2021				
Annual Audit Letter – 2019/20 Lead Officer: External Auditor (EY)				
Review of the Constitution Lead Officer: John Tradewell				
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).	As required			
Counter Fraud Report – Cash Purchase Card Transactions (Quarterly Report) Lead Officer: Debbie Harris				
26 October 2021				
Annual Governance Statement 2020/21 Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Training on Statement of Accounts				
Statement of Accounts 2020/21 Presentation and Report of County Treasurer Lead Officer: Rachel Spain				
Report to those charged with Governance (ISA				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
260) a) Staffordshire County Council Report of Ernst & Young				
Report to those charged with Governance (ISA 260) b) Staffordshire Pension Fund Report of Ernst & Young				
Development of an assurance framework Report of County Treasurer Lead Officer: Debbie Harris				
Strategic Risk Register - Update Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Proposed changes to the Constitution	As required			
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (Part 2 items).	As required			
Information Management – Progress Report Lead Officer Natalie Morrisey				
14 December 2021				
Health, Safety and Wellbeing Performance Annual Report Report of Director of Corporate Services Lead Officer: Becky Lee				
Internal Audit Plan 2021/22 – Update Report of the County Treasurer Lead Officer: Debbie Harris				
National Fraud Initiative - Update Report of the County Treasurer Lead Officer: Debbie Harris				
Updated Procurement & Financial Regulations				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Lead Officers: Paul Timmins/Lisa Andrews				
Counter Fraud Report – Cash Purchase Card Transactions (Quarterly Report) Lead Officer: Debbie Harris				
Proposed changes to the Constitution				
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).				
Special Guardian Payments Arrangements – Further Progress report Lead Officer – Deborah Ramsdale				
2 February 2022				
External Audit Plan 2021/22 Report of Ernst & Young				
Staffordshire Pension Fund Audit Planning Report 2021/22 Report of Ernst & Young				
Strategic Risk Register - Update Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Review of the Effectiveness of the Audit & Standards Committee. Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Counter Fraud Report – Cash Purchase Card Transactions (Quarterly Report) Lead Officer: Debbie Harris				
Proposed changes to the Constitution				
Forward Plan for the Audit and Standards Committee				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).				
Progress Report on the recommendations contained within the Governance and Culture of Cyber Security audit report. Lead Officers – Vic Falcus & Tracy Thorley				
Progress Report on the outstanding actions for the SEND Transformation - Governance (Decision Making Process). Lead Officer – Tim Moss				
26 April 2022				
Annual Report of the work of the Audit & Standards Committee Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Charter 2022/23 Report of the County Treasurer Lead Officer: Lisa Andrews				
Internal Audit Plan 2022/23 Report of the County Treasurer Lead Officer: Debbie Harris				
Counter Fraud Report – Cash Purchase Card Transactions (Quarterly Report) Lead Officer: Debbie Harris				
Proposed changes to the Constitution				
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).				

<p>Membership</p> <p>Mike Worthington (Chair) Bernard Peters Carolyn Trowbridge (Vice Chair) James Salisbury Arshad Afsar Janice Silvester-Hill Richard Ford Conor Wileman Ross Ward Ian Wilkes Bernard Williams Graham Hutton Philippa Haden Ann Edgeller Phil Hewitt</p> <hr/>	<p>Calendar of Future Committee Meetings (All meetings at 10.00 a.m. unless otherwise stated)</p> <p>13 July 2021 13 September 2021 26 October 2021 14 December 2021 22 February 2022 26 April 2022</p> <p>Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH</p>
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