

Audit and Standards Committee

Tuesday 5 July 2022

10:00

Oak Room, County Buildings, Stafford

The meeting will be webcast live which can be viewed at any time here:

<https://staffordshire.public-i.tv/core/portal/home>John Tradewell
Director of Corporate Services
23 June 2022

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 26 April 2022** (Pages 1 - 4)
4. **Appointment of Standards Panel 2022/23**

To consider the recommendation of Full County Council (19/5/22) that the Standards Panel comprise the following members for 2022/23:
P Haden, G Hutton, C Trowbridge, B Williams and M Worthington.
5. **Annual Report on the Work of the Audit and Standards Committee** (Pages 5 - 14)
6. **External Audit Plan 2021/22 - Verbal Report by Ernst Young (External Auditors)**
7. **Staffordshire Pension Fund Audit Plan 2021/22 - Verbal Report by Ernst Young (External Auditors)**
8. **Code of Corporate Governance - 2022 Update** (Pages 15 - 44)
9. **Internal Audit Report Outturn 2021** (Pages 45 - 76)
10. **Code of Conduct for Members - Annual Report on the Management of Complaints June 2021-June 2022** (Pages 77 - 82)

- 11. **Proposed Change to the Constitution - Proposed Addition to Procurement Regulations** (Pages 83 - 84)
- 12. **Forward Plan for the Audit and Standards Committee** (Pages 85 - 92)
- 13. **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)

- 14. **Exempt Minutes of the Meeting held on 26 April 2022 (exemption paragraph 3)** (Pages 93 - 96)
- 15. **Internal Audit Outturn Appendix 2 - Counter Fraud Outturn Report 2021/22 (exemption paragraph 3)** (Pages 97 - 132)
- 16. **Reactive Fraud Investigation - Pre-paid Card False Transactions (exemption paragraph 7);** (Pages 133 - 146)
- 17. **Joint Funding and Billing CCGs Continuing Healthcare - Progress Report on the Implementation of Previous Audit Recommendations (exemption paragraph 3)** (To Follow)

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	Arshad Afsar
Phil Hewitt	Keith Flunder
Graham Hutton	

Notes for Members of the Press and Public

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Recording by Press and Public

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Minutes of the Audit and Standards Committee Meeting held on 26 April 2022

Present: Mike Worthington (Chairman)

Attendance

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

Also in attendance:

For all items – Deborah Harris (Interim Chief Internal Auditor)

For item no. 159 – Natalie Morrissey (Information Governance Manager)

For item no. 164 – Nicola Hope (Head of Service – Adoption and Kinship)

For item no. 166 – Tim Moss (Assistant Director for Education Strategy and Improvement)

For item no. 167 – Sarah Getley (Assistant Director for People)

Cherie Cuthbertson (Head of People Solutions)

Paul Timmins (Head of Procurement)

Apologies: Ian Wilkes

PART ONE

157. Declarations of Interest

There were no declarations of interest on this occasion.

158. Minutes of the Meeting held on 22 March 2022

RESOLVED – That the minutes of the meeting held on 22 March 2022 be confirmed as a correct record and signed by the Chairman.

159. Annual Report on Information Governance

The Director of Corporate Services submitted the Annual Report on the County Council's compliance with legislation on Information Governance, particularly in relation to access to data and information, and the use of investigatory powers. Compliance was monitored by a range of national bodies.

Specific reference was made to cyber security risks and the increased focus on training for officers and members given the current international circumstances. In addition, user authentication requirements were being strengthened.

In response to members questions it was reported that homeworking by County Council staff had initially increased the need for attention to security issues but this had since levelled out with an audit of cyber security giving assurance that appropriate measures were in place.

RESOLVED – That the Annual Report on Information Governance be noted.

160. Proposed Internal Audit Strategy and Plan 2022/23

The County Treasurer presented the proposed Internal Audit Strategy and Plan for 2022/23 explaining that whilst it provided for 175 days' less audit activity than the previous Plan, he was satisfied that it was balanced, with proposed activity matching the resources available. Using a scoring system the highest risks facing the Council were prioritised.

The County Treasurer was seeking to recruit to vacancies in the audit team however this was against a backdrop of a national shortage of auditors with market rates increasing drastically. A reserve list of audit reviews was held and would be instigated if resources allowed.

Members asked for an example where risk management had been effective. In response to this, Internal Audit's time supporting projects such as the Highways Transformation Programme and other Projects were quoted as examples where risks were being effectively managed through early engagement with the Internal Audit Service.

RESOLVED – That the Internal Audit Strategy and Plan for 2022/23 be approved.

161. Forward Plan for the Audit and Standards Committee 2022/23

The County Treasurer submitted the Forward Plan setting out this Committees meeting schedule and provisional agenda contents for 2022/23.

RESOLVED – That the Forward Plan be approved.

162. 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.

The Committee proceeded to consider the following items:

163. Exempt minutes of the meeting held on 22 March 2022 (exemption paragraph 3)

164. Special Guardianship Payments - Progress Report (exemption paragraph 3)

165. Review of Joint Funding and Billing CCGs Continuing Healthcare - Progress Report (exemption paragraph 3)

166. Staffordshire Local Area SEND Re-Visit Inspection (exemption paragraph 3)

167. Agency Staffing Contracts Audit Review (exemption paragraph 3)

Chairman

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 05 July 2022

Annual Report of the Audit & Standards Committee 2021/22

Recommendation(s)

I recommend that:

- a. Members consider and comment on the contents of the annual report for 2021/22 before forwarding onto Full Council with a recommendation to consider and approve this report.

Report of the Director for Corporate Services

Report

Background

1. A key part of the Audit & Standards Committee's role is to report to Full Council on the Committee's findings, conclusions, and recommendations; on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements. In addition, the Audit & Standards Committee should report to Council where they have added value, improved, or promoted the control environment and performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions. This report is produced annually to fulfil the above requirement.
2. Governance in and of the public sector remains high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. The Code of Corporate Governance is reviewed annually in line with the best practice issued by CIPFA and SOLACE; together with an Annual Governance Statement, again produced in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failure to achieve the Council's strategic objectives and providing good service to Staffordshire residents.

3. Staffordshire County Council has an Audit & Standards Committee, originally established in 2005, with the key objectives to maintain and improve governance procedures. The Committee is a key component of the Council's corporate governance framework and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on both internal and external audit functions and financial and non-financial performance.
4. The benefits to the Council of operating an effective Audit & Standards Committee are:
 - a. Maintaining public confidence in the objectivity and fairness of financial and other reporting.
 - b. Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing and approving the Annual Statement of Accounts and the Annual Governance Statement.
 - c. Providing a sharp focus on the results of the work of the internal audit service where limited assurance reports are issued and control weakness have been identified through special investigations and potential fraud instances.
 - d. Assisting the co-ordination of sources of assurance across the control framework i.e., information governance and health & safety management.
 - e. Raising awareness within the Council of the need for governance, internal control, and the implementation of audit recommendations.
 - f. Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
5. The Committee continues to have a professional and arm's length relationship with EY, the Council's external auditors, who attend all meetings of the Committee to offer their advice where needed.
6. The Committee undertakes a substantial range of activities and works closely with both internal and external auditors and the Director for Corporate Services and the County Treasurer (s151 Officer) in achieving the Council's aims and objectives. A detailed annual forward plan is produced and reported to each meeting of the Committee to ensure that key tasks are considered and completed to meet required timescales.
7. Local authorities were permitted to hold virtual meetings from 4 April 2020 to 6th May 2021 when the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police

and Crime Panel Meetings) (England and Wales) Regulations 2020 made under section 78 of the Coronavirus Act 2020 came into force. During 2021/22, the Audit & Standards Committee met seven times and in line with these regulatory requirements, the Committee held one planned meeting virtually on 12th April 2021. Between July 2021 and December 2021, the Committee held a further four planned meetings which were categorised as 'hybrid' meetings, with members attending in person whilst officers attended virtually via TEAMS. For the final two Committee meetings of the year held in February 2022 and March 2022 respectively, these meetings were attended in person by both Members and Officers. Several changes were made to the governance arrangements supporting the decision-making process during 2021/22 as per the following legislation:

- a. The Accounts and Audit (Amendment) Regulations 2021 – which extended the dates for certain public and local bodies to publish, and make available for inspection, their annual accounts and supporting documents. These regulations apply only in relation to the annual accounts relating to the 2020/21 and 2021/22 financial years.
- b. Additional guidance provided on running Council meetings produced by Lawyers in Local Government & Association of Democratic Services Officers.

Internal Audit

8. The Audit & Standards Committee approved the Internal Audit Plan and Strategy at the July 2021 planned Committee meeting and a progress update report against the Internal Audit Plan was also presented to the Committee in December 2021. Scrutiny of the proposed plan provides Members with the opportunity to challenge and influence the areas scheduled for review by Internal Audit to ensure audit resources are deployed to the areas of greatest risk. The top risk areas for 2021/22 were identified as:
 - a. Digital Strategy and transformation – Digital First including Care Director Software Upgrade & Microsoft 365.
 - b. COVID 19 Response & Recovery including Contact Tracing, Adult Social Care (ASC) Rapid Testing Funding (Lateral Flow) & Back to Business – the Additional Restriction Grant programme.
 - c. Quality Audits – Assessments.
 - d. SEND Transformation – Governance and High Needs Block.
 - e. Remote Working – Cyber Security.
 - f. Brokerage.
 - g. Entrust Contract Arrangements.
 - h. Delivering Good Governance - Culture, Values & behaviours & Corporate Decision-Making Arrangements.

- i. Equality, Diversity & Inclusion.
 - j. Community Renewal Fund.
 - k. Initiative-taking Counter Fraud: Bus Operators and Taxi Contractors (schools transport and other).
 - l. Business Continuity Management - Organisational Resilience (Supply Chain).
9. In 2021/22, Internal Audit has continued to support the Council's response and recovery work relating to the COVID pandemic including a review of the contact tracing system and the Additional Restrictions Grant (ARG) programme. Despite this additional call on Internal Audit's resources, the Team has maintained its work on key corporate transformation projects by continuing to provide a project assurance role in a number of areas including Council's new applicant tracking system, the new occupational health system, the implementation of SharePoint and EDRMS and Microsoft 365 as well project support for the Highways transformation programme, Household Waste recycling centres and the Residential Care - Net to Gross Project within the Adults and Children's Financial Services.
10. The Internal Audit Charter is reviewed and approved annually by the Committee, with it last approved at the April 2021 meeting. Included within the document are the reporting guidelines which determine those audit reports that are considered in full, by the Committee. Given that on average approximately 100 + reviews are performed annually, those reports that contain a limited assurance opinion, classed as a top high-risk review or the result of a special investigation are reported in full. Operational Management attended to provide details of how the agreed recommendations contained in the reports had been implemented since finalisation. During 2021/22 the Committee considered the following final audit reports:
- a. Strategic Property Asset Management & Governance Follow-Up review.
 - b. Governance & Culture of Cyber Security.
 - c. Sales to Cash (including Debt Recovery Function & Debt Management).
 - d. Infection Control Grant (Tranche One).
 - e. SEND Transformation – Governance and Decision-Making Processes.
 - f. Infrastructure + - Contract Quality Systems.
 - g. Climate Change.
 - h. Digital Programme – Value.
 - i. Adult Social Care Pathway.
 - j. Partnerships – Governance & Management Arrangements.
 - k. Foster Care Special Guardianship Payments.
 - l. Equality, Diversity & Inclusion; and
 - m. Climate Change Action Fund.

11. A number of risk areas were identified, and Members requested further progress updates to the Committee in year to ensure that the actions identified had been fully implemented as agreed. These progress updates are also supplemented with the periodic reporting on the implementation of past audit recommendations, the last update given to Members of the Committee in December 2021.

Counter Fraud Work

12. The Audit & Standards Committee has received during the year various reports and updates in relation to the Council's local response to fraud. The Counter Fraud Plan was approved annually by the Committee in July 2021 which formally sets out the Council's counter fraud activities to be conducted in-year. Progress against this plan was also provided to the Committee at its December 2021 meeting.
13. In-year, the Audit & Standards Committee received three Investigation Reports (including lessons learnt from past fraud cases) and five proactive fraud exercises relating to Purchase card cash withdrawals, school transport taxi operators and the use of climate change action funding. Furthermore, an update on the latest National Fraud Initiative 2020 data-matching exercise was also given to Members of the Committee in October 2021.
14. A full and comprehensive report on all the Council's counter fraud activities for the year is included in the Internal Audit Outturn Report which is presented at the July meeting each year.

Governance and Risk Management

15. The annual review of the Code of Corporate Governance was undertaken in July 2021. This is a key document in the governance framework and depicts how the Council operates and manages its governance processes. The basis of this document is the CIPFA/Solace document 'Delivering Good Governance in Local Government Framework 2016'.
16. The Annual Governance Statement (AGS) for 2020/21 was approved by the Committee at the December 2021 meeting. This extended timescale was in accordance with the governance changes arising from COVID 19 outlined in paragraph 7. The main governance issues raised in the AGS related to the changes being made to the SEND service as well as the Children's operating system, the constant presence of cyber security risks and the need to monitor the on-going effect of the COVID 19 crisis on the Council's MTFS and its ability to deliver services. Also, other key actions taken forward into

2021/22 included the need to deliver on the climate change strategic development framework; the importance of remaining vigilant over supply chain failure for key services; as well as the need to ensure that audit recommendations are actioned to improve the Council's control environment.

17. The Council's Statement of Accounts (SoA) for 2020/21 was also reported to the Committee at its December 2021 meeting following a comprehensive presentation and training session provided by the Corporate Finance Manager prior to the SoA being approved.
18. The Annual Code of Conduct for Members report on the Management of Complaints was presented to the 13 July 2021 meeting. The report referred to sixteen complaints/alleged breaches of the Code of Conduct for Members during the period October 2020 and May 2021. It was confirmed that all complaints received had been concluded.
19. In-year, Members of the Audit & Standards Committee considered and agreed amendments to the following key governance documents and recommended Full Council to formally approve them for inclusion in the Constitution:
 - a. Council's Procurement Regulations; and
 - b. Council's Financial Regulations.

In addition, a member led working group from the Committee was convened to review and make recommendations to Full Council, on the main body of the County Council's Constitution to better reflect current needs and practices. The results of this working group were resulted back to the Committee at the February 2022 meeting where changes to the Constitution were recommended to Full Council for approval.

20. Also, the Annual Report on Information Governance was presented at the 13 July 2021 Committee meeting. Key themes covered related to the work of the section in dealing with Subject Access Requests, Freedom of Information Requests, and Security Incidents. The report provided assurance to Members of the Committee on the systems in place to address the risk of Cyber-attack, the continued update and review of the Cyber Security Incident Plan, the recruitment of a Cyber Security Manager earlier in the year and the Council's continued investment in appropriate software and hardware to combat security threats.

21. Members also received the Health, Safety and Wellbeing Performance 2020/21 Annual Report at the 14 December 2021 Committee meeting. The key actions noted were:
- a. The Health, Safety and Wellbeing Service continued to take a lead role during Covid Response supporting core council services and commissioned services to continue to deliver for the residents of Staffordshire including:
 - i. Provision of Covid IMT support.
 - ii. The set -up of the Council's emergency PPE provision and arranged and managed the logistics and effective provision of over six million items being distributed by end March 2021.
 - iii. The management of the Local Resilience Forum PPE stock and management of all Central government PPE deliveries including distribution across multiagency partnerships.
 - iv. The continued development and maintenance of the Council and school's health and safety management arrangements.
 - v. The design of Covid Secure Workplaces, working with Premises Managers to develop a network of 152 Premises with Covid Secure Risk Assessments and Certification.
 - b. Improvements to the existing wellbeing offer to colleagues including the development of webinars on wellbeing and launched new products to support new ways of working during Covid.
 - c. Creation of a digital delivery for all the Council's mental health one day and half day courses to allow effective access to mental health training to continue.
 - d. Delivered Menopause Awareness webinars for managers and colleagues to improve awareness and build knowledge.
 - e. The Health, Safety and Wellbeing Service maintained its diverse training programme to meet the organisation's statutory training needs and converted training material into on-line training.
 - f. Implemented additional regular meetings with Trade Unions to ensure effective communication and consultation throughout impact of Covid-19 was maintained.
 - g. Key Health and Safety audits were conducted at various Council sites.
 - h. The Health, Safety and Wellbeing Service continued to respond to and manage several emergency situations and serious incidents during 2020/21.
22. Several risk-related reports were presented and considered by the Audit & Standards Committee covering the following key risk areas:
- a. Purchase Card Cash Withdrawals – Control Failings and 'Lessons Learnt.

- b. Taxi Contractors Counter Fraud Review – outcomes and risks identified; and
- c. Update on Outstanding Actions of the SEND Transformation Governance review and the outcome of the Re-Inspection Visit from Ofsted.

External Audit

- 23. The External Auditor, Ernst Young presented their “Report to those Charged with Governance ISA 260 2020/21” Reports for both the Council and the Pension Fund, at the 14 December 2021 meeting. The Value for Money opinion identified no exceptions for 2020/21 and an unqualified opinion on both the Council’s and the Pension Fund Accounts were noted.
- 24. At the 14 December 2021 Committee meeting, members also considered a report by the County Treasurer on the need to instigate a procurement exercise for the provision of external audit services to the Council with effect from 31 March 2023, when the current contract with Ernst Young expired. Three options were discussed where it was subsequently recommended to Full Council to ‘opt-in’ to the Local Government Association Sector Led Body approach via Public Sector Audit Appointments Ltd (PSAA) for the procurement of the five-year External Audit contract for the financial year commencing April 2023.

Equalities Implications

- 25. There are no direct implications arising from this report.

Legal Implications

- 26. 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, considering public sector internal auditing standards or guidance’.

Resource and Value for Money Implications

- 27. The net budget of the Internal Audit Section in 2021/22 was £979,020 of which £199,620 related to payments to external providers.

Risk Implications

28. 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

29. There are no direct implications arising from this report

List of Background Documents/Appendices

1. 2021/22 Audit & Standards Committee Agenda Papers and Minutes.

Contact Details

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Local Members Interest
N/A

Audit and Standards Committee - Tuesday 05 July 2022

Code of Corporate Governance 2022

Recommendation

I recommend that:

- a. Members 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 for Corporate Services

Report

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 2022/23. 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 2021/22 code has been discussed and reviewed by the Corporate Governance Working Group throughout the year. **Appendix 2** refers to the single sheet framework which represents the governance structure in place within the Council.

Equalities 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 in 2022/23 is £1,027,510.

Risk Implications

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

Climate Change Implications

8. There are no direct implications arising from this report

List of Background Documents/Appendices

- a. CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Framework – April 2016 Edition
- b. CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Guidance Note for English Authorities – 2016 Edition
- c. Code of Corporate Governance 2021

Appendix 1 – Local Code of Corporate Governance & Action Plan 2022/23

Appendix 2 – Single Sheet Framework – Governance Structure

Contact Details

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LOCAL CODE OF CORPORATE GOVERNANCE 2022

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

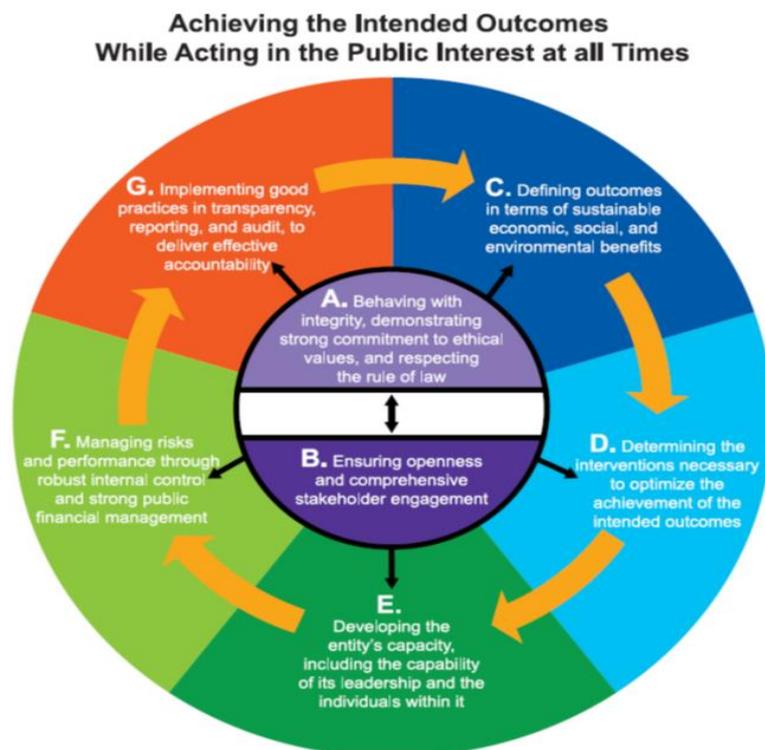
Staffordshire County Council is committed to achieving good corporate governance and this Local Code describes how the council intends to achieve this in an open and transparent way. The Local Code is based upon the CIPFA SOLACE framework 'Delivering Good Governance in Local Government (April 2016) which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

- 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.



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 those 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 always reflects these values.

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?CIId=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:

- a. The work of Internal and External Audit
- b. The opinion of other review agencies and inspectorates
- c. Opinions from the Council's Statutory Officers
- d. General matters relating to the implementation of the Code
- e. 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:

- a. Review of the Constitution
- b. Annual Statement – Member Standards
- c. Regular Scrutiny Reports to Council
- d. Head of Internal Audit Annual Report and overall opinion
- e. External Audit Annual ISA 260 Report
- f. Other Inspectorate Reports
- g. Statutory Complaints & Corporate Complaints (including Ombudsman's Reports) Annual Report
- h. Information Governance Annual Report
- i. Health and Safety Annual Report
- j. Annual Pay Policy Statement

k. 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 2022/23

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 iLearn 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 – updated March 2021
- 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

Ongoing training and awareness raising of code of conduct for members

Accompanying guidance notes (already available) will be incorporated into the Constitution for clarity.

Review documentation and produce templates / processes for member complaints to ensure consistency

Responsible Officer:
John Tradewell,
Director for Corporate Services

Implementation Date: On going

	<p>assist in ensuring that decisions are taken only, when necessary, information has been made available including community impact assessments for key decisions.</p> <ul style="list-style-type: none"> • 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. 	
	<p>Demonstrating strong commitment to ethical values</p> <ul style="list-style-type: none"> • The Constitution sets out <ul style="list-style-type: none"> ○ the need to act within the law ○ delegations of the executive, committees and senior officers, and the decision-making process to be applied which are regularly reviewed ○ Terms of Reference for committees ○ Scrutiny & Overview 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. 	

	<ul style="list-style-type: none"> Implementation of the People Strategy approved by Cabinet in March 2019. 	
	<p>Respecting the rule of law</p> <ul style="list-style-type: none"> 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. There is also an email address to report suspected irregularities on-line. 	<p>Legislation requires local authorities to appoint certain officers with statutory and proper officer responsibilities. Whilst statutory officers of the County Council have been identified, there is a need to identify a list of “Proper Officers”</p> <p>Responsible Officer: Chris Eberley, Member & Democratic Services Manager</p> <p>Implementation Date: December 2022</p>
<p>Core Principle B: - Ensuring openness and comprehensive stakeholder engagement</p>		
<p>Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and</p>	<p>Openness</p> <ul style="list-style-type: none"> 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 	

<p>consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>	<ul style="list-style-type: none"> • 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 Corporate Delivery Plan sets out the priorities and strategic direction for the Council and is reviewed annually. • Quarterly Integrated Performance Reporting covering MTFs, Strategic Plan and Delivery Plan monitoring delivery of key priorities. 	
	<p>Engaging comprehensively with institutional stakeholders</p> <ul style="list-style-type: none"> • All the Council's 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 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 bi-monthly meeting of the 10 Chief Executive's and bi-monthly meetings of the Leaders. This has now been supplemented with establishment of a joint committee called Staffordshire Leaders Board made up of the 9 LA leaders in county of Staffordshire. Through this Board priorities for 	<p>Continued progress on We Are Staffordshire</p> <p>Responsible Officer:</p> <p>Cristian Marcucci, Assistant Director for Communications</p> <p>Implementation Date:</p> <p>Ongoing</p> <p>Development of a medium-term business case for the Centre for Data Analytics</p>

	<p>enhanced two-tier working have been developed and will be agreed at the meeting in June 2023.</p> <ul style="list-style-type: none"> • The strategic engagement with the NHS is overseen through the Sustainability and Transformation Plan Programme Board and the emerging Integrated Cares System governance, that is driving change across the whole system • Network Staffordshire provides an opportunity to bring together key strategic partners across Staffordshire together on key shared issues. • Network Staffordshire continues to work on its three key priorities continue throughout 2022. The current progress includes: <ul style="list-style-type: none"> • “WE Are” Staffordshire launched in 2020, and has continued to grow from strength to strength, raising positive awareness of and instilling pride in Staffordshire • 5G roll out – Staffordshire and Stoke-on-Trent 5G Connected Region Growth Deal Proposal was signed off by SSLEP Board and submitted to central government in February 2020, to increase 5G coverage across the region. • Staffordshire Centre for Data Analytics– Focused on better intelligence and insight to tackle citizens needs earlier, prevent or reduce demand, improve decision making and improve outcomes for people in Staffordshire. Proof of concept went live in September 2021, and the Executive Board have agreed to fund a second year to further develop the Business Case up to September 2023. • 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. 	<p>Responsible Officer: Kerry Dove, Assistant Director for Strategy and Transformation</p> <p>Implementation Date: September 2023</p> <p>Establishment of the Staffordshire Leaders Board, including an added value programme of work</p> <p>Responsible Officer: Kerry Dove, Assistant Director for Strategy and Transformation</p> <p>Implementation Date: June 2023</p>
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	<ul style="list-style-type: none"> • 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 the Policy and Insight Team, 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 	
	<p>Engaging stakeholders effectively, including individual citizens and service users</p> <ul style="list-style-type: none"> • 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. • Tackling inequality within our communities and workforce has always been a key priority and we are committed to strengthening our approach diversity and inclusion (D&I) even 	<p>To complete the generation of a comprehensive volunteer management strategy and framework.</p> <p>Responsible Officer: Catherine Mann Interim Assistant Director for Culture, Rural & Safer Communities</p> <p>Implementation Date: 31st December 2022</p>

	<p>further. Building on best practice review and initial engagement workshops with 70+ community stakeholders, Members and Staff in 2020/21, the work to strengthen the D&I approach, exploring this further with SLT and Cabinet Members, will continue in 2021.</p> <ul style="list-style-type: none"> • 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 annual MTFS CIA process established in 2018/19, continues to provide a strategic impact assessment of the MTFS each year, considering the cumulative impacts of key MTFS savings proposals and what they may mean for Staffordshire's communities and places. The existing CIA tools and guidance are to be reviewed and updated in line with the 2022-26 Strategic Plan development. The work of the Digital project seeks to take account of the citizens needs 	
<p><i>Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</i></p>		
<p>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</p>	<p>Defining outcomes</p> <ul style="list-style-type: none"> • The Strategic Plan sets out the council's vision and priorities, it is refreshed annually, and is published on the website. • Three priority outcomes have been defined – <ol style="list-style-type: none"> 1. Have access to more good jobs and share the benefits of economic growth 2. Be healthier and more independent for longer 3. Feel safer, happier, and more supported in their community. • The annual Corporate Delivery Plan and associated Directorate/Team Plans and 'We Talk' support the delivery of the priorities outlined in the Strategic Plan. The following approval process is used – Corporate Delivery Plan approved 	

<p>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 demands when determining priorities for the finite resources available.</p>	<p>by SLT, led by the Assistant Director for Strategy and Team Plans are approved by relevant member of SLT.</p> <ul style="list-style-type: none"> The Senior Leadership Team and Cabinet receive a Quarterly Integrated Performance Report, monitoring progress against the Strategic Plan and Corporate Delivery Plan. 	
	<p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> 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 Communities and Digital principles 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 hosts the accountable financial officer for the SSLEP. The SSLEP has a single inward investment team 'Make it Stoke-on-Trent and Staffordshire' and a Skills Advisory Panel which works 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 SSLEP, alongside the Council and other key stakeholders is working with Government and other organisations to secure funding and improve access to finance for businesses. The Council has in place a Modern Slavery and Human Trafficking Statement which is kept up to date in accordance with Section 54 of the Modern Slavery Act 2015. The 	<p>To refresh the Modern Slavery and Human Trafficking Statement</p>

	<p>Statement sets out the steps taken by Staffordshire County Council to prevent modern slavery or human trafficking in its operations and supply chains.</p> <ul style="list-style-type: none">• 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 relevant 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.	<p>Responsible Officer: Ian Turner, Assistant Director for Commercial & Assets</p> <p>Implementation Date: 30th September 2022</p>
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		<p>The national TOMS (Themes, Outcomes & Measures) framework to be used on a sample of relevant procurements from September 2022.</p> <p>Responsible Officer: Ian Turner, Assistant Director - Commercial Services and Assets</p> <p>Implementation Date: 30 September 2022.</p>
<p><i>Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</i></p>		
<p>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</p>	<p>Determining interventions</p> <ul style="list-style-type: none"> • 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. 	
	<p>Planning interventions</p> <ul style="list-style-type: none"> • The Delivery Plan and associated Directorate and Team Plans and WeTalk conversations is the means by which the Council's 	

<p>must 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.</p>	<p>strategic priority outcomes are translated into action and delivered.</p> <ul style="list-style-type: none"> • 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 community's principle. • The MTFS is linked to our Corporate 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 Corporate Delivery Plan and reported upon regularly to SLT and Cabinet. • The quarterly Integrated Performance Report provides SLT and Cabinet with detailed performance information and highlight areas where corrective action is necessary. 	<p>To ensure ongoing greater visibility and ownership of the Corporate Risk Register, together with regular monitoring and updating of individual risk areas.</p> <p>Responsible Officer: Lisa Andrews, Head of Audit & Financial Services</p> <p>Implementation Date: Ongoing</p>
	<p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> • 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 	

	<p>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.</p> <ul style="list-style-type: none"> • All Managers are supported in the delivery of their financial objectives via their Finance Business Partner. 	
<p><i>Core Principal E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</i></p>		
<p>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. Because both individuals and the</p>	<p>Developing the entity's capacity</p> <ul style="list-style-type: none"> • 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 first, supportive communities and commercialisation work streams. • The Council has a Learning & Development strategy including the use of a digital learning management system The Learning Hub 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. <p>Developing the capability of the entity's leadership and other individuals</p> <ul style="list-style-type: none"> • 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 	<p>The ongoing review the current HR policies in operation to ensure that they reflect the needs of the business.</p> <p>Responsible Officer:</p>

<p>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.</p>	<ul style="list-style-type: none"> • Schemes of delegation reviewed regularly in the light of legal and organisational changes. • Sub Schemes of delegation which are reviewed by Directorates on a regular basis. • 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 regular WeTalk performance management 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. 	<p>Sarah Getley, Assistant Director – People</p> <p>Implementation Date Next tranche to be implemented in June 2022</p>
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Core Principal F: Managing risks and performance through robust internal controls and strong public financial management

Local government needs to ensure that the organisations 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,

Managing risk

- Risk management strategy/ policy formally approved and adopted by the Audit & Standards Committee. These documents are reviewed and updated on a regular basis by the Corporate Governance Working Group chaired by the Director of Corporate Services.
- 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 as part of the implementation of the Risk Management Module as part of the Audit Risk Management Software.

Responsible Officer:
Lisa Andrews, Head of Audit & Financial Services

Implementation Date:
31st March 2023.

Managing performance

- In the context of Covid-19 the Corporate Delivery Plan 2021-22 has been refreshed, reflecting the key priority activity, this will be considered further by SLT and Cabinet, supporting the Strategic Plan.
- The strategic leadership team oversee the monitoring and delivery of performance measures in support of the Strategic and Corporate Delivery Plan. A quarterly Integrated Performance Report is considered by SLT and Cabinet.
- 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

<p>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 from those in authority.</p>	<p>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</p> <ul style="list-style-type: none"> • The Constitution, through its Overview and Scrutiny rules has opportunities for the Council's four Overview and Scrutiny 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 • Agenda, minutes of Overview and Scrutiny 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 Overview and Scrutiny 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. 	<p>To consider scope of Overview and Scrutiny Committees to better align with Strategic Plan Priorities / Cabinet Portfolios</p> <p>Responsible Officer: Chris Ebberley, Member & Democratic Services Manager</p> <p>Implementation Date: 31st March 2023</p>
	<p>Robust internal control</p> <ul style="list-style-type: none"> • 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 	<p>To procure and undertake the second external quality assessment (EQA) of the Internal Audit Service during 2022/23.</p> <p>Responsible Officer:</p>

	<p>to the public sector internal audit standards by CIPFA and was awarded the highest level of compliance i.e., Full Compliance.</p> <ul style="list-style-type: none"> • Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014) and Fighting Fraud & Corruption Locally 2020 (CIPFA 2020). • Fraud, Bribery and Corruption Policy 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. • Production of a fraud, bribery and theft risk assessment and strategy. • 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 regularly. Any improvements will be incorporated into the work programme of the Audit & Standards Committee. 	<p>Lisa Andrews, Head of Audit & Financial Services</p> <p>Implementation Date: By 31st March 2023.</p>
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	<p>Managing data</p> <ul style="list-style-type: none"> • The following arrangements are in place: - <ul style="list-style-type: none"> i. Designated data protection officer ii. Data protection policies and procedures iii. Acceptable Use Policy iv. Information Sharing Protocol (incorporating use of Data Sharing Agreements) 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. viii. Information Asset Owners and Data Guardians • 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. 	
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	<p>Strong public financial management</p> <ul style="list-style-type: none"> • 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 • Financial Accountability Statements signed up to by WLT Leads. • 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 Overview and Scrutiny Committee. 	
<p><i>Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</i></p>		
<p>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</p>	<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> • 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 Council's web site. 	
	<p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> • The Annual Governance Statement sets out the council's governance framework and the results of the effectiveness of 	

<p>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.</p>	<p>the council's arrangements. The AGS includes significant governance issues.</p> <ul style="list-style-type: none"> • 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 Council's website once it has been approved by the Audit & Standards Committee. 	
	<p>Assurance and effective accountability</p> <ul style="list-style-type: none"> • 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 (2019) • 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 risk, governance and control arrangements. 	

Governance Framework - Principles, Statutory Obligations and Organisational Objectives

A- Adherence to Ethical Values and Respecting the Rule of Law
B- Ensuring openness and comprehensive stakeholder engagement



Corporate Governance comprises the systems and processes, cultures, and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

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Local Members Interest
N/A

Audit and Standards Committee - Tuesday 05 July 2022

Internal Audit Outturn Report 2021/22

Recommendation

I recommend that:

- a. Members receive the outturn report containing the annual internal audit opinion for 2021/22.

Report of the County Treasurer

Report

Background

1. This report outlines the work undertaken by Internal Audit in respect of the 2021/22 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 processes¹.
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:

¹ Public Sector Internal Audit Standards definition of Internal Auditing.

- 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 2021/22 plan were outlined in the Internal Audit Strategy and Plan approved by Members of the Audit & Standards Committee on 13th July 2021. Since the original plan was approved, a number of additional audits have been required to support the Council's continued response to the COVID 19 pandemic including additional grant verification work, whilst some planned reviews were no longer needed and several deferred due to operational requirements including various staff restructures, the implementation of new and revised processes and /system changes as well as the availability to undertake audits in some service areas due to staff absences. However, the net effect is that the key performance target has been achieved.
 5. It should be noted that work is scheduled to meet the requirements of the business area to ensure the greatest benefit is 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. In respect of this point, due to the continuing impact of the COVID 19 pandemic and staff availability to finalise draft reports, there were a greater number of reports still at draft report stage as at the end of March/April 2022. However, the Internal Audit Team have continued to proactively seek management responses to all outstanding draft reports and most responses have now been received.
 6. Each control tested as part of an individual audit is evaluated for its adequacy. The table below demonstrates the number of controls that have been evaluated as part of the 2021/22 Internal Audit Plan for systems audits and also the comparison figures for the previous year:

	2020/21	2021/22	Improvement
Controls Evaluated	1,034	1,206	●
Adequate Controls	570 (55%)	773 (64%)	●
Partial Controls	313 (30%)	302 (25%)	●
Weak Controls	151 (15%)	131 (11%)	●

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
7. Paragraphs 9 to 32 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. Other Systems Audits (reported by exception, i.e only those with "Limited Assurance" and/or those with a High-Level Recommendation);
 - d. Compliance Reviews (including financial management in maintained Schools, comfort funds, Registry Offices and District Offices reviews);
 - e. Special Investigations/Fraud & Corruption Related Work.
8. 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 2021/22, 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. Also, relevant managers have attended the Committee in-year 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" as part of our on-line recommendation tracking portal.

2021/22 Audit Plan Outcomes

High Risk Auditable Areas

9. Our Internal Audit and Strategy and Plan Paper identified the top risk audits/reviews for the County Council in 2021/22. These reviews acknowledged the key risk areas and financial pressures within the Council with its continued work on the Council's digital strategy and digital first delivery plan and other IT projects and systems including

the Council's new applicant tracking system, the new occupational health system, sharepoint and EDRMS and the new cloud-based Pensions IT system as well as a continued look at our cyber security arrangements with specific focus on remote working in 2021/22. Internal Audit continued to support the Council's response and recovery work relating to the COVID pandemic including a review of the contact tracing system and the Additional Restrictions Grant (ARG) programme. New areas were also reviewed in 2021/22 including a review of the Council's equality, diversity and Inclusion framework, and the Community Renewal Fund as well as continuing to keep under review the Council's delivery of good governance including transparency of the Council's decision-making processes. A review of the revised processes operating within the Council's brokerage (care) system along with quality audit processes conducted on care assessments were also top risk reviews within the Health & Care environment in 2021/22.

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

System Area	2021/22 Opinion	2021/22 Consultancy
*Digital Strategy & Transformation – Digital First Delivery Plan	Substantial Assurance	
Digital Strategy & Transformation - Digital First		✓ Project advisory work
Digital Strategy & Transformation – M365		✓ Project advisory work
* Remote Working - Cyber Security	Substantial Assurance	
*Care Director Software (Adults and Children's modules)	Substantial Assurance	
Culture, Values & Behaviours	Work On-Going	
**Delivering Good Governance - Corporate Decision-Making Arrangements	Draft Report with Management (Substantial Assurance)	
Entrust Contract Management Arrangements	-	✓ Project advisory work
**Business Continuity Management - Organisational Resilience (Supply Chain)	Draft Report with Management (Position Statement)	
Equality, Diversity & Inclusion	Position Statement	
*Back to Business - Additional Restriction Grant (ARG) Programme - Governance	Substantial Assurance	
*Back to Business - Additional Restriction Grant (ARG) Programme Delivery	Adequate Assurance	
*Covid 19 - ASC Rapid Testing Fund (Lateral flow)	Substantial Assurance	

System Area	2021/22 Opinion	2021/22 Consultancy
*Contact Tracing	Substantial Assurance	
*Community Renewal Fund – due diligence	Substantial Assurance	
*Community Renewal Fund – monitoring, management, reporting arrangements and verification of expenditure	Substantial Assurance	
*Brokerage	Adequate Assurance	
**Quality Audit Assessments	Draft Report with Management (Substantial Assurance)	
SEND Transformation - High Needs Block	Cancelled – due to Ofsted reinspection – Deferred to 2022/23	
SEND Transformation - Governance	Cancelled – due to Ofsted reinspection – See work on SEND Strategy Implementation Plan & Children’s & Families new District Model and Panels & Decision Making in 2022/23	

*To be distributed to Audit & Standards Committee members outside of this meeting.

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

11. It is pleasing to note that there have been no Limited Assurance reports issued for the top risk reviews carried out in 2021/22.
12. In addition, for those final reports relating to high risk auditable areas, with an opinion of at least “Adequate”, one high level recommendation has been made as follows:

System Area	Areas for Improvement
Brokerage	<ul style="list-style-type: none"> • Policies & Procedures for the Brokering of Care – Some officers within the Brokerage Team did not have copies of the Standard Operating Procedures (SOPs) and did not know how to access them (despite working in the team for between 2 and 5 years).

13. The top risk audit reviews awarded an adequate/substantial assurance opinion, and which have not been previously presented to the Audit and Standards Committee will be distributed to Members of the Committee outside of this meeting for further consideration.

Main Financial Systems

14. Audit coverage of the key financial systems in 2021/22 was in line with the audit strategy:

Main Financial System	2018/19 Opinion	2019/20 Opinion	2020/21 Opinion	2021/22 Opinion	Direction of Travel
Liberata Payroll System	Adequate Assurance	Adequate Assurance	Adequate Assurance	Adequate Assurance	→
Pension Fund - Pensions Payroll	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Pension Fund – Custodian, Investment Managers and Pensions Property	Not Covered in 2018/19	Not Covered in 2019/20	Substantial Assurance	Substantial Assurance	→
Pensions Fund – Asset Pooling – Governance & Financial Reporting Arrangements	Project Advisory Work in 2018/19	Adequate Assurance	Substantial Assurance	Substantial Assurance	→
Pensions Fund – Asset Pooling – Investments	Project Advisory Work in 2018/19	Adequate Assurance	Adequate Assurance	Substantial Assurance	↑
Pension Fund – Pension Administration	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Pension Fund – Governance (SCC Local Governance)	Substantial Assurance	Substantial Assurance	Substantial Assurance	Not covered in 2021/22	→
Pension Fund - Transitions into Pensions Pool (SCC local arrangements)	Not Covered in 2018/19	Substantial Assurance	Substantial Assurance	Not covered in 2021/22	→
Budgetary Control	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Procure to Pay	Not covered in 2018/19	Substantial Assurance	Not Covered in 2020/21	Substantial Assurance	→
Sales to Cash including Debt Recovery Function & Debt Management	Limited Assurance	Adequate Assurance	General Debts - Limited Assurance CCG/Other Health Body Debts-	Adequate Assurance (Draft Report)	↑

Main Financial System	2018/19 Opinion	2019/20 Opinion	2020/21 Opinion	2021/22 Opinion	Direction of Travel
			Adequate Assurance		
E- Payments	Substantial Assurance	Not Covered in 2019/20	Substantial Assurance	Substantial Assurance	→
Cheque Control	Substantial Assurance	Not Covered in 2019/20	Not Covered in 2020/21	Not Covered in 2021/22	→
Main Accounting Including Bank	Substantial Assurance	Not Covered in 2019/20	Substantial Assurance	Not Covered in 2021/22	→
Treasury Management & Lloyds Link	Substantial Assurance	Not Covered in 2019/20	Substantial Assurance	Not Covered in 2021/22	→
Value Added Tax (VAT)	Substantial Assurance	Not Covered in 2019/20	Not Covered in 2020/21	Substantial Assurance	→

15. It is pleasing to note that there have been no Limited Assurance reports issued for the main financial systems areas in 2021/22 or any high level recommendations made as a result of our audit work carried out in this category.

Other Systems Audits

16. The following system reviews delivered as part of the 2021/22 Internal Audit Plan are reported by exception i.e only those with Limited Assurance and/or those with a high-level recommendation:

System Area	2021/22 Opinion Awarded
Climate Change Action Fund	Limited Assurance
Agency staffing contracts and the appointment and payment of consultants and other self-employed individuals	Limited Assurance
Infrastructure + Asset Data Management	Limited Assurance
Looked After Children - Joint Funding & Complex Needs Placements	*Limited Assurance

**Currently 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. The high-level issues arising from these reviews are shown in the table below:

System Area	Areas for Improvement
Climate Change Action Fund	<ul style="list-style-type: none"> • Evidence of How Funding is Spent: Evidence of how funding had been spent was neither being provided to the Council by funding recipients nor was this being proactively chased by the Council due to a lack of capacity/resources.
Agency staffing contracts and the appointment and payment of other self-employed individuals.	<ul style="list-style-type: none"> • Compliance with Procurement Regulations: It could not be demonstrated that the procurement of off-contract locum or consultancy workers was compliant with the Council's Procurement Regulations • Appropriate Approval of Appointments: It could not be demonstrated for contingent workers that appointments had been approved in line with either the Council's Schemes of Delegation (for comensura engagements) or the Council Procurement Regulations (for off-contract engagements). • Maintenance of a Central Record of Contingent Workers: A central record of all agency and off contract locum/ consultant workers engaged by the Council does not exist. • Pre-Employment Checks: pre-employment checks were not being consistently completed and documented for those Contingent Workers tested (Agency Staff and off-contract locum/consultancy workers). • Third party Assurance over Pre-employment checks Undertaken: The Council is not receiving/reviewing regular assurance that pre-employment checks carried out by third party agencies under the Contract are adequate and complete. • Appropriate Approval of Timesheets: auto approval facility (for timesheets) was being regularly replied upon by Managers.
Infrastructure + Asset Data Management ²	<ul style="list-style-type: none"> • Asset Data Management Strategy & Associated Policy: The strategy and policy has not been properly embedded across the Infrastructure + Partnership. • Asset custodians: Asset Custodian designations had neither been formally communicated nor asset custodians formally appointed. • Asset Manager: The Asset Manager role designated to work with Asset Custodians to maintain the inventory of highway infrastructure assets had not been formally appointed or consulted in production of the strategy and policy. • Asset Data Management Plan: An Asset Data Management Plan which is referred to in the asset strategy and policy does not exist.

² The Infrastructure + Asset Data Management Full Report is to be presented at a future meeting of the Committee (date to be confirmed).

System Area	Areas for Improvement
	<ul style="list-style-type: none"> • Asset Data Sharing: Processes are not in place to ensure new assets are captured within the inventory at the end of highways projects. • Asset Data Sharing: Asset Data was not being shared effectively to ensure the asset inventories were up to date. • Footway Asset Inventory: The Pavement Management System (PMS) has not been updated for around 10 years. • Updating the Asset Inventory: Processes are not in place to ensure updates/changes to highway assets are captured in the asset inventory once work on an asset is complete.

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

System Area	Areas for Improvement
Climate Change – Governance Arrangements	<ul style="list-style-type: none"> • Climate Change Budget: For the past two years there has been significant budget underspends in relation to climate change with no clear plans on how funding is to be spent in 2022/23.
Property Lease Management	<ul style="list-style-type: none"> • Effective Debt Recovery Action: Issues were identified regarding debt chasing including significant delays in recovery action being taken. Also, it was found through sample testing that a Lessee was allowed to renew their lease with the Council although they had aged debts.
Deputyships	<ul style="list-style-type: none"> • Bank Reconciliation Process: The auto bank reconciliation process allows for Deputyship Officers to double click on unreconciled transactions which flag as amber, in order to reconcile the transaction without correcting the anomaly in CASPAR.
Growth Hub - Additional Funding - SME Restart & Recovery and Kick Starting Tourism Programme	<ul style="list-style-type: none"> • Grant Application & Claims Process: Weaknesses were identified relating to the evidencing of appraisal/award and rationale for decisions as well as the audit trail relating to claims documentation prior to payment.
Department for Transport - Bus Service Operators Grant	<ul style="list-style-type: none"> • Letting of Local Service Bus Operator Contracts: Weaknesses were found, and improvements identified in relation to the procurement of bus operator contracts including the need for greater transparency and audit trails to support the letting process as well as contract approvals to be in line with the Council's Scheme of Delegation.
Earned Autonomy/Building Resilient Families& Communities (BRFC) Grant verification	<ul style="list-style-type: none"> • Adequacy of Records & Supporting Documentation: Audit testing identified gaps and anomalies within the information being recorded in Capita One and the supporting documentation being retained.

System Area	Areas for Improvement
Azure - IaaS Management, Governance and Security	<ul style="list-style-type: none"> • Azure Cloud Design: A roadmap for the migration of on-premise applications to identify all services that may have potential for migration to the cloud does not exist. • Cloud Adoption: A defined framework to assess the most appropriate platforms for future-hosting of corporate applications and services is not in place.
Parent Pay – School’s Online Payment System	<ul style="list-style-type: none"> • Reconciliations: The audit review found that reconciliations between the income received into the Council’s bank account and the Parent Pay lodgement receipts in My Finance had not been carried out regularly.

19. Complying with the Data Protection Act 2018 which incorporates the General Data Protection Regulation 2018 (GDPR), is an ongoing responsibility. However, it is important that Internal Audit provides ongoing assurance to management in this area as part of its planned systems audit work across the Council. In 2021/22, for all applicable audits i.e where the auditable area being reviewed processes personal data, a GDPR checklist was completed to identify GDPR compliance issues that may be required to be reported.
20. In 2021/22, a GDPR checklist was completed for 11 system audit reviews. Of these, compliance issues were noted in 4 reviews resulting in two medium and three minor points being made. Data retention periods, privacy notices, signed data sharing agreements in place as well as an awareness of how their service’s data is managed against the checklist were common themes arising from these reviews. The recommendations made will continue to be monitored until implemented along with all the other agreed recommendations made as part of the individual audit reviews.

Compliance Reviews Including Financial Management in Maintained Schools

21. Our compliance programme as detailed below is in line with the audit strategy:

Audit Type	Audit Opinion			Total No.
	Substantial Assurance	Adequate Assurance	Limited Assurance	
Compliance: Schools				
High Schools	0	0	1	1
All other schools	0	6	12	18
Schools Compliance – Short Stay Schools (PRUs)	0	0	1	1
Compliance: Other				
Comforts Funds*	10	0	0	10
Educational Endowment Funds*	3	0	0	3
Residential Homes - LD	0	2	0	2
Complex needs Units	0	3	0	3
Compliance Reviews	13 (34%)	11 (29%)	14 (37%)	38

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

Compliance Reviews: Financial Management in Maintained Schools

22. Schools Payroll – For the year 2021/22, payroll services to schools continue to be provided by several 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 while 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 paragraph 25 below.

Schools Compliance

23. Our Schools' Compliance Programme for the year ahead is based upon a formal risk assessment methodology which considers; the time since last audit, the previous audit opinion, delegated budget value, whether there is a licensed deficit in place, if the school has community facilities, the last Ofsted rating and submission of the Schools Financial Value Standard (SFVS) return. In addition, for the 2021/22 schools' compliance programme, a Schools Fraud Risk Assessment was also produced which fed into the risk assessment methodology. This meant that several schools that had not been

audited for several years along with some smaller schools were selected for review during 2021/22.

24. From the table above, a large number of schools were awarded a limited assurance opinion during 2021/22 (14 schools) which represents a significant increase based on previous years (three limited assurance opinions were awarded in both 2020/21 and in 2019/20). For those schools being awarded a limited assurance opinion, issues were found relating to number of financial administrative areas including school governance; independent oversight of the school fund account; the proper accounting and banking of income; compliance with Schools Procurement Regulations; purchase card use; lettings governance and administration processes; the proper maintenance of records relating to payroll transactions including authorisations for appointments, terminations, variations and additional hours; the proper authorisation of the payroll; and the appropriateness of payroll validation checks undertaken.
25. Generally, the compliance and payroll themed reviews identified non-compliance with key controls in the following areas:

Schools – General Compliance
Governance

- Scheme of Delegation requires amendment/approval. (15 schools)
- Lack of clear committee minutes taken; Committee Terms of References; inappropriate committee membership and/or infrequent committee meetings held. (3 schools)
- Budgets have not been set, approved, or reviewed in accordance with the Scheme of Delegation and Financial Regulations including budget deficit strategies. (4 schools)
- Key Policies not approved in accordance with the Scheme of Delegation; policies which lacked detail and/or lack of annual review. (14 schools)
- Lack of Governor challenge to budget monitoring reports. (2 schools)
- Financial reports are not submitted to the Committee responsible for Governance of School Finances or reports are inadequate. (6 schools)
- The School Fund is not audited and approved in accordance with requirements of Financial Regulations. (12 schools)
- Pecuniary interest register is not up to date or held/published in accordance with guidance. (10 schools)
- Leases are not in the name of the school, not signed in accordance with Scheme of Delegation /or copies not held by the

- school. *(1 school)*
- Income and expenditure of extended School Provisions (Below the line accounts) are not coded to the correct cost centres. *(4 schools)*

Income

- Income is not banked promptly and/or intact. *(7 schools)*
- Key(s) to safe is/are not held securely or in accordance with the Scheme of Delegation. *(2 schools)*
- Income is not recorded or receipted in accordance with Financial Regulations, including a clear audit trail. *(10 schools)*
- Transfer of income between officers is not evidenced. *(1 schools)*
- *Where schools use a third party security company to collect and to bank income, weaknesses existed in the processes. (2 schools)*
- Banking records are poor and/or not well maintained. *(7 schools)*
- There is a lack of separation of duties or independent check in the income and banking process. *(12 schools)*
- Monies are held on behalf of third parties in the School safe with sums not insured. *(1 school)*
- Cash is not held securely and/or may not be held in accordance with SCC Insurers cash holding limits, including third party monies. *(1 school)*
- Lettings are not administered appropriately, including VAT and evidence of public liability insurance. *(5 schools)*
- The School does not have a lettings policy, lettings policy is out of date or lettings charges are not detailed in the Charging and Remissions Policy. *(2 schools)*
- Lettings charges are not made in accordance with policy or reviewed and approved annually. *(1 school)*
- Invoices have not been raised in the finance system or unofficial invoices have been raised. *(6 schools)*
- No independent spot check of income received/banked is conducted. *(3 schools)*
- No independent reconciliation or review of Parent Pay postings to MyFinance. *(7 schools)*
- Aged Debtor Accounts are not monitored effectively; outstanding payments are not pursued by the School. *(4 schools)*
- Paying in slips are not stamped or evidenced as received by the bank. *(4 schools)*
- The School is using an unofficial online payments system which has not been notified to the S.151 Officer. *(6 schools)*
- Lack of recorded of cash income received in the online payment system. *(1 school)*
- Debtor invoices are not raised promptly. *(2 school)*

- Lack of reconciliations between charges from school meals providers and school meals provided. *(4 schools)*

Procurement

- No financial limits set for declared pecuniary interest in companies. *(2 schools)*
- Value for money procedures such as quotations/tenders not complied with in accordance with Scheme of Delegation or Procurement Regulations. *(17 schools)*
- Procurement/purchase card transactions not in accordance with Scheme of Delegation and Procurement Regulations. *(1 schools)*
- Purchase card used for inappropriate purchases. *(1 schools)*
- Purchase card is not held/ used in accordance with the Purchase Card Manual/ Financial Regulations. *(7 schools)*
- Incorrect accounting for VAT. *(8 schools)*
- Purchase orders are not raised to support procurements in accordance with Financial Regulations. *(16 schools)*
- Contracts are not in place for regular services where they would be expected. *(4 schools)*
- Disposal of assets not undertaken in accordance with scheme of delegation. *(1 School)*

Expenditure

- Expenditure incurred without adequate approval/review in accordance with the Scheme of Delegation. *(2 schools)*
- Contractor(s) used do not have a minimum of £5m public liability insurance in accordance with Procurement Regulations or checks had not been completed. *(2 schools)*
- Lease agreements have continued beyond their expiry date. *(1 school)*

Schools – Payroll Themed Audit

- Authorisations for appointments, terminations and variations could not be evidenced, is not consistent and/or retained on personnel files. *(12 schools)*
- Claim forms not signed by employee and/or not authorised in accordance with the Scheme of Delegation. *(10 schools)*
- Validation checks and agreement/authorisation of the payroll is not evidenced. *(9 schools)*
- Service level agreement for current year to confirm services to be provided/costs not received. *(2 schools)*
- Contract for provision of payroll services not authorised in accordance with Scheme of Delegation. *(3 schools)*
- Procedures not in place to ensure the prompt receipt of contracts of employment. *(1 school)*

- Lack of appointment documentation retained including contract of employment. (5 schools)
- Pre-recruitment checks could not be verified. (3 schools)
- Staff are being paid incorrectly/inconsistently leading to possible under/overpayments. (2 schools)

Compliance Reviews: Other

26. It is pleasing to note that our compliance reviews at Residential Homes (Learning Disabilities) and Complex Needs Units did not highlight any serious key control failings. However, lower level recommendations were made relating to:
- Cash held in safe exceeds the cash holding insurance limit (medium level recommendation).
 - Lack of separation of duties relating to the annual inventory checks. (medium level recommendation)
 - Inventory assets written off was not in accordance with Financial Regulations. (medium level recommendation)
 - The correct processes to follow relating to purchase card cash withdrawals was not always followed. (medium level recommendation)
 - Budget monitoring reports lacked the detail required to effectively scrutinise the finances of the site. (medium level recommendation)
 - Receipts or invoices are not always retained to support petty cash transactions. (low level recommendation)
 - VAT is not always recovered on purchases that are VAT recoverable. (Low level recommendation)

Special Investigations/Fraud & Corruption Related Work

27. 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 2021/22 indicated that there have been some 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/will be issued to ensure that the control weaknesses have been addressed and re-occurrence prevented.

Area	Financial Value £	Commentary
Internal Special Investigations of Fraud/Error – To be Recovered/In Recovery	£32,010	See Appendix 2 – Fraud & Corruption Outturn Report 2021/22 (section 6) for further breakdown.
National Fraud Initiative (NFI) 2020* (all losses will be subject to final validation & recovery action)	£20,597	Losses relate to duplicate invoice payments.
Other Proactive Fraud Exercises including CCM – Fraud & Error	£139,141	A pilot exercise undertaken in 2021/22 matching deceased person data provided by the Registration Service against 'active service provisions' held on Care Director to identify deceased individuals for whom we are continuing to pay care invoices for (up to 30 th March 2022) makes up £124,576 of the £139,141 value reported.
Total financial losses-fraud/error (to be recovered)	£191,748	

**NFI = National Fraud Initiative. This is a national exercise undertaken biennially which is 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.*

28. The quantity of concerns referred to Internal Audit is comparable with the previous years at 28 (decrease of six from the previous year), of which 21 related to areas of Council Activity. The volume of referrals not related to Council activity is accepted as a side effect of offering simple, anonymous reporting mechanisms and these are redirected to appropriate bodies. The actual value of referrals is, however, an increase on previous years, with much of the value coming from a proactive data-match of active care provisions to deceased individuals. Steps are taken to identify control weaknesses and root causes of all allegations where there is evidence of fraud or error, to help minimise future risk. The actual financial losses related to our counter fraud work has increased from £184,841 in 2020/21 to £191,748 in 2021/22. Whilst this value is not seen to be material for 2021/22, it is the highest financial loss suffered by the Council for some time.
29. In 2021/22, and connected to the Council's local fraud response, the Internal Audit Service has continued to support the Council's response to the COVID 19 pandemic, undertaking various grant verification exercises relating to infection control grant funding, COVID 19 workforce grant funding and the coronavirus schools fund (exceptional costs) grant funding to name but a few to ensure that COVID 19 funding had been spent by third parties as intended. In

addition, post assurance probity checks have been undertaken on some of the Council's community funding streams including the Community Climate Change Action Fund, the Community Fund – Members Programme and the #DoingOurBit Community Grants Scheme to ensure that grant funding had been spent as intended. Also, Internal Audit resources have been used in-year to provide assurance over the fraud controls proposed for the Council's new applicant tracking system which is scheduled to go live during 2022/23.

30. 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 is considered significant but not material.
31. The table below shows the trend of actual financial loss due to fraud and error over the past decade:

Year	Financial Value	Direction of Travel
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	↓
2019/20	£145,848	↑
2020/21	£184,841	↑
2021/22	£191,748	↑

32. 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/Expenditure	10%
£50,000 - £150,000 loss	40%	Physical Cash/Asset management arrangements	10%
£150,000 - £200,000 loss	30%	Payroll /Expenses	10%
£200,000 - £300,000 loss	20%	Payroll /Expenses	10%
Above £300,000 loss	10%	Income	10%

Based on the above criteria the overall score awarded for this category is **70%** (i.e 30% for the special investigations elements as the actual financial loss incurred is between £150,000 to £200,000. 40% 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

33. The following methodology outlined below, has been used as the basis to form the annual assessment of the overall internal control environment for 2021/22.

Current Methodology

34. 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:

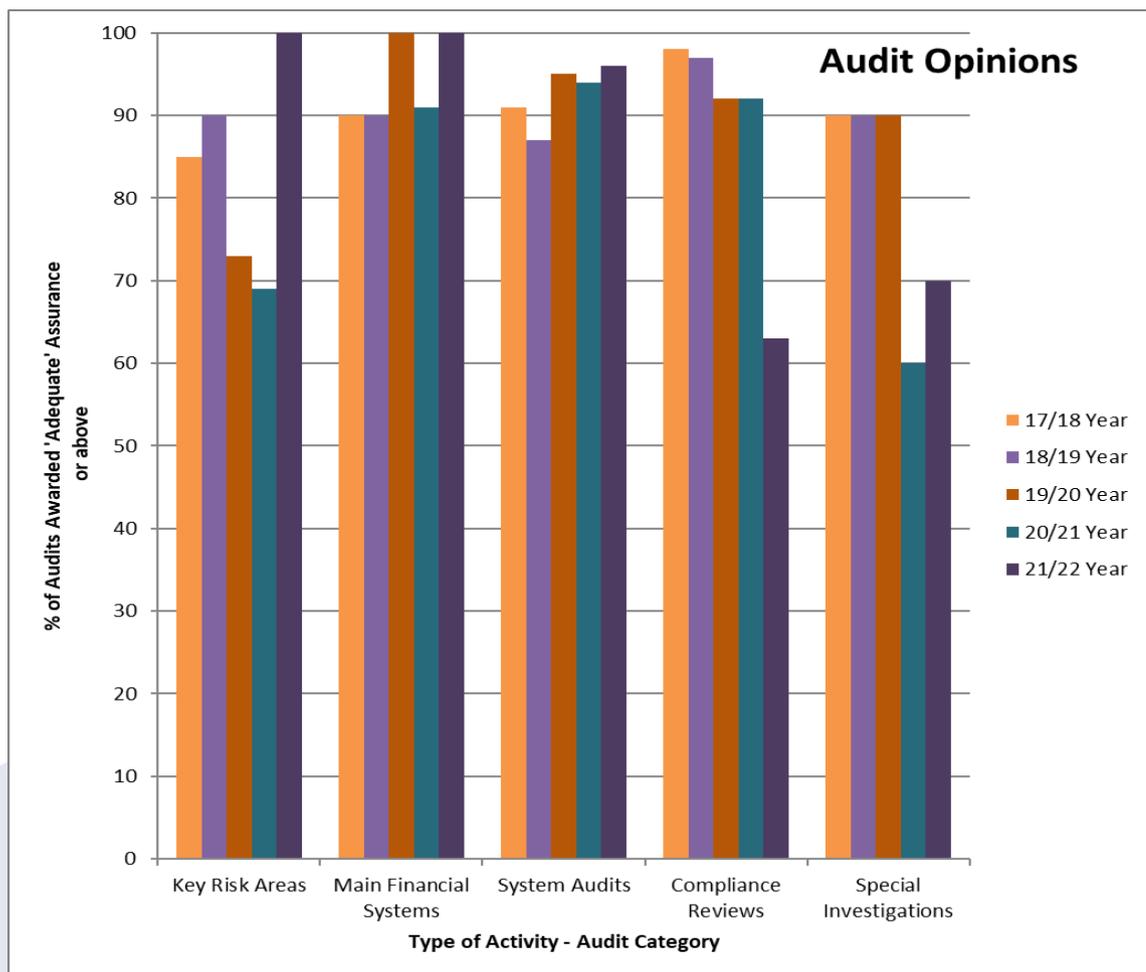
Overall Opinion Level	No of categories achieving the 90% benchmark
Substantial Assurance	5 out of the 5 categories
Adequate Assurance	3 or 4 out of the 5 categories
Limited Assurance	2 and below out of the 5 categories

Implications

35. The following table details the calculation of the 2021/22 overall assessment:

Audit Category	% awarded an opinion of at least "adequate"	Pass/Fail
Key Risk Areas (<i>paragraphs 9 to 13</i>)	100%	Pass
Main Financial Systems (<i>paragraphs 14 & 15</i>)	100%	Pass
System Audits (<i>paragraphs 16 to 20</i>)	96%	Pass
Compliance Reviews (<i>paragraphs 21 to 26</i>)	63%	Fail
Special Investigations/Fraud & Corruption Related Work (<i>Paragraphs 27 to 32</i>)	70%	Fail
Overall Total		3 out of 5 categories passed

36. 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, 2017/18 to 2021/22:



37. 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 2021/22.
38. This year's audit plan has been dominated firstly by our planned audit activities supporting various Council transformation programmes including the highways transformation programme, the digital transformation programme and associated new IT systems as well as the new service delivery model for the household waste recycling centres and changes to the Entrust contract. Our work in these areas focussed on ensuring that sufficient controls including fraud controls are considered and built into new and revised business processes at the right time to support a robust control environment going forward. Our work in 2022/23 will turn our attention to the new arrangements operating within Children's services following their transformation programme and also the social care reforms being introduced within the health and care arena. Secondly, during 2021/22, Internal Audit has continued to support the Council's on-going COVID 19 response predominantly focusing on COVID 19 grant verification exercises and post assurance checks to provide assurance that funding had been accurately accounted for and had been used appropriately. No significant concerns were noted. This work in these areas will continue in 2022/23.
39. Emphasis on strong financial management continued in 2021/22 with a full audit programme of main financial systems conducted and our audit work in-year did not highlight any concerns with all audits awarded a positive assurance opinion with no high level recommendations made. Whilst the level of debt outstanding continued to increase during the 2021/22 financial year, the latest audit review of the Council's debt recovery arrangements identified that significant improvements have been made in the Council's debt recovery processes which has been due, in part to, increasing capacity within the service, a review and documentation of key processes and a focus on improved management reporting.
40. However, the 2021/22 Schools' compliance programme has continued to identify areas of non-compliance and lapses in internal controls with limited assurance audit opinions being awarded for fourteen school establishments representing a significant increase from previous years. Also, control weaknesses relating to payroll processes operating at schools have continued to be identified during 2021/22. As a result of these audit outcomes, in-year we

commenced a continuous controls monitoring (CCM) programme specific to schools to give greater assurance over transactions and where compliance visits highlighted concerns, further investigations were instigated. It is our intention to continue to raise awareness of best practice and counter fraud measures with more regular communications to schools throughout 2022/23. Our school visits will also continue to be supplemented by a programme of CCM that will provide assurance over a greater volume of transactions across all Staffordshire Schools in 2022/23, the findings of which will feature in our communications with schools to reinforce lessons learnt throughout the year.

41. Finally, despite the increase in the value of financial losses (fraud/error) identified in 2021/22 when compared to previous years, the number of limited assurance opinions awarded across the planned system reviews has reduced considerably from eleven in 2020/21 to four in 2021/22 with no limited assurance opinions being awarded in either the top risk or the key financial systems categories of work. Notably, the financial losses value reported in our annual outturn report predominantly relates to our own initiated proactive exercises using Council data effectively to detect anomalies for further investigation (anomalies in 2021/22 were considered error rather than fraud). We will continue to use data analytical tools to enhance the assurance and insights provided to senior management across all business operations during 2022/23.

Performance Measures

42. 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 2021/22. The Service continues to meet the KPI targets for the quality questionnaire feedback.

Description	Target %	2018/19 %	2019/20 %	2020/21 %	2021/22 %
Reports issued to draft report stage:					
➤ Systems Audits	90	96	92	97	93
➤ Compliance Audits	90	92	90	93	100
Average score for Quality Questionnaires from clients is equal to or exceeds the 'good' standard:	90	100	100	100	100
➤ System Audits	90	100	100	100	100
➤ Compliance Audits					

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

43. 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).
44. 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. As part of the 2018/19 Outturn Report, these improvements were reported as implemented and have continued to operate since this date.
45. 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:
 - *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

- *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.

46. The results of this year's updated self-assessment exercise against the current standards and LGAN are summarised below. 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%)

47. For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to significantly affect the effectiveness of Internal Audit.
48. 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:
- The Chief Internal Auditor reports to the Head of Internal Audit & Adults and Children's Financial Services. Section 151 matters are reported in all instances to the County Treasurer who reports to Cabinet & SLT for all Section 151 matters. Alternative reporting arrangements are detailed within the Internal Audit Charter, should the need arise.
 - The Audit & Standards Committee does not approve the Internal Audit budget. This is the responsibility of the County Treasurer via Full Council.
 - 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 & Adults & Children's 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.
 - 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 owned corporately.

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

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

49. The work undertaken by the Internal Audit Service during 2021/22 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 2021/22.

Equalities Implications

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

Legal Implications

51. 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 (PSIAS) or guidance’. This report supports compliance with both the Regulations and the PSIAS.

Resource and Value for Money Implications

52. The net budget of the Internal Audit Section in 2021/22 was £979,020 of which £199,620 relates to payments to external providers.

Risk Implications

53. 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 latest Corporate Strategic Risk Register.

Climate Change Implications

54. There are no direct implications arising from this report

List of Background Documents/Appendices

- Audit Management System/Pentana Audit Management
- Annual Audit Plan & Strategy 2021/22
- 2021/22 Audit Charter
- Public Sector Internal Audit Standards – revised with effect from 1st April 2017.
- Local Government Application Note – with effect from 1st March 2019
- Accounts and Audit (England) Regulations 2015.
- CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition).
- 2021/22 Progress Reports to Audit & Standards Committee & various Internal Audit Reports

Appendix 1 – Recommendation Risk Ratings & Internal Audit Assurance Ratings.

Appendix 2 – Appendix 2 – Fraud & Corruption Outturn Report 2021/22 (Confidential agenda item).

Appendix 3 – PSIAS Action Plan for 2022/23.

Contact Details

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Appendix 1

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	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	I m p a c t	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
			Likelihood				
			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, 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 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: One high priority recommendation, 3-7 medium priority recommendations, or 7-12 low priority recommendations
Substantial	Zero high priority recommendations, 0-2 medium priority recommendations, and 0-6 low priority recommendations

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
1	5.2 1110	<u>Organisational Independence</u> Does the CAE report to an organisational level equal or higher to the Corporate management team?	Non-Compliant - Currently, the CIA reports to the Head of IA and ACFS who in turn reports to the County Treasurer who in turn reports to the Director of Corporate Services.	This reporting line has been in place for a period of time and is considered to be 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.	CIA	N/A – No further action to be taken
		5.2 1110 (c) <u>Organisational Independence</u> 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	Non-Compliant - The Board does not approve the budget. This is a responsibility of 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.	CIA	N/A – No further action to be taken
3.	1110(e)	<u>Organisational Independence</u> Is the organisational independence of internal audit realised by functional	Non-Compliant - This is the responsibility of the Head of IA & ACFS in-conjunction with the County Treasurer and the Director of Corporate Services.	This will be reported in the annual outturn report as an area of non-compliance with PSIAS, however, no further action is planned.	CIA	N/A – No further action to be taken

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
		reporting by the CAE to the board? (e) approves decisions relating to the appointment and removal of the CAE.				
4.	1110(f)	<u>Organisational Independence</u> Is the organisational independence of internal audit realised by functional reporting by the CAE to the board? (f) approves the remuneration of the CAE.	Non-Compliant - 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.	CIA	N/A – No further action to be taken
5.	5.3 1210	<u>Proficiency and Due Professional Care</u> 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?	Partially Compliant - This area is an ever-improving area; however, it is recognised that the skills and knowledge is largely continually held with the ICT Audit Manager and Counter Fraud Audit Manager. Demonstrations of IDEA have taken place with Staff at previous team meetings, with further 1-2-1 training offered. In addition, the JCS has previously been amended to	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. This area has been included as a service plan priority in 2022/23	CIA in conjunction with ICT Audit Manager & Counter Fraud Audit Manager	On-going throughout 2022/23

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
Page 75			<p>include a section on data which promotes the consideration of data and how it can be use as part of setting up the audit review.</p> <p>Additional experience of CAAT techniques is still required across the breath of the team and this will be improved in 2022/23.</p>			
	6.1 2050	<p><u>Performance Standards: Managing the IA Activity – Co-ordination</u></p> <p>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?</p> <p>The CAE may also carry out an assurance mapping exercise</p>	<p>Partially Compliant - Other sources of assurance are captured as part of the annual audit planning process.</p> <p>Time has been previously set aside to formulate an assurance map for the Council. As this is a large exercise, this will take time to develop and with the introduction of the new Enterprise Risk Management Module (ERM), it is felt beneficial to await the implementation of the ERM before undertaking any further work in this area.</p> <p>A pensions assurance framework has been produced for the new pensions pooling</p>	<p>Assurance Mapping has been put on hold following the future development and roll out of the Council’s new risk management arrangements in 2022/23 following the procurement of the ERM module, which is part of the new audit management system, pentana.</p> <p>This area will be kept under review as part of the 2023/24 annual audit planning process, and as required time will be included in the next IA’s plan to develop an assurance map using the output from the ERM</p>	CIA in conjunction with the HIA and ACFS	31st December 2023

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
			<p>arrangements which is kept up to date. In addition, an assurance framework has been previously developed for SEND governance.</p> <p>In summary, some activity since 2018/19 to date but this needs further action once the new ERM is implemented.</p>			
7. Page 76	6.2 2120	<p><u>Performance Standards: Nature of Work – Risk Management</u></p> <p>Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes?</p>	<p>Partially Compliant - The HIA and ACFS is responsible for Risk management. This role was previously carried out by the CIA role. So, the CIA is now independent of these arrangements.</p> <p>In 2022/23, the IA plan includes time to assist the HIA & ACFS in the implementation of a new IT Risk management system. A full review of the Council’s risk management arrangements will be considered as part of the 2023/24 internal audit plan.</p>	<p>In 2022/23, time is included in the IA plan to assist the HIA re the development of the ERM</p> <p>Internal Audit to independently review the risk management arrangements as part of the 2023/24 internal audit plan.</p>	CIA in conjunction with the HIA & ACFS	On-going & 30 th September 2023

Local Members Interest
N/A

Audit and Standards Committee – Tuesday 05 July 2022

Code of Conduct for Members – Report on the Management of Complaints (June 2021-June 2022)

Recommendation

I recommend that:

- a. The Committee note the information contained in this report; and
- b. Make any recommendations that they think fit to assist in respect of the management of Member complaints.

Report of the Director for Corporate Services

Complaints Management and Number of Cases June 2021 – June 2022

1. I am reporting on the number and management of complaints against elected members for the June 2021-June 2022 period.
2. The County Council has its own Code of Conduct for members prepared in accordance with the requirements of the Localism Act 2011. The Council's Code was revised and a new code adopted in 2021 in line with the Local Government Association's Model Code of Conduct for Members which was called for by the Committee on Standards in Public Life (CSPL).
3. Overall, members adopt high standards of conduct all of the time. However there are occasions when members of the public are unhappy about the way an individual member of the County Council has behaved. The Localism Act 2011 requires local authorities to have arrangements in place to deal with complaints about the conduct of members. Those arrangements include provision for the involvement of an 'Independent Person'.
4. The Authority has four Independent Persons - Mr Tom Roach and Mrs Christina Robotham who earlier this year had their term of office renewed for a further four years, and Mr Eddie Barnett and Mrs Sue Charles, who have recently been appointed and are undergoing training.
5. A formal complaint by a member of the public can be lodged either on-line or in writing to the Monitoring Officer. The Monitoring Officer assesses the allegation and consults one of the Independent Persons on whether the allegation, if proved, involves a breach of the Code. If this is the case a further assessment is made on whether the issue can be dealt with by the Monitoring Officer under delegated authority, or, in serious cases, by a Panel of members.

Complaints considered by the Monitoring Officer

6. These are complaints for which the Monitoring Officer, in consultation with the Independent Person, feels that appropriate remedy would be:
- a formal apology by the member concerned to the complainant, or
 - training, or
 - both an apology and training

Complaints considered by a Panel of the Audit and Standards Committee

7. Where the Monitoring Officer, in consultation with the Independent Person, thinks that it is not appropriate for the Monitoring Officer to deal with the complaint or that more serious sanctions might be appropriate, the complaint will be referred to a Panel of five members taken from the full membership of this Committee. The sanctions available are wider including recommendations that the member be removed from a particular committee or outside body and the issuing of an appropriate press release.

Issues dealt with during June 2021 – June 2022

8. Details of the number and outcome of complaints received are given in the Table below:

Period	No. of complaints	No. of members	Outcome
June 2021 – Dec 2021	6	4	All concluded - No breaches of the Code
January 2022- June 2022	5	3	2 cases concluded– No breach of the Code 3 cases – under consideration

More detail of the complaints and agreed actions are shown at Appendix 1 to this report.

9. For this reporting period there is no underlying theme to the nature of complaints other than the fact that many relate to one to one dealings which a member has had with a constituent. Previously common themes, including the use of social media, do not feature highly however it is worth taking this opportunity to remind members of the need to carefully consider the contents and potential consequences of social media posts. At the time of issuing this report, your Members' Development Forum is due to receive a presentation from the newly appointed social media officer. Any information resulting from that presentation will be shared with all members in due course.

Legal Implications

10. The County Council is required to have a formal complaints procedure for the handling of complaints about elected members.

Risk Implications

11. Compliance with the requirement to have a Code of Conduct for members and a local process to deal with alleged breaches of that Code arrangements addresses the risk of challenge to the governance arrangements of the Council.

List of Background Documents/Appendices:

Appendix 1 - Complaints against Elected Members – June 2021 –June 2022

Contact Details

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Appendix 1 Complaints against Elected Members June 2021- June 2022

Ref	Complaint details	Decision/Action
21/1	Misleading statement in Scrutiny Committee (alleged aim to influence decision)	Comments not intended to, nor had, undue effect on decisions. No breach of obligations under Code
21/2	Failure of member to respond to correspondence	Complaint essentially related to service area. Correspondence redirected to Service. No breach of obligations under Code
21/3	Misleading information to constituents/objection to nature of consultation documentation	Comprehensive consultation exercise carried out. Documentation not deemed to be misleading. No breach of obligations under Code.
21/4-6	Statements made re COVID non-vaccinated persons	Interpretation of statements as being offensive not intended by member. Conversation with member re careful choice of phrase. No breach of obligations under Code.
22/1	Failure to declare interest in a meeting	No relevant interest applicable. No breach of obligations under Code
22/2	Posts on social media likely to cause detriment to business	No deliberate reference to business made by members. No breach of obligations under Code.
22/3-5	Failure to carry out role of Local Councillor, alleged damage to reputation of SCC	Under consideration

Local Members Interest
N/A

Audit and Standards Committee – Tuesday 05 July 2022

Procurement Regulations – Proposed Addition.

Purpose

To seek Members’ approval to a proposed addition to the Procurement Regulations to exempt from their standard tendering/quotation process the engagement of an HR adviser in very specific circumstances; and should approval be given, to recommend to Full Council that the Procurement Regulations be amended accordingly.

Report of the Director for Corporate Services (Monitoring Officer)

Background

1. The Procurement Regulations are included in the County Council’s Constitution (Section 14 of the Constitution) and therefore any significant change to those Regulations requires this Committee to make a recommendation to Full Council.
2. The Procurement Regulations set out clear guidance on the processes to be followed when buying Works, Supplies or Services for the Council. They stipulate when quotations or tenders are required, spending thresholds and approval levels. Those Regulations require that contracts entered into by the County Council comply with the Public Contract Regulations. The following types of Contracts are currently exempt from that requirement:
 - a. Contracts of employment.
 - b. Contracts relating to interest in land (also known as property) (Procurement Advisor to be consulted)
 - c. Contracts entered into by schools using delegated budgets as they have their own Regulations to follow.
 - d. Investment transactions placed by the Director for Corporate Services for treasury management activities.
 - e. Contracts placed by the Director for Corporate Services investing money or assets of the Staffordshire County Pension Fund.
 - f. Grants which the Council make Grants should not be used as a Contract for Services.
 - g. When buying from within the Council.
 - h. In instances where Officers are buying works of art, museum artefacts, manuscripts, or archive collection items.
 - i. Where instructing external legal advisers in accordance with Regulation 10 of the Public Contract Regulations 2015 and as authorised by the Director of Corporate Services

Proposed Additional Exemption

3. I am requesting an update to the Exemptions list to cover circumstances when, for reasons of potential conflict and confidence, external professional/technical support and advice is required in relation to an employment disciplinary matter.
4. This exemption is needed to enable me to follow due process when dealing with any employment disciplinary matter involving HR personnel. To date I have needed to call on the support of Senior officers from service areas sufficiently distanced from the HR function however in some circumstances they have, understandably, not possessed the depth of knowledge and expertise required.

Legal/Risk Implications

5. This report serves to ensure that Staffordshire County Council has access to the necessary advice and expertise the deal with complex employment matters at, sometimes, relatively short notice.

Resource and Value for Money Implications

6. The proposal would involve costs on an as and when basis which are predicted to be infrequent.

Climate Change Implications

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

Contact Details

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Audit and Standards Committee Forward Plan 2022/2023

If you would like to know more about our work programme, please contact Lisa Andrews, Head of Audit & Financial Services, 01785276402 or Lisa.Andrews@Staffordshire.gov.uk

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Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
26 April 2022				
Annual Report on Information Governance Report of the Director of Corporate Services Lead Officer: Tracy Thorley/Natalie Morrissey				
Internal Audit Plan 2022/23 Report of the County Treasurer Lead Officer: Debbie Harris				
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			
Special Guardianship Payments Arrangements – progress report				

Agenda Item 12

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Lead Officer – Nicola Hope				
Review of Joint Funding & Billing CCG's Continuing Healthcare - Progress Report Lead Officer – Karen Webb	Deferred to July 2022			
SEND Services – Further Progress Report. Lead Officer – Tim Moss				
05 July 2022				
Appointment of Members to Standards Panel 2022/23. Lead Officer: Chris Ebberley				
Annual Report of the work of the Audit & Standards Committee. Report of the Director for Corporate Services Lead Officer: Lisa Andrews				
External Audit Plan 2021/22 Report of Ernst & Young	Moved from February 2022			
Staffordshire Pension Fund Audit Plan 2021/22 Report of Ernst & Young	Moved from February 2022			
Code of Corporate Governance –2022 Update Report of the Director for Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Outturn Report 2021/22 Report of the County Treasurer Lead Officer: Debbie Harris				
Code of Conduct for Members – Annual Report on the Management of Complaints Report of Director for Corporate Services Lead Officer: Julie Plant				
Proposed changes to the Constitution - Procurement Regulations – Proposed	As required			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Addition. Lead Officer: Julie Plant				
Forward Plan for the Audit and Standards Committee Lead Officer: Debbie Harris				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).	As required	As required		
Appendix 2 – Counter Fraud Outturn Report 2021/22 Lead Officers: Debbie Harris & Dave Fletcher				
Joint Funding & Billing CCG's Continuing Healthcare - Progress Report on the Implementation of previous audit recommendations Lead Officer – Karen Webb	Moved from April 2022			
20 September 2022				
Annual Audit Letter – 2020/21 Lead Officer: External Auditor (EY)				
Future Local Public Audit Arrangements – Update. 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			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Agency Staffing Contracts Audit Review - Progress Report on the implementation of Recommendations Lead Officers: Sarah Getley/ Cherie Cuthbertson & Paul Timmins				
01 November 2022				
National Fraud Initiative - Update Report of the County Treasurer Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required (KL to advise)			
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			
Accelerated Progress Plan – Progress Report Lead Officer: Tim Moss				
13 December 2022				
Annual Governance Statement 2021/22 Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Training on Statement of Accounts Lead Officer: Rachel Spain				
Statement of Accounts 2021/22 Presentation and Report of County Treasurer Lead Officer: Rachel Spain				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Report to those charged with Governance (ISA 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				
Health, Safety and Wellbeing Performance Annual Report Report of Director for Corporate Services Lead Officer: Becky Lee				
Internal Audit Plan 2022/23 - Update Report of the County Treasurer Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required (KL to advise)			
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).				
21 February 2023				
Proposed changes to the Constitution	As required (KL to advise)			
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).				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
21 March 2023				
External Audit Plan 2022/23 Report of Ernst & Young				
Staffordshire Pension Fund Audit Planning Report 2022/23 Report of Ernst & Young				
Review of the Effectiveness of the Audit & Standards Committee. Report of the Director for Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Charter 2023/24 Report of the County Treasurer Lead Officer Lisa Andrews				
Proposed changes to the Constitution	As required (KL to advise)			
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).				
24 April 2023				
Annual Report of the work of the Audit & Standards Committee Report of the Director for Corporate Services Lead Officer: Lisa Andrews				
Strategic Risk Management - Risk Management Policy Statement & Strategy. Report of the Director for Corporate Services Lead Officer: Lisa Andrews				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Annual Report on Information Governance Report of the Director for Corporate Services Lead Officer: Tracy Thorley/ Natalie Morrisey				
Internal Audit Plan 2023/24 Report of the County Treasurer Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required (KL to advise)			
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).				

Membership

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

Calendar of Future Committee Meetings

(All meetings at 10.00 a.m. unless otherwise stated)

26 April 2022

05 July 2022
 20 September 2022
 01 November 2022
 13 December 2022
 21 February 2023
 21 March 2023
 24 April 2023

Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH

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