

Audit and Standards Committee

Tuesday 21 March 2023

10:00am

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
13 March 2023

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 13 December 2022** (Pages 1 - 6)
4. **External Audit Plan 2021/22 (Ernst Young, External Auditors)**
5. **External Audit - Verbal Update (Ernst Young, External Auditors)**
6. **Future of Local Public Audit – Appointment of External Auditor.** (Pages 7 - 10)
7. **Review of the Effectiveness of the Audit & Standards Committee** (Pages 11 - 24)
8. **Internal Audit Service - External Quality Review 2023** (Pages 25 - 44)
9. **Internal Audit Charter 2023/24** (Pages 45 - 70)
10. **Audit and Standards Committee Forward Plan 2022/23 and 2023/24** (Pages 71 - 80)
11. **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)

- | | |
|---|-------------------|
| 12. Internal Audit Review - Nexxus (exemption paragraph 3) | (Pages 81 - 118) |
| 13. Company Governance (exemption paragraph 3) | (Pages 119 - 128) |
| 14. Cyber Security Strategy (exemption paragraph 3) | (Pages 129 - 146) |
| 15. Climate Change Action Fund (exemption paragraph 3) | (Pages 147 - 160) |

Membership

Carolyn Trowbridge (Vice-Chair)	James Salisbury
Ross Ward	Janice Silvester-Hall
Bernard Williams	Ian Wilkes
Ann Edgeller	Mike Worthington (Chair)
Philippa Haden	Arshad Afsar
Phil Hewitt	Keith Flunder
Graham Hutton	Richard Cox
Bernard Peters	

Notes for Members of the Press and Public

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Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.



Minutes of the Audit and Standards Committee Meeting held on 13 December 2022

Present: Mike Worthington (Chair)

Attendance

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

Also in attendance: Lisa Andrews, Rob Salmon, Debbie Harris and Hassan Rohimun (Ernst Young (external auditors))

Apologies: Ross Ward, Bernard Peters and James Salisbury

PART ONE

36. Declarations of Interest

There were no declarations of interests on this occasion.

37. Minutes of the Meeting held on 1 November 2022

Resolved – that the minutes of the meeting held on 1 November 2022 be confirmed as a correct record and signed by the Chairman.

38. Annual Governance Statement 2021/22

An Annual Governance Statement (AGS) is required of the County Council to provide evidence of how the Corporate Governance Framework is adhered to in practical day to day actions and decision making. That Framework sets out the culture, values, systems and processes by which the organisation is directed and controlled.

Members considered the draft AGS for 2021/22 noting the requirement for it to cover the period up to the final sign off of the annual accounts and therefore this latest AGS covered the period April 2021 to date.

Particular attention was drawn to the extent to which the 2020/21 Action Plan had been completed and the number of key governance issues carried forward into the 2021/22 Plan.

Members' comments and observations on the draft Statement included:

- The absence of information on staff performance and productivity – as the smart working arrangements, originally necessitated by the COVID pandemic, were noted to be continuing, members queried what measures were in place to monitor performance. Discussion took place on the complexity of measuring and benchmarking performance for the council's wide ranging services. A brief summary was given of the monitoring activity already taking place, the way in which internal Audit Reports addressed how service objectives were being met, and the role of the Corporate Overview and Scrutiny Committee and Cabinet in overseeing performance
- The March 2023 deadline for delivery of the CQC/Ofsted recommendations on governance elements of SEND arrangements
- The absence of recognition of third tier (Parish and Town) Councils, and County Councillors links with those organisations in references to governance arrangements.

Resolved – That the draft Annual Governance Statement 2021/22 be approved and the Senior Management Team be requested to consider how and where staff performance is being monitored and report to the appropriate scrutiny/decision making body.

39. Statement of Accounts - Training

To support members in considering the draft Annual Accounts for 2021/22, the County Treasurer gave a brief presentation on the requirements on the council to produce those accounts, their purpose and the information which they had to contain, the processes for their audit by an external auditor and for making them available for public scrutiny.

The Accounts were drawn up in accordance with CIPFA Guidance which in turn formed the basis against which they were audited. For 2020/21 delays in auditing the accounts had been partly due to the need to await specific guidance from CIPFA on Infrastructure Assets, the recent publication of which required minor updates to the draft accounts.

40. 2021/22 Statement of Accounts

The County Treasurer submitted the draft Statement of Accounts for 2021/22.

An underspend in the Revenue Budget of £1.381million contributed to a total underspend of £3.984million which would be carried forward as a reserve to help meet inflationary pressures predicted for 2022/23. Details were given of

the causes of spend variations for original budget provision in the main service areas.

Capital spend for 2021/22 was reported to be £111.4million, funded from grants and borrowing. Significant progress had been made on a number of key capital projects, details of which were outlined.

The Income and Expenditure account recorded the cost of service provision compared to the income received to fund them. The net cost for 2021/22 had reduced to £488.6million (from £524.4million in 2020/21) reflecting changes in demand for Health and Care and Children's Services.

The overall Balance Sheet showed that the value of assets had increased by £587.1million to £990.6million mainly due to a reduction in the Councils Pensions liability, however it had to be noted that future pensions commitments could fluctuate widely.

Finally, the County Treasurer reported that the Reserves and Balances remained static in line with the MTFs and plans to mitigate future budgetary risks.

The Staffordshire Pension Funds accounts were presented in the form of a separate Statement, completely independent of the County Councils main accounts.

Members discussions included the following:

- Increase in provision for bad debt -reported to address the financial effects of the COVID pandemic on debtors' ability to pay
- Disposal of Assets – the importance of keeping members informed of proposals for land/property in their Division
- How 'Responsible Investment' was practiced by the Staffordshire Pension Fund – It was explained that the Pensions Fund had a Responsible Investment policy and its application was regularly reviewed by the Pensions Panel.
- Difficulties in identifying how service areas are achieving value for money and performing against objectives and how alternative options might be identified – it was suggested that consideration be given to the production of an Assurance Report for members' consideration.

Concluding, the County Treasurer reported that final amendments would need to be made to the accounts following completion of the external audit before they could be signed off on behalf of the authority.

Resolved – That the 2021/22 Statement of Accounts be approved and the County Treasurer, in consultation with the Chairman of this

Committee be authorised to make final amendments to the accounts as deemed necessary by the external auditors.

41. External Audit Plan 2020/21- Update Report (Ernst Young, External Auditors)

On behalf of Ernst Young (External Auditors) Hassan Rohimun submitted a progress report on the audit of the Council's 2020/21 accounts explaining that following the release of CIPFA Guidance on accounting practices for Infrastructure Assets, the accounts would need to be updated. He listed other outstanding tasks and was hopeful the audit would be completed by February 2023.

Continuing, Hassan reported that planning had commenced for the audit of the Councils 2021/22 accounts.

Resolved – that the update be noted.

42. Internal Audit Plan 2022/23 - Update

The County Treasurer reported on progress to date on delivering the projects listed in the Internal Audit Plan 2022/23.

He reported on the constant and heavy workload associated with systems and grants audits, with 128 audit reviews included in the current Plan.

Referring to planned compliance audits, he reported that the Plan was constantly under review to be responsive to new issues which may arise. Reviews had led to 6 planned audits being cancelled to free up resources for additional work including a review of NEXXUS and the Councils provision of accommodation for people fleeing the war in Ukraine.

The County Treasurer reported on the introduction of the new recommendation tracking system (Pentana), explaining that in setting up the system all records of audits had been cleansed and updated to give an accurate start point of 714 recommendations for on-going tracking. Of note was that there were only 2 high level corporate recommendations outstanding. The County Treasurer reported on action being taken to meet the deadlines for compliance with those recommendations. Details of recommendations from audits relating to Schools would be integrated into the system in due course.

Responding to a query on cancelled Audits, The County Treasurer explained that cancellations could be requested by service areas or, in some cases the audit might not be timely (for example if a structural re-organisation was underway).For any cancelled audits consideration was

given to ways in which that subject matter might be incorporated into another associated audit still to be carried out.

On the responses received from auditees in service areas under review, the County Treasurer reported on generally positive engagement adding that many audits were requested by managers themselves when they saw the need for changes to service delivery and needed support to identify improvements that could be made.

Resolved – That progress made against the Internal Audit Plan 2022/23, the amendments to the original Plan and the progress on implementation of high level recommendations be noted.

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

The County Treasurer submitted the Forward Plan setting out this Committee's meeting schedule and proposed agenda content for the remainder of 22/23. He indicated that the Plan would be updated when the timescale for the external audit of the 2021/22 accounts was known, and confirmed that it had capacity to accommodate additional or changed agenda items as and when requested by members.

Resolved – That the Forward Plan be noted.

44. Exclusion of the Public

Resolved – That the public be excluded from the meeting for the following item of business which involves the likely disclosure of exempt information as defined in the paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as indicated.

45. Exempt Minutes of Meeting held on 1 November 2022 (exemption paragraph 3)

Resolved – That the exempt minutes of the meeting held on 1 November 2022 be confirmed as a correct record and signed by the Chairman.

Chairman

Audit and Standards Committee - Tuesday 21 March 2023

Future of Local Public Audit – Appointment of External Auditor.

Recommendation

I recommend that:

- a. To note the outcome of the sector led body procurement process for the appointment of the external auditor for the County Council with effect from 2023/24, for a period of five years, as being KPMG LLP.

Local Member Interest:

N/A

Report of the Director of Finance

Report

Background

1. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. During July 2016 it was announced by the then DCLG that the Public Sector Audit Appointments Ltd (PSAA) was named as a sector led body (SLB) authorised to make future audit appointments on behalf of principal local authorities in England. The first appointments made under the agreement commenced in relation to financial year 2018/19.
2. The Council, via decisions taken by the Audit & Standards Committee and Full Council decided to opt into the sector led body procurement process administered by PSAA in order to appoint its External Auditor for the 5-year period ending 31st March 2023. This role was undertaken by EY for this period.
3. At the 14 December 2021 Audit & Standards Committee meeting, Members agreed to recommend to Full Council that the Authority opt-in to the next sector led procurement process by PSAA for the next 5-year External Audit contract, commencing April 2023. This recommendation

was subsequently endorsed by Full Council at its meeting on 10 February 2022.

4. PSAA undertook the procurement process during 2022 and consulted upon and subsequently appointed the External Auditor during the autumn 2022. The new External Auditor for the 5-year period from financial year 2023/24 to 2027/28 will be KPMG. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and was approved by the PSAA Board at its meeting on 16 December 2022.
5. Handover arrangements will be put in place to manage the transition between the incoming and outgoing firms.
6. PSAA announced an increase of 150% for scale fees in 2023/24 and based on the total amount paid over the previous 5 year has led to an expect a fee of around £460k for 2023/24. A financial pressure was put in the MTFS in order to mitigate this increase. As a reminder, the scale fee has been £84,511 from 2018/19 through to 2021/22 but in conjunction with considerable fees for additional work resulting in a fee of circa £180k since 2018/19. The scale fees for 2022/23 are £110,088 with potential additional fees on top but currently there is no indication of how much they might be.

Equalities Implications

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

Legal Implications

8. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.
9. Section 12 makes provision for the failure to appoint a local auditor. The authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
10. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person)

Regulation 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector led body to become the appointing person.

Resource and Value for Money Implications

11. Opting-in to a national SLB (i.e., PSAA Ltd) provides maximum opportunity to limit the extent of any increase in fees by entering into a large-scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

Risk Implications

12. There no further risks identified other than the financial implications highlighted at paragraph 6.

Climate Change Implications

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

List of Background Documents/Appendices:

The Local Audit and Accountability Act 2014
CIPFA's Auditor Panels guidance

Contact Details

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Audit & Standards Committee

Review of the Effectiveness of the Audit & Standards Committee

21 March 2023

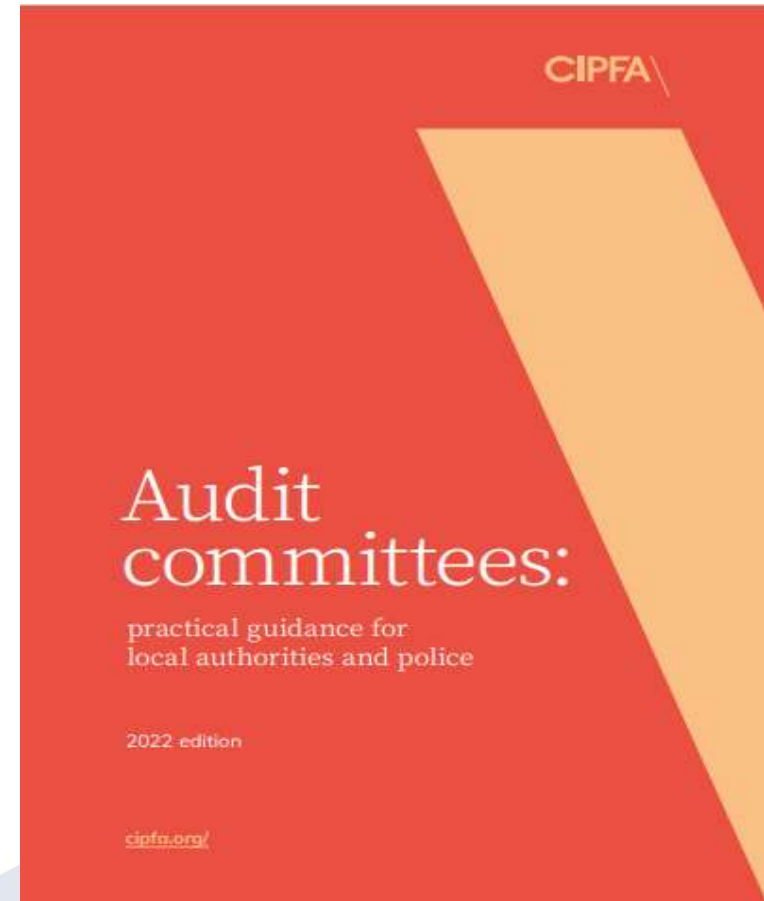
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Agenda Item 7

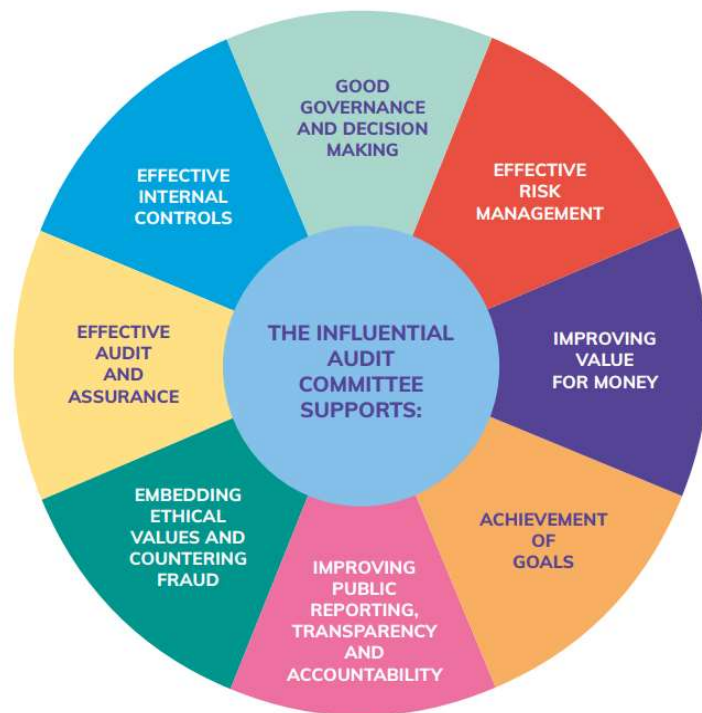
Audit Committee Guidance – Updated 2022

- Audit committees: practical guidance for local authorities & police including appendices (A-F)
 - The audit committee member in a local authority
 - Guiding the audit committee - **supplement** to the audit committee member guidance
- CIPFA Audit Committees **Position Statement** 2022
- Interactive Appendix E - Self-assessment of good practice
- Interactive Appendix F - Evaluating the impact and effectiveness of the audit committee



Key Aspects of an Effective & Influential Audit Committee

Figure 1: The influential audit committee



What's changed in Audit Committee Guidance since 2018 version? - 1

- More targeted towards audience – aimed directly at audit committee members with separate supplement for those that support the committee
- Separates local authority and police material
- 2018 version incorporated CIPFA's Position statement, but the 2022 position statement is now provided as a separate stand alone document in 2022 version
- Acknowledges some overlaps with role of scrutiny committee
- Focus not just on effectiveness of the audit committee – but also the **impact** it can deliver to add value for the Council.
- Greater focus on ethical framework : *“behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.”* – heart of Principal A of the Governance Framework.

What's changed in Audit Committee Guidance since 2018 version? - 2

- New section on supporting & making best use of Audit (Internal & External) .
- Greater emphasis on External Audit VFM report
- Recognition of wider range of partnerships, collaborations, subsidiaries & traded services
- Financial reporting - flag to CIPFA Guide to Local Government Finance (2019) – streamlining of accounts section to make financial statements more readable.
- Audit Committee to consider appointment/ removal of HIA (and/ or) contracts for IA services
- Includes references to CIPFA statement of role of HIAG & CIPFA Untapped potential report 2022

The audit committee member in a local authority – Guidance

Contents:

- The purpose of the audit committee
- Core functions of an audit committee
- Possible wider function of an audit committee
- Independence and accountability
- Membership and effectiveness of the audit committee
- Appendices (A-F)

CIPFA\

The audit
committee
member in a
local authority

2022 edition

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Summary of Appendices

- A. Sector & Devolved Government Guidance (separates out guidance area across sectors & devolved governments: [England- Combined Authorities], [Wales], [England & Wales Police], [England, Northern Ireland & Scotland Local Authorities].
- B. Suggested Terms of Reference – Local Authorities
- C. Audit Committee Members- Knowledge & Skills Framework
- D. Problem solving difficulties with the Audit Committee overcoming barriers to effectiveness
- E. Self Assessment of good practice to support planning of Audit Committee work & training plans & inform committees annual report to Council
- F. Evaluating the impact & effectiveness of the Audit Committee – summarises areas where the audit committee can make an impact.

Audit Committee Key Requirements: in line with⁸ CIPFA Position Statement - 2022

- Independent high-level focus on the adequacy of governance, risk & control – obtain adequate assurance on arrangements
- Independent & effective – accountable to full Council, rights of access to reports & officers, training,
- Call for minimum of 2 independent members to add technical expertise
- Maintain Governance, risk & control arrangements
- Receive financial and governance reporting
- Establish appropriate & effective arrangements for Audit & Assurance

Audit Committees should provide the following.

- Perform an advisory role, non-political & politically balanced
- A valuable resource to add value through influence, commitment & energy
- Support good governance and appropriate stewardship of public assets & resources
- Have a role to ensure resources are targeted in accordance with Council priorities & policies – transparency and accountability to achieve VFM
- Ensure independence of [internal & external] audit & of the audit committee
- Sighted to significant control failings/ overall weaknesses – challenge to ensure represented in AGS
- Accountable - reporting to full Council (not Cabinet or other committee) including annual report on effectiveness of control framework

Core functions of an Audit Committee

Maintenance of Governance Risk & Control

- Good Governance
- Ethical Frameworks
- Risk Management
- Internal Controls
- Value for Money (VFM) & best value arrangements
- Countering Fraud and Corruption
- Arrangements for partnerships, collaborations & subsidiaries.

Core functions of an Audit Committee

Accountability of Public Reporting

- Financial Reporting – Support for effective financial reporting, review the statutory statements of account and accompanying reports
- Annual Governance Statement - be satisfied with arrangements for accountability & governance to achieve Council objectives, including that AGS reflects risk environment & necessary improvement action is taken.

Assurance and Audit Arrangements

- Obtain adequate assurance across the body's full range of operations and collaborations with other entities.
- Oversight of Internal Audit – effective arrangements, professional standards, effective use of audit by organisation
- External Audit & Inspection Agencies – consider opinions & reports- implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit
- Support independence and quality of auditors
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Additional considerations – from 2022 Guidance

- Recognises complexity of the accounts and financial statement – recommends additional attention in this area when evaluating training needs
- Maintain engagement between head of internal audit and audit committee
- Point to note: CIPFA in the process of developing more detailed guidance for leadership teams on assurance frameworks
- Audit KPI review – are internal audit held to account for;
 - ❖ Conformance with standards
 - ❖ effective use of resource;
 - ❖ focus on risks & assurance needs;
 - ❖ delivery of required output
 - ❖ impact
- Provide feedback from S.151 & HIA on External Audit process – to assist audit committee review on effectiveness of External Audit
- Sharing of FRC Annual Report on quality of local audit and quality reviews for firms

Recommendations

- Facilitated workshop session to include:
 - ❖ annual self-assessment of good practice, effectiveness and impact.
 - ❖ agree forward training plan for members targeting identified development areas
- Review Audit & Standards Committee terms of reference
- To consider the recruitment of independent members
- Clarify role of audit committee in arrangements of partnerships, collaborations and subsidiaries
- Delivery of the Audit & Standards Committee Annual Report to full Council
- External Audit Annual Report to be received in full by full Council with Audit Committee's report setting out its response
- Review assurances around ethical frameworks

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 21 March 2023

Internal Audit – External Quality Assessment

Recommendation(s)

I recommend that:

- a. Members note the results of the external quality assessment undertaken in January 2023 of Staffordshire County Council’s Internal Audit function.

Report of the Director of Finance & Section 151 Officer

Report

Background

1. Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA) or a combination of both methods. However, the standards state (standard 1312) that an external reviewer must undertake a full assessment or validate the internal audit service’s own self-assessment at least once in a five-year period. The service’s last EQA was undertaken in January 2018 where the Service was deemed to be conforming to the standards and therefore a further external assessment was scheduled for January 2023, and which was subsequently procured from CIPFA following a quotation process.
2. The EQA comprised a combination of a review of documentation provided by Internal Audit; a review of a sample of completed audits, a survey completed by a range of stakeholders as well as interviews with key stakeholders. This work took place week commencing 16th January 2023.

3. The PSIAS define (i) the nature of internal auditing, (ii) set out the basic principles for carrying out internal audit in the public sector and provide a framework for the service which adds value to the County Council, leading to improved organisational processes and operations, and (iv) establish the basis for the evaluation of internal audit performance and to drive improvement planning. Within Local Government, further guidance as to how these standards are to be applied is provided within CIPFA's Local Government Application Note (LGAN) which were last revised in 2019.
4. The report attached as **Appendix 1** details the full results of the independent assessment. Paragraph 4 of the report outlines the overall conclusion and the opinion of the assessor. The key highlights are that there are no areas of non-compliance or partial compliance with the standards identified. In addition, the assessor has not identified any issues from the EQA that management need to address regarding the Service's conformance to the current standards.
5. Based on the assessor's work undertaken, the overall conclusion is – 'It is our opinion that the self-assessment for the Staffordshire County Council's Internal Audit Service is accurate and as such we conclude that the Internal Audit Service **GENERALLY CONFORMS** to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.' This is the highest category level that can be awarded via the CIPFA assessment process.
6. Whilst no recommendations have been made, there is one advisory action for management to consider which relates to keeping a watching brief on the developments to the standards which are due to be consulted on and revised during 2023/24.

Equalities Implications

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

Legal Implications

8. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations 2015 specifically require that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices". This is demonstrated through compliance with the PSIAS.

Resource and Value for Money Implications

10. The cost of the assessment was £4,875 plus VAT and this expenditure was procured in accordance with the Council's Procurement Regulations following a quotation exercise.

Risk Implications

11. There are no specific risk implications presented by this report.

Climate Change Implications

12. There are no direct climate change implications arising from this report.

List of Background Documents/Appendices:

Public Sector Internal Audit Standards – April 2017
Local Government Application Note – April 2019

Appendix 1 – CIPFA External Quality Assessment of Conformance to the Public Sector Internal Audit Standards (dated 24th February 2023)

Contact Details

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External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Staffordshire County Council's Internal Audit Service

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

24th February 2023

Staffordshire County Council's Internal Audit Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period. The Service's last EQA was undertaken in January 2018 where the Service was deemed to be conforming to the standards.

2. Background

- 2.1 The Internal Audit Service provides the internal audit services to Staffordshire County Council and South Staffordshire District Council and are based at the County Council's offices in Stafford although the team are all mainly working remotely. The Chief Audit Executive for both Councils is the Head of Internal Audit and Adult and Children's Financial Services (ACFS) (referred to as the HIA). She is supported by a Chief Internal Auditor (CIA) who has a team of 12 individuals, although one audit assistant level post was vacant at the time of the review and one Audit Manager is on secondment elsewhere in the Council.
- 2.2 The staff are well-qualified and experienced Internal Auditors with all the team members either holding or working towards obtaining relevant professional or academic qualifications.
- 2.3 From an operational perspective, the Internal Audit service reports directly to the Senior/Corporate Leadership Teams at the respective Councils and the Audit Committees at both Authorities. These two bodies fulfil the roles of 'senior management' and 'the board' for each authority, as defined by the Public Sector Internal Audit Standards. Regular reports on the respective audit plans, progress on delivering the plans and the annual opinions and outturns, are made to the Senior/Corporate Leadership Teams and the Audit Committees for the respective Councils.
- 2.4 The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned, the previous one being in 2018. The previous EQA for South Staffordshire Council was also in 2018 when they were operating as an in-house Service but being managed by the County Council.
- 2.5 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment. Standard templates are used for all engagement working papers and testing schedules. All these documents are held in the Service's audit management application, Pentana.
- 2.6 Supervision of the engagements takes place at every stage of the process and is recorded in Pentana.
- 2.7 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements and secondary reviews of a sample of completed engagements, etc., and these all feed into the Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits for both Councils, chosen by the assessor; a survey that was sent to and

completed by a range of stakeholders; and interviews with key stakeholders at both Councils, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

3.2 The Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:

- self-assessment against the standards;
- quality assurance and improvement plan (QAIP);
- evidence file to support the self-assessment;
- the audit charters;
- the annual reports and opinions;
- the audit plans and strategies;
- audit procedures manual;
- a range of documents and records relating to the team members;
- progress and other reports to the Audit Committees.

All the above documents were examined during this EQA.

3.3 The main phase of the validation process was carried out during the week commencing the 16th of January 2023 and involved a review of a sample of audit files for both Staffordshire County and South Staffordshire District Councils, and interviews with key stakeholders from the two Councils. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way the Internal Audit Service delivered their services.

3.4 A survey was sent to a range of other key stakeholders and the results analysed during the review. Details of the survey findings have been provided to the Head of Internal Audit & ACFS and the Chief Internal Auditor and a brief summary has been included in this report.

3.5 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the Councils and how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Staffordshire County Council's Internal Audit Service is accurate and as such we conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

4.1 The table below shows the Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in Internal Audit's procedures, working methodologies and their Pentana audit management system and that they are a very competent, experienced, and professional Service that conforms to all ten elements of the Core Principles.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, the Pentana audit management system, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There are audit charters in place for both Councils and these are reviewed on an annual basis. We reviewed these documents and found them to be comprehensive and well written documents. We are satisfied that the Internal Audit Service conforms to attribute standard 1000 and the LGAN.

5.5 Attribute Standard 1100 – Independence and Objectivity

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of the Service's culture. The Service reports in its own name at both Authorities and directly to senior management and the Audit Committees at the respective authorities. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity for each audit they undertake.

We have reviewed the Internal Audit Service's audit manual, procedures, and their standard documentation; their quality assurance and improvement plan; and a sample of completed audit files for both Authorities. We have also reviewed Internal Audit reporting lines and their positioning within the organisations. The Head of Internal Audit & ACFS has other roles and responsibilities to Internal Audit at Staffordshire County Council that are subjected to periodic internal audit. These are referred to in the audit charter and the annual report, and there are methodologies in place to avoid any potential conflicts of

interest. We are satisfied that the Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 Attribute Standard 1200 – Proficiency and Due Professional Care

Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that the Internal Audit Service has a professional and experienced workforce with all members of the team either holding or working towards relevant professional or academic qualifications.

The Internal Audit Service is fortunate in having a qualified specialist IT Audit Manager amongst the team, although all members of Internal Audit can perform basic, high-level IT audits. The Service also places reliance on the work of other sources of assurance for both Council's IT systems and their governance, such as the annual PSN accreditations and routine penetration testing organised by the respective IT Services. The Internal Audit Service uses IDEA and Excel for data analytics and makes use of the data analytics tools embedded in the respective Council's IT systems.

It is evident from this review that the Internal Audit Service's employees are experienced and well qualified and perform their duties with due professional care. We are satisfied that the Internal Audit Service complies with attribute standard 1200 and the LGAN.

5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programmes

This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

The Internal Audit Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme that ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages of the audit. Evidence of the supervision process is recorded in their PENTANA audit management application. We have examined the supporting evidence provided by the Internal Audit Service during this EQA and are satisfied that they conform to attribute standard 1300 and the LGAN.

5.8 Performance Standard 2000 – Managing the Internal Audit Activity

The remit of this standard is wide and requires the Chief Audit Executive to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit and Risk Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also

include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

The Internal Audit Service has a range of procedures in place, including an audit manual, procedure notes, and supervision processes that meet the requirements of the PSIAS.

The Service have developed comprehensive planning processes that take into consideration the risks and objectives of each client and the deliverables set out in the respective Council corporate plans; their risk management and governance frameworks; any relevant and reliable other sources of assurance that are available; key issues identified by the various service managers at each Authority; the Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. The Service produces a risk-based audit plan for each Authority that objectively provide them with relevant assurance on their governance (including ethics related controls), risk management and control frameworks. The audit plans are reviewed and approved by senior management and the Audit Committees of the respective Authorities.

Details of the completed audits and regular updates on the progress being made on delivering the audit plans and the performance of the Internal Audit Service, are reported to the respective senior management teams and Audit Committees at each Authority. Annual reports and opinions are also issued at the end of the year and presented to the respective Audit Committees.

The clear indication from this EQA is that the Internal Audit Service is effectively managed and conforms to standard 2000 and the LGAN.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Internal Audit Service and is embedded in their working methodologies and their Pentana audit management system. During this EQA, we reviewed a sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. We found that all the evidence that we examined complied with all three elements.

The clear indication from this EQA is that the Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 Performance Standard 2200 – Engagement Planning

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned above, the Service have a robust audit manual and procedure notes, supervision processes, in place that cover engagement planning and meets the requirements of the PSIAS. We found that the evidence we examined during this EQA conformed to standard 2200, the LGAN, and the Service's own audit procedures, and therefore we conclude that Internal Audit conforms to performance standard 2200 and the LGAN.

5.11 Performance Standard 2300 – Performing the Engagement

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As we have mentioned above, the Internal Audit Service has an audit manual and procedure notes in place, sound supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Service's self-assessment and a sample of audits to see if they conformed to the standards, and Internal Audit's own working methodologies. We found that all the evidence conformed to the standards and Internal Audit's own procedures and audit methodologies. We therefore conclude that Internal Audit conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.

The Service's audit manual, procedure notes, and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports for a sample of control audits to see if they conformed to the standards. We found that all the evidence conformed to the standards and Internal Audit's own procedures and methodologies.

We also reviewed the progress and annual reports to the respective Audit Committees and found that these also conformed to the standards and the Service's own internal procedures.

We therefore conclude that the Internal Audit Service conforms to performance standard 2400 and the LGAN.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the respective Audit Committees. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Chief Audit Executive has concluded that management at either Authority has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. **Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

- 6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Survey results

- 8.1 Overall, the results of the survey of key stakeholders from the Internal Audit Services clients were positive with respondents valuing the services provided by them. The overall number of negative responses were very low with most respondents either agreeing or partially agreeing with the survey statements. The detailed findings from the survey have been shared with the Head of Internal Audit and ACFS and the Chief Internal Auditor to enable them to explore any of the responses in more depth, if they wish, to understand if there are any underlying issues that may need to be addressed. A brief summary of the survey results is included in this report at page 13.

9. Issues for management action

- 9.1 We have not identified any issues from this EQA that management need to address regarding the Service's conformance to the current standards. There is however one advisory action for management to consider, as set out below:-

Issues for management action	Priority
Management should be mindful of the fact that a consultation on revising the standards is due to commence in March 2023. Whilst this will not impact on the Service's current level of conformance, any changes to the standards arising from the consultation may affect the Service's conformance in the medium term. It is therefore suggested that the Head of Internal Audit and ACFS and the Chief Internal Auditor keep a watching brief on the developments to the standards and how this may impact the Service.	Advisory

10. Definitions

Level of Conformity	Description
Generally Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Head of Internal Audit and ACFS, the Chief Internal Auditor, and the Internal Audit Team in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the chairs of the Audit Committees and the key stakeholders from both Councils that made themselves available for interview during the EQAs and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

24th February 2023

11. Disclaimer

This report has been prepared by CIPFA at the request of the Staffordshire County Council, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of Staffordshire County Council's Internal Audit Service, including the senior management and boards of the Council and the Service's clients, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Survey Results



Local Members Interest
N/A

Audit and Standards Committee - Tuesday 21 March 2023

Internal Audit Charter 2023

Recommendation(s)

I recommend that:

- a. Members approve the Internal Audit Charter 2023.

Report of the Director of Finance & Section 151 Officer

Report

Background

1. The Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) Standard 1000 require that the purpose, authority and responsibility of the internal audit activity must be defined formally in an Audit Charter. The Internal Audit Charter is a formal document setting out:
 - a. internal audit's position within the organisation
 - b. its reporting lines
 - c. access to personnel, information and records
 - d. the scope of internal audit activities
 - e. what the term Board means (e.g. the Audit and Standards Committee).
2. The need for an Audit Charter was a new requirement of PSIAS and the Audit & Standards Committee approved the detailed document at its meeting in June 2014. Since this date, any revisions to the document have been presented to this Committee for approval. In 2023, there are only a few minor changes to be made to the Audit Charter which are highlighted in yellow within the attached document for ease of reference (**Appendix 1**). These changes relate to:
 - a. the need to reflect the current SLT restructure with reference made to the Director of Finance Role (replacing the County Treasurer role); and
 - b. the need to amend Financial Regulations extract at Appendix 1 to reflect the latest amended version (dated January 2023).

No other changes are required to be made in 2023.

3. The Audit Charter 2023 continues to cover all requirements of the latest Public Sector Internal Audit Standards (last issued 2017); the latest Local Government Application Note (last issued March 2019) and the latest CIPFA statement regarding the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition) and the document also reflects current best practice.

Equalities Implications

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

Legal Implications

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

Resource and Value for Money Implications

6. The net budget of the Internal Audit Section in 2023/24 is **£1,027,510**.

Risk Implications

7. 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

8. There are no direct implications arising from this report

List of Background Documents/Appendices

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).

Appendix 1 – Internal Audit Charter 2023

Contact Details

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Internal Audit Charter

2023



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

1. Introduction

This charter defines for the internal audit activity of Staffordshire County Council (the Council), its purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS). It also aims to confirm relationships with key stakeholders. It is subject to annual approval by the Board¹.

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

The Audit Charter should be read in conjunction with the relevant sections of Financial Regulations of the Council (Appendix 1 refers).

2. Mission and Core Principles of Internal Audit

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

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

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

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

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

3. Purpose, Authority and Responsibility

Purpose

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

Authority

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

Responsibility

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

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

- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide advice and support to management to enable an effective control environment to be maintained.
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.
- To investigate, in conjunction with the appropriate agencies when relevant, allegations of fraud, bribery and corruption.
- To evaluate whether the information technology governance of the Council supports its strategies and objectives.

4. Scope

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

- Undertakes internal audit services for outside bodies where statutory powers permit.
- Conducts Comfort Fund (Social Services) audits
- May provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract documentation.
- Furthermore, the CIA has overall responsibility for providing assurance over the adequacy and effectiveness of the organisation's framework of governance and risk management and the work of Internal Audit feeds into the Annual Governance Statement and Code of Corporate Governance, where appropriate.

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

- Identify and record the objectives, risks, controls and tests;
- Where relevant, audit work programmes will be linked to the Council's strategic risks recorded in the Enterprise Risk Management (ERM) module of Pentana.
- Establish the extent to which the objectives of the system are consistent with corporate priorities and to link audit work programmes to the Council's priorities and principles of the Council, where relevant;
- Evaluate the controls in principle to decide whether they are appropriate and can be reasonably relied upon;
- Identify any instance of over/under control;
- Determine an appropriate strategy to test the effectiveness of controls;
- Arrive at a conclusion and produce a report leading to management actions and provide an opinion on the effectiveness of the control environment.

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

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

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

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

Fraud and Corruption Related Work

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

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

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

Core Internal Audit role - The primary role of Internal Audit is to provide assurance on counter fraud arrangements and fraud risks in accordance with the standards.

The Internal Audit Section as part of its activity will evaluate the potential for the occurrence of fraud and how the Council manages its fraud risk (standard 2120.A2). To enable this, the CIA will ensure that individual internal auditors have sufficient knowledge of fraud risks and fraud risk management practice (standard 1210.A2). Fraud risks that are covered within standard audit work programmes are identified within the Pentana Audit System. Controls within audit work programmes are also categorised as either preventative type controls or detective type controls.

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

The Internal Audit Section will carry out a thorough investigation of all potential and actual irregularities in accordance with the Section's Fraud Manual. For employee related frauds, the investigation is dealt with under the Council's Staff Disciplinary Procedure and upon conclusion; the matter may be referred to the Police. It should be noted that if the offence committed is serious and/or high value, the matter may be referred to the Police prior to the disciplinary proceedings being concluded. In these

instances, the Police will be made aware of the Council's on-going investigations. It is not the normal practice of Internal Audit to issue formal cautions to suspects under the Police and Criminal Evidence Act (P.A.C.E.) 1984.

It is the responsibility of the Monitoring Officer (Director of Corporate Services) to decide, based on the advice from the **Director of Finance** and the appropriate Senior Leadership Team Member, whether there are sufficient grounds for the matter to be reported to the Police. This is in accordance with the Council's Anti-Fraud, Bribery & Theft Policy.

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

In particular:

a) Creation of an Anti-Fraud Culture:

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

b) Deterrence

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

c) Prevention

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

d) Detection

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

e) Investigation

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

5. Stakeholder Roles and Audit Independence

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

The CIA reports to the Head of Internal Audit and Adults and Children's Financial Services. Section 151 matters are reported in all instances to the **Director of Finance** who reports to SLT for all Section 151 matters. Financial Regulation D.6 details alternative reporting lines if so required.

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

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

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

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

6. Audit Reporting

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

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

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

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

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

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

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

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

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

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

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

- The Internal Audit Strategy and Charter (incorporating detailed terms of reference); including any amendments to them are reported to the Audit & Standards Committee annually for formal approval.
- The annual Internal Audit Plan is produced by the CIA taking account of the Council's risk framework and after input from Members of SLT and the Council's External Auditor. It is then presented to SLT and subsequently Audit & Standards Committee for endorsement prior to approval by the **Director of Finance**.
- The adequacy, or otherwise of the level of internal audit resources (as determined by the CIA) and the independence of internal audit is reported annually to the Audit & Standards Committee. The approach to determining resources required is outlined in the Internal Audit Strategy.
- Performance against the Internal Audit Plan and any significant

risk/control issues arising are reported to the Audit & Standards Committee.

- Annually to report the results of the quality assurance exercise to the Audit & Standards Committee.
- The CIA ensures that the requirements of the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note are met in full and adherence, together with any areas of non-conformance to these requirements reported as part of the annual review of the effectiveness of internal audit report to the Audit & Standards Committee. This will incorporate where the CIA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be put in place to limit impairments to independence or objectivity.

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

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

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

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

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

8. Role of the Director of Finance (Section 151 Officer)

The **Director of Finance** has overall delegated responsibility from the Council for the Internal Audit function. Following consultation with the Senior Leadership Team and the Audit & Standards Committee he will

approve the annual Audit Plan.

The **Director of Finance** will ensure that he is periodically briefed by the CIA on the following:

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

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

9. Role of Senior Leadership Team Members

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

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

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

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

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

10. Responsibilities of the Audit & Standards Committee

The Audit & Standards Committee is a key component of the Council's governance framework. Their role is to operate as 'those charged with governance' and provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. For the purposes of the UK Public Sector Internal Audit Standards, the Audit & Standards Committee performs the role of the 'Board'.

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

- The annual Audit Strategy & Plan;
- The Internal Audit Charter;
- The annual assessment of Internal Audit to ensure that it meets the requirements set out in the Accounts and Audit Regulations 2015 and UK Public Sector Internal Audit Standards;
- The results of the external assessment of Internal Audit which must be performed every 5 years wef April 2013 (which was last completed January 2023);
- Regular updates on progress against High Level Recommendations;
- Periodic progress reports and the annual outturn report including results of anti-fraud and corruption work / special investigations;
- Copies of the Fraud-Watch Publication (as appropriate);
- A copy of the audit report for those reviews given an opinion of "Limited Assurance";
- A copy of the audit report for all major special investigations (i.e. those areas where the potential loss is greater than £10,000);
- A copy of the audit report/ briefing note for those reviews awarded the greatest risk score irrespective of opinion (The top risk areas within the Audit Plan).
- The Annual Governance Statement (AGS) prior to approval to consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
 - A copy of the audit report for those reviews relating to the governance and assurance arrangements for significant partnerships and/or collaborations.
 - A copy of the Council's Assurance Framework relating to key risk

areas.

Note

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

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

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

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

11. Relationship with External Audit

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

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

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

12. Due Professional Care

Since April 2013, the Internal Audit Section (including its external providers) has operated in accordance with the professional standards and practice statements included within the UK Public Sector Internal Audit Standards (Revised 2016 and 2017) and the CIPFA Local Government Application Note (Revised 2019). Instances of non-conformance with the standards must be reported to the Audit & Standards Committee.

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

- Exercise due professional care based upon appropriate experience,

- training, ability, integrity and objectivity;
- Apply confidentiality as required by law and best practice;
- Obtain and record sufficient audit evidence to support their findings and recommendations;
- Show that audit work has been performed competently and in a way that is consistent with applicable audit standards; and
- Consider the use of technology-based audit and other data analysis techniques.

13. Quality Assurance

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

14. Audit Processes

An Audit Manual is maintained detailing the procedures to be followed at each stage of the audit process including an instruction documents, guidance and videos guides for the operation of the Audit Management System, Pentana Audit. The content of the Manual will be reviewed regularly and will include details of the arrangements to be followed in the event of suspected irregularities. The CIA shall periodically ensure adherence to its content. SLT Members will be consulted on any significant changes to the Manual.

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

15. Use of and the Processing of Data

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

prevent data breaches.

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

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

Our core data protection obligations and commitments are set out in the Council's primary privacy notice.

<https://www.staffordshire.gov.uk/Your-council-and-democracy/Privacy-notices/Privacy-notice.aspx>

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

<https://www.staffordshire.gov.uk/Your-council-and-democracy/Report-fraud-bribery-and-theft/Online-reporting-form.aspx>

APPENDIX 1**FINANCIAL REGULATION D – AUDIT, CONTROL AND IRREGULARITIES****Financial regulation D – audit, control, and irregularities**

- D1 The **Director of Finance** is responsible for carrying out a continuous internal audit in line with the Accounts and Audit (England) Regulations 2015.
- D2 SLT members must co-operate with, and provide all necessary information for, the Internal Audit Section and our external auditor in a timely manner.
- D3 SLT members are responsible for setting up effective and efficient arrangements for internal control. They will ask the **Director of Finance** for advice on any significant matter if the principles of internal control prove difficult to put into practice or maintain.
- D4 SLT members must let the **Director of Finance** know immediately about all instances of potential and actual irregularity which affect our finances.
- D5 The **Director of Finance** or their authorised representative, must be given reasonable access to our property and to see any documents, records, and computer files they may need for the audit. They can also ask staff and members for information and explanations if they think this is necessary for that audit and that they are promptly provided.
- D6 Depending on any related legal requirements, the Head of Audit & Financial Services and Chief Internal Auditor will have the right to report directly to the Chief Executive, to any member of Cabinet and the Audit and Standards Committee. Where appropriate responses to audit recommendations have not been made within a reasonable period the **Director of Finance** may refer the matter to the Audit and Standards Committee for further action.

Response to audit reports

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

Internal control and checks

- D8 The duty of providing information, working out, checking, and recording the amounts due to or from us must be separated, as far as possible, from the duty of collecting or paying these amounts.
- D9 Wherever possible, we need to make arrangements to make sure that:
- a work, goods, and services are ordered properly.
 - b we acknowledge when they have been received; and
 - c invoices and accounts are not examined by the same person.

Appendix 2**Audit Opinions****Recommendation Risk Ratings**

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

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

Impact Ratings

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

Likelihood ratings:

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

Priority Ratings Matrix

Catastrophic	Impact	4	4	8	12	16	20
Fundamental		3	3	6	9	12	15
Significant		2	2	4	6	8	10
Marginal		1	1	2	3	4	5
			1	2	3	4	5
			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: 1 high priority recommendation, 3-7 medium priority recommendations, or 7-12 low priority recommendations
Substantial	0 high priority recommendations, 0-2 medium priority recommendations, and 0-6 low priority recommendations

Audit and Standards Committee Forward Plan 2022/2023 and 2023/2024

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

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Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
21 March 2023				
External Audit Plan 2021/22 – Staffordshire County Council Report of Ernst & Young	Moved from Feb 2022			
External Audit – Verbal Update. Report of Ernst & Young				
Future of Local Public Audit Arrangements – Update. Report of the Director of Finance Lead Officer: Lisa Andrews	Moved from September 2022			
Review of the Effectiveness of the Audit & Standards Committee. Joint Report of the Director for Corporate Services & Director of Finance Lead Officer: Lisa Andrews				
Internal Audit Service - External Quality				

Agenda Item 10

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Review 2023. Report of the Director of Finance Lead Officer: Debbie Harris				
Internal Audit Charter 2023/24 Report of the Director of Finance Lead Officer: Debbie Harris				
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>). <ul style="list-style-type: none"> • Company Governance • Nexxus Financial Assurance Review • Cyber Security Strategy – Top Risk Review • Climate Change Action Fund 				
24 April 2023				
Report to those charged with Governance (ISA 260) 2020/21 a) Staffordshire County Council Report of Ernst & Young	Moved from December 2021			
Report to those charged with Governance (ISA 260) 2020/21 b) Staffordshire Pension Fund Report of Ernst & Young	Moved from December 2021			
Annual Audit Letter – 2020/21 Report of Ernst & Young	Moved from September 2022			
Annual Report of the work of the Audit & Standards Committee				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Joint Report of the Director for Corporate Services and Director of Finance Lead Officer: Lisa Andrews				
Special Panel of the Audit & Standards Committee for the appointment of Independent Remuneration Panel Members. Report of the Director for Corporate Services. Lead Officer: Chris Ebberley				
Strategic Risk Management - Risk Management Policy Statement & Strategy. Report of the Director for Corporate Services Lead Officer: Lisa Andrews				
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 Director of Finance Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required. (KL to advise)			
Standard Matters	As required. (JP 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).				
Infrastructure+ Asset Data Management – Progress report on implementation of Internal Audit recommendations.				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Lead Officers: David Walters/Scott Denny				
Settlement Agreements - Progress report on implementation of Internal Audit recommendations Lead Officer: Sarah Getley				
11 July 2023				
Appointment of Members to Standards Panel 2023/24. Lead Officer: Chris Ebberley				
Code of Corporate Governance –2023 Update Report of the Director for Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Outturn Report 2022/23 Report of the Director of Finance 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.	As required. (KL to advise)			
Standard Matters	As required. (JP 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).	As required	As required		

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Appendix 2 – Counter Fraud Outturn Report 2021/22 Lead Officers: Debbie Harris				
19 September 2023				
Report to those charged with Governance (ISA 260) 2021/22 c) Staffordshire County Council Report of Ernst & Young	Moved from December 2022			
Report to those charged with Governance (ISA 260) 2021/22 d) Staffordshire Pension Fund Report of Ernst & Young	Moved from December 2022			
External Audit Plan 2022/23 – Staffordshire County Council. Report of Ernst & Young	Moved from March 2023			
Staffordshire Pension Fund Audit Planning Report 2022/23 Report of Ernst & Young	Moved from March 2023			
Proposed changes to the Constitution	As required. (KL to advise)			
Standard Matters	As required. (JP 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			
31 October 2023				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Health, Safety and Wellbeing Performance Annual Report Report of Director for Corporate Services Lead Officer: Becky Lee	B/fwd. from December 2022 meeting			
National Fraud Initiative - Update Report of the Director of Finance Lead Officer: Debbie Harris				
Annual Audit Letter – 2021/22 Staffordshire County Council				
Annual Audit Letter – 2021/22 Staffordshire Pension Fund				
Proposed changes to the Constitution	As required. (KL to advise)			
Standard Matters	As required. (JP 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			
12 December 2023				
Annual Governance Statement 2022/23 Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Training on Statement of Accounts Lead Officer: Rachel Spain				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Statement of Accounts 2022/23 Presentation and Report of Director of Finance Lead Officer: Rachel Spain				
Proposed changes to the Constitution	As required. (KL to advise)			
Standard Matters	As required. (JP 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).				
20 February 2024				
Proposed changes to the Constitution	As required. (KL to advise)			
Report to those charged with Governance (ISA 260) 2022/23 e) Staffordshire County Council Report of Ernst & Young	Moved from December 2022			
Report to those charged with Governance (ISA 260) 2022/23 f) Staffordshire Pension Fund Report of Ernst & Young	Moved from December 2022			
Proposed changes to the Constitution	As required. (KL to advise)			
Standard Matters	As required. (JP to advise)			
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports (<i>Part 2 items</i>).				
19 March 2024				
Annual Audit Letter – 2022/23 Staffordshire County Council Report of Ernst & Young (EY)	EY to provide update			
Annual Audit Letter – 2022/23 Staffordshire Pension Fund Report of Ernst & Young (EY)				
External Audit Plan 2023/24 Report of KPMG				
Staffordshire Pension Fund Audit Planning Report 2023/24 Report of KPMG				
Review of the Effectiveness of the Audit & Standards Committee. Report of the Director for Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Charter 2024/25 Report of the County Treasurer Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required. (KL to advise)			
Standard Matters	As required. (JP 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>).				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
23 April 2024				
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				
Annual Report on Information Governance Report of the Director for Corporate Services Lead Officer: Tracy Thorley/ Natalie Morrissey				
Internal Audit Plan 2024/25 Report of the Director of Finance Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required. (KL to advise)			
Standard Matters	As required. (JP 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).				

<p>Membership</p> <p><i>Mike Worthington</i> Bernard Peters <i>(Chair)</i> James Salisbury</p> <p><i>Carolyn Trowbridge</i> Janice Silvester-Hill <i>(Vice Chair)</i> Richard Cox</p> <p>Arshad Afsar Ian Wilkes Keith Flunder Graham Hutton Ross Ward Ann Edgeller Bernard Williams Philippa Haden Phil Hewitt</p> <hr/>	<p>Calendar of Future Committee Meetings (All meetings at 10.00 a.m. unless otherwise stated)</p> <p>24 April 2023 11 July 2023 19 September 2023 01 November 2023 13 December 2023 21 February 2024 21 March 2024 24 April 2024</p> <p>Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH</p>
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of the Local Government Act 1972

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of the Local Government Act 1972

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