

Audit and Standards Committee

Tuesday, 30 June 2015

10.00 am

Oak Room, County Buildings, Stafford

John Tradewell
Director of Democracy, Law and Transformation
22 June 2015

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 23 March 2015** (Pages 1 - 6)
4. **Proposed Changes to the Constitution -New Regulatory Requirements re Procedure for Discipline or Dismissal of Head of Paid Service, Monitoring Officer and Chief Financial Officer** (Pages 7 - 8)

Report of the Head of Law and Head of Human Resources
5. **External Audit - Progress Report**

Verbal Report of PricewaterhouseCoopers
6. **Internal Audit Outturn Report 2014/15** (Pages 9 - 22)

Report of the Director of Finance and Resources
7. **Internal Audit Charter** (Pages 23 - 40)

Report of the Director of Finance and Resources
8. **Internal Audit Strategy and Plan 2015/16** (Pages 41 - 64)

Report of the Director of Finance and Resources
9. **Code of Corporate Governance** (Pages 65 - 78)

Joint Report of the Director of Democracy, Law and Transformation and the Director of Finance and Resources

10. **Work Programme for the Audit and Standards Committee/Member Training Update** (Pages 79 - 82)

Report of the Director of Finance and Resources

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. **Exempt Minutes of the meeting held on 23 March 2015** (Pages 83 - 86)

(Exemption paragraph 3)

13. **Internal Audit Outturn Report 2014/15 - Appendix 1** (Pages 87 - 96)

(exemption paragraph 3)

Report of the Director of Finance and Resources

Membership

Derek Davis, OBE	Robert Marshall
Mike Davies (Vice-Chairman)	David Smith
William Day	Alison Spicer
Brian Edwards	Martyn Tittley (Chairman)
Michael Greatorex	Diane Todd
Derrick Huckfield	Conor Wileman
Kevin Jackson	Caroline Wood
Philip Jones	

Note for Members of the Press and Public

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Minutes of the Audit and Standards Committee Meeting held on 23 March 2015

Present: Keith James (Vice-Chairman, in the Chair)

Attendance	
Derek Davis, OBE	Alison Spicer
Janet Eagland	Diane Todd
Michael Greateorex	Caroline Wood
Philip Jones	

Also in attendance: Kevin Jackson

Apologies: Mike Worthington, Derrick Huckfield, Martyn Tittley and Conor Wileman

PART ONE

93. Declarations of Interest

Ms Alison Spicer and Mr Kevin Jackson recorded their membership of the Staffordshire Pension Fund.

Ms Alison Spicer recorded her employment with the Stoke on Trent City Council.

94. Minutes of the Meeting held on 8 December 2014

RESOLVED – That the minutes of the meeting held on 8 December 2014 be confirmed and signed by the Chairman.

Arising thereon:–

Minutes No. 84 – Mr Kevin Jackson asked that his membership of the Staffordshire Pension Fund be recorded.

95. Proposed Changes to the Constitution - Revised County Council Petitions Scheme

Members considered a report of the Director for Democracy, Law and Transformation on proposed revisions to the Petitions Scheme, as detailed in the appendix to the report, and the necessary amendments to the Constitution.

Members discussed the proposed amendments in detail and considered that consideration of the report be deferred pending consultation with the Leader of the County Council and the Leader of the Major Minority Party in order to ascertain their views on the proposals. A further report would then be submitted to the Audit and Standards Committee for consideration.

Following a show of hands it was -

RESOLVED – That consideration of the report on proposed changes to the constitution be deferred pending consultation with the Leader of the County Council and the Leader of the Major Minority Party and that a further report be then considered by the Audit and Standards Committee.

(Note – Mr Michael Greatorex voted against the proposal)

96. Information Governance Annual Report

Members considered a report of the Director of Law, Democracy and Transformation on the Information Governance Annual Report.

Information Governance was the practice that allowed the County Council to manage its information in an appropriate, efficient and secure manner that balanced the importance of maintaining confidentiality and individual privacy at the same time as promoting openness and transparency. It contributed to the management of risk, in protecting the Council's reputation, the avoidance of statutory penalties and instilling confidence in the citizens of Staffordshire.

There was a comprehensive and complex legal information landscape within which the County Council had to operate including compliance with the Data Protection Act 1998, Freedom of Information Act 2000, Environmental Information Regulations 2004 and other statutes. In addition, there were a number of further requirements contained within Codes of Practice and Regulations dealing with a number of provisions.

The County Council had identified and promoted an Information Governance Framework available to staff through the Council's intranet pages.

The report detailed information on the following – Freedom of Information; transparency; data protection; privacy; information security; governance; training; record management; and the Regulation of Investigatory Powers Act.

Members were informed that the authority was committed to assisting the Police and Crime Prosecution Service in their investigations and the County Council had signed up to a national protocol to expedite Police and CPS requests for information in child safeguarding investigations known as Annex C requests. The County Council had made a commitment that an Annex C request under the protocol would be answered within 14 days, however, in practice this would often be done within 7 days. Since April 2014 some 108 Annex C requests and 109 Section 29 requests had been responded to.

Members discussed the problem of obtaining information on incidents of child abuse that occurred within their electoral division and the Head of Information Governance explained that general information would be available but detailed information on individual cases would only be released with the individual's consent. Members were reminded that if they had any concerns relating to issues of child abuse they could refer the matter to the Multi Safeguarding Hub.

A Member commented that on Appendix A "information requests January 2014 to December 2014", it would be useful to have the previous figures for comparison

purposes. It was pointed out that the information had not printed clearly and the Information Governance Officer undertook to re-circulate the appendices.

RESOLVED – That the Information Governance Annual Report be accepted as a current reflection on the provision of Information Governance assurance for Staffordshire County Council.

97. External Audit Plan 2014/15

Mr Richard Bacon, PricewaterhouseCoopers presented the External Audit Plan 2014-2015, which covered – audit approach; risk of fraud; the PWC Team; and audit fees.

A member queried if PWC had challenged the savings projected by the County Council particularly as this would be central to the MTFs. Mr Richard Bacon, PWC, explained, that as previously reported at the last meeting, they had looked at the arrangements to the delivering of the County Council's plans for savings and had considered that the targets had been achievable at that point in time. Now that the position had been crystallised they would re-evaluate the situation and report to the Committee at the June meeting.

RESOLVED – That the External Audit Plan 2014/15 be received and noted.

98. Staffordshire Pension Fund - External Audit Plan 2014/15

Mr Richard Bacon, PricewaterhouseCoopers, presented the County Pension Fund – External Audit Plan 2014/15.

The plan covered – the audit approach, risk of fraud, PWC Team, and audit fees.

RESOLVED – That the County Council Pension Fund External Audit Plan 2014/15 be received and noted.

99. Protecting the Public Purse - Fraud Briefing (2013/14 Exercise)

Members received a presentation, illustrated by slides, by Mr Richard Bacon, PricewaterhouseCoopers, on protecting the public purse – fraud briefing 2013/14 exercise.

The presentation covered areas including – interpreting fraud detection results; total detected cases and value 2013/14; social care fraud 2013/14 detected cases; school's fraud 2013/14 detected cases; disabled parking (blue badge) fraud 2012/13 detected cases; council tax discount fraud 2013/14; and other fraud detected in Staffordshire during 2013/14.

Members commented that it would be useful to have a breakdown of cases of detected council tax fraud within individual electoral districts. The Chief Internal Auditor said that this information was available and she undertook to circulate the previous report considered by the Committee containing the details, which might be of interest to members.

RESOLVED – That the presentation on the Protecting the Public Purse – Fraud Briefing, be received and noted.

100. Launch of the North West Staffordshire Fraud Hub

Members received a presentation by the Chief Internal Auditor illustrated by slides, on the launch of the North West Staffordshire Fraud Hub.

The presentation included information on – the audit commission’s fraud estimate tool; the bid; fraud hub aim; publicity and the next steps.

The North West Staffordshire Fraud Hub aimed to strengthen the County Council’s counter fraud arrangements incorporating areas of improved technology, additional resources and access to different prosecution routes. Current areas targeted included blue badge usage, payroll and pensions fund data, insurance claims and new direct payments data. New potential areas to be considered included; procurement, local welfare assistance, economic and third sector support fraud, failure to work required hours, and recruitment fraud.

RESOLVED – That the presentation on the launch of the North West Staffordshire Fraud Hub be received and noted.

101. Work Programme for the Audit and Standards Committee/ Member Training Update

Members considered a report of the Director of Finance and Resources on the indicative work programme for the Audit and Standards Committee with specific reference to the next meeting on 30 June 2015.

RESOLVED – That the Indicative Work Programme for the Audit and Standards Committee be received and noted.

102. Exclusion of the Public

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.

103. Exempt Minutes of the Meeting held on 8 December 2014

(Exemption Paragraph 3)

RESOLVED – That the exempt minutes of the meeting held on 8 December 2014 be confirmed and signed by the Chairman.

104. Internal Audit Reports - High Risk Reviews plus Limited Assurance Reviews plus Special Investigations

(exemption paragraph 3)

105. Independent Futures

106. Claims Management Regulation Unit - Use of Purchase Cards and Travel Expense Claims

Chairman

Audit and Standards Committee – Monday 29 June 2015

Proposed Changes to the Constitution – New Regulatory Requirements re Procedure for Discipline or Dismissal of Head of Paid Service, Monitoring Officer and Chief Financial Officer

1. Recommendation:

- 1.1 That the committee note the current position relating to the requirements to amend the County Council's Officer Employment Procedure Rules
- 1.2 That if the incompatibility is resolved in time to meet the 23 July 2015 full council date a report is taken after consultation with the chairman of this committee.

Report of the Head of Law and the Head of Human Resources

2. Background

2.1 Under the current Constitution, the procedure for the dismissal or discipline of the Head of Paid Service, Monitoring Officer and Chief Financial Officer ('Relevant Officers') is for a Special Committee to consider a report by a Designated Independent Person [DIP] and, in the case of dismissal, to then make a recommendation to Full Council for approval before the dismissal notice can be served.

2.2 On 11 May 2015 new regulations came into effect which replaced the requirement to have a report by a DIP with the need to have a Panel (Committee) which includes in its membership at least 2 Independent Persons appointed by the Authority under the Localism Act 2011. These are Independent Persons who currently have a role to advise the Monitoring Officer on complaints against members ('Standards complaints'). The County Council currently has 2 such persons.

2.3 The Regulations specifically require that the first 'ordinary' meeting of the authority falling after the 11 May 2015 (i.e. the Council meeting of 23 July) must incorporate into, (or modify) its Standing Orders the new requirements in relation to Independent Persons' involvement in arrangements for disciplinary action against relevant officers.

2.4 At the time of submitting this report the County Council's Head of Human Resources and Head of Law are awaiting clarification on how to overcome the difficulties that these new requirements are at odds with the nationally negotiated terms and conditions of employment for these Officers. It is anticipated that this will be resolved in time for a substantive recommendation to change the constitution to be put to the County Council meeting on 23 July. We would propose that any recommendation is shared with the Chairman of this committee in advance of providing the same to full council

Appendix 1

1.0. Equalities Implications

1.1 None

2.0. Legal Implications

2.1 The amendment to the Constitution is required under Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015.

3.0 Resource and Value for Money Implications

3.1. There are no resource or value for money implications from this change to the Constitution.

4.0 Risk Implications

4.1. Whilst failure to comply with the time limits in the new regulations creates a risk of challenge both Legal and HR services are focused on ensuring that the Constitution may be amended in a way that is compatible with employment contracts and avoid issues in future disciplinary proceedings, should they become necessary.

Report Author:

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Local Members Interest	
	N/A

Audit and Standards Committee – 30th June 2015

Internal Audit Outturn Report 2014/15

Recommendation

1. To receive the outturn report containing the annual internal audit opinion for 2014/15.

Report of the Director of Finance and Resources

Background

2. This report outlines the work undertaken by Internal Audit in respect of the 2014/15 annual plan.
3. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment of the organisation. Internal audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
4. Internal Audit is required by professional standards, i.e. UK Public Sector Internal Audit Standards (PSIAS), to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. In accordance with these requirements the Head of Internal Audit must provide an annual opinion that covers the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
 - The opinion;
 - A summary of the work that supports the opinion; and
 - A statement on conformance with PSIAS and the Local Government Application Note (LGAN), highlighting any areas of non-conformance.
5. The underlying principles to the 2014/15 plan were outlined in the Audit Plan paper presented to and approved by Members of the Audit & Standards Committee on 23 June 2014. Since the original plan was approved a number of additional audits have been required, whilst some planned reviews were no longer needed and several cancelled due to Budget requirements. The net effect is that the key performance target has been achieved. Work is scheduled to meet the requirements of the business area to ensure the greatest benefit is achieved from the audit work. Therefore it is not uncommon for reports to be at draft report stage at the end of the audit year.

¹ Public Sector Internal Audit Standards definition of Internal Auditing.

6. Audit opinions are awarded for individual systems and compliance audits within one of the following categories:
- Substantial Assurance
 - Adequate Assurance
 - Limited Assurance
7. Paragraph 9 provides a high level summary of the work undertaken by the Section analysed by the following categories:
- Main Financial Systems
 - High Risk Auditable Areas
 - Systems Audits (reported by exception i.e. only those with “Limited Assurance” and/or those with a High Level Recommendation)
 - Compliance Reviews
 - Financial Management in Maintained Schools
 - Special Investigations/ fraud and corruption arrangements
8. For those areas awarded ‘limited assurance’ action plans have been or are in the process of being agreed with the relevant Director /Head of Service. During 2014/15 Members of the Audit & Standards Committee have continued to receive full copies of all “Limited Assurance”, High Risk Auditable areas (regardless of opinion) and Major Special Investigation reports (i.e. greater than £10,000 financial loss/Significant Corruption issues) once finalised. Relevant managers have attended the Committee to provide assurance that appropriate action has been taken regarding the implementation of recommendations. Internal Audit will continue to track and report on the implementation of High Level Recommendations, including those contained within reports awarded “Adequate Assurance”.

9. 2014/2015 Audit Plan Outcomes

9.1 Main Financial Systems

Coverage of these areas is in line with the annual internal/ external audit protocol presented annually to the Committee.

Main Financial System	2011/12 Opinion	2012/13 Opinion	2013/14 Opinion	2014/15 Opinion	Direction of Travel
Payroll	Adequate Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Pensions Payroll	NA	NA	NA	Adequate Assurance	↑
Pension Fund – Custodian, Investment Managers and Pensions Property including the Governance arrangements.	Substantial Assurance	Not covered in 12/13	Substantial Assurance	Substantial Assurance	→
Budgetary Control	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Pension Fund – Pension Administration	Adequate Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→

Accounts Payable	Adequate Assurance	Not covered in 12/13	Not covered in 13/14	Adequate Assurance	→
Accounts Receivable	Adequate Assurance	Not covered in 12/13	Substantial Assurance	Not covered in 14/15	→
Debt Collection procedures (Legal Services)	Adequate Assurance	Limited Assurance	Adequate Assurance	Adequate Assurance	→
E- Payments	Adequate Assurance	Adequate Assurance	Adequate Assurance	Adequate Assurance	→
Cheque Control	Adequate Assurance	Not covered in 12/13	Not covered in 13/14	Substantial Assurance	↑
Main Accounting	Not covered in 11/12	Not covered in 12/13	Substantial Assurance	Not covered in 14/15	→
SAP Procurement	Adequate Assurance	Substantial Assurance (Follow Up)	Not covered in 13/14	Project work re new system	→
Fixed Asset Register & Capital Accounting	Substantial Assurance	Substantial Assurance	Substantial Assurance	Not covered in 14/15	→
Treasury Management & Financial Director	Substantial Assurance	Substantial Assurance	Substantial Assurance	IT system – Adequate Assurance	↓

There were no Limited Assurance reports issued for the main financial systems areas in 2014/15. In addition for those reports with an opinion of at least “Adequate” for each financial system, no High Level Recommendations were made.

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

9.2 High Risk Auditable Areas

System Area	2014/15 Opinion	2014/15 Consultancy
** Infrastructure + Contract – award mechanism		√
Replacement Banking Services Contract	Substantial Assurance	
City Deal	Substantial Assurance	
Local Enterprise Partnership	Adequate Assurance	
Better Care Fund		√
Care Director – ICT Application Follow Up Review	Limited Assurance	
Strategic Property Procurement Partner	Substantial Assurance	
Superfast Broadband Project - Implementation		√
Pension Payroll replacement process	Substantial Assurance	
Commissioning Delivery Hub/ Contract Management arrangements.	Adequate Assurance	

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

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

System Area	Areas for Improvement
Care Director – ICT Application Follow Up Review	<ul style="list-style-type: none"> • Issues with data input are still noted particularly by the Adults Financial Services Team who manually validate all charges / income due for services provided. Poor data quality results in delays in charging. It is currently estimated that charges in excess of £3m are awaiting correction / approval, increasing the risk of non-payment. • On-going work to ensure that appropriate statutory reports are available will need to be completed and improved data quality reporting is made available to line managers. • The Council and its Partners should ensure all available actions are taken to reduce data input quality issues and appropriate training is provided.

9.3 Systems Audits – (reported by exception, i.e. only those with Limited Assurance and/or those with a High Level Recommendation)

System Area	2014/15 Opinion
Independent Futures – Follow Up	Limited Assurance
Deputyships	Limited Assurance
Appointment and Payment of Consultants and other Self Employed Individuals	Limited Assurance
** SAP Authorisation Limits	Limited Assurance
Pre Recruitment & Migrant Workers Checks	Limited Assurance – Self declaration by the Head of HR

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

Assurance could not be provided regarding the operating of the following control objectives:

System Area	Areas for Improvement
Independent Futures – Follow Up	<ul style="list-style-type: none"> • Whilst the opinion recognises that the IF service has made a number of improvements to provide a more stable and safe service, assurance can't be taken that all of the controls in place to manage the risks have been applied consistently or effectively. Although progress has been made a number of recommendations are on-going or have been implemented only partially and not fully embedded. The main area of concern relates to the structure and whether it is appropriate to meet the demand levels in some districts, relating to unassigned cases and statutory annual reviews. Progress is patchy in districts such as East Staffs and Tamworth where there are still staff capacity issues and staff on temporary contracts. This has been recognised by senior management and to alleviate the pressures in East Staffs and Tamworth districts the duty service is being undertaken within the Newcastle district. This presents its own pressures as the Locality Manager at Newcastle is managing the Moorlands district until a new appointment is made.
Deputyships	<ul style="list-style-type: none"> • The arrangements for investing service user's funds have not been rolled out to Case Holders and as a result service users' excess funds are not being invested. Areas for improvement in relation to the investment policy were also identified and it is understood that the Mental Capacity Act Co-ordinator is waiting for advice from Corporate Procurement to ensure that

	<p>the risks to the service user and the Council have been mitigated.</p> <ul style="list-style-type: none"> In 2013/14 it was agreed that controls would be improved and reviewed to provide management with the assurance that cases are being managed appropriately. This review has not been completed and the Senior Deputyship Officer has confirmed that no managerial checks have been completed during 2014/15.
Appointment and Payment of Consultants and other Self Employed Individuals	<ul style="list-style-type: none"> A clear standardised and streamlined framework is designed and established for engaging with all consultant and self - employed individuals. This will replace all current procedures and will be enforceable for all engagements. For issues raised as part of the audit; where individuals are still engaged with the Council immediate action is being taken to comply with current procedures, i.e. getting a contract signed if an individual is currently engaged with the Council.
Pre Recruitment & Migrant Workers Follow up	<ul style="list-style-type: none"> To complete a review to identify the most appropriate governance, process and policy for pre-employment checks and present the business case which recommends the preferred option. To update the recruitment and selection policy and process and ensure that these changes are reflected in e-learning / training courses. To produce a monthly report to inform managers of upcoming visa expirations.

The following table lists those systems audits where High Level Recommendations have been made to address control weaknesses within Adequate Assurance reports.

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

System Area	Areas for Improvement
Mental Health – Contract Monitoring	<ul style="list-style-type: none"> A new draft Section 75 Agreement is currently being negotiated by members of staff from each partner. The detailed schedules to support the agreement, need finalising and the subsequent certification of the agreement, by the authorising officers needs to take place.
Dedicated Schools Grant (DSG)	<ul style="list-style-type: none"> As per the <i>DSG departmental guide for local authorities on the operation of the grant 2014-15</i> the Authority must treat those placed in maintained provision, in academies and Free Schools, in the FE sector, and in non-maintained and independent provision on a <i>fair and equivalent basis</i> when making arrangements for funding young people with high needs. This condition was partially met where mainstream funding is concerned. Special needs funding and maintained schools and academies funding is defined by the Authority, however, where non-maintained and independent schools are concerned, special needs funding is defined by the provider themselves. This therefore may not demonstrate fair and equivalent treatment of young people with high needs across all institutions.
Specialist Safeguarding Units	<ul style="list-style-type: none"> During the review of a sample of case records, areas have been identified which require improvement to ensure compliance with recommendation 2 of the Ofsted report – Inspection of local authority arrangements for the protection of children. These include document management and record keeping. These issues are consistent with those identified within the previous audit undertaken in 2013/14.
154 – Bus Lane enforcement position statement	<ul style="list-style-type: none"> There is a potential weakness in that it is not clear whether all relevant legislative requirements have been taken account of. There is currently no agreement in place to enable partner

	<p>organisations to process penalty charge notices in respect of bus lane contraventions.</p> <ul style="list-style-type: none"> The potential for Enforcement Agents to be used by partner organisations to collect unpaid penalty charge notices is in conflict with current practice adopted by the County Council to collect outstanding debt.
Department for Transport – Bus Subsidy Operating Grant (BSOG)	<ul style="list-style-type: none"> Management should ensure that the BSOG income of £699,869 is fully allocated in accordance with the appropriate grant conditions.
SQL Database Security	<ul style="list-style-type: none"> The impact of upgrading and replacing all unsupported SQL Server database platforms should be evaluated and tested.
Mobile Devices/Phones	<ul style="list-style-type: none"> The billing and reporting spreadsheet provides information on monthly charges for each device and its registered user. However, there is no user currently recorded for 67 handsets, instead they are marked as “Unknown”.
Information Governance (IG) Requirements – Commissioned Services	<ul style="list-style-type: none"> Service commissioners do not always involve the Legal department and the IG Unit when drawing up low value non-standard service agreements/contracts. Given the low level of IG experience and training within the commissioning teams there is a risk that the IG risks of these category of contracts are not being adequately identified and addressed.

9.4 Compliance Reviews

Audit Type	Audit Opinion			Total No.
	Substantial Assurance	Adequate Assurance	Limited Assurance	
Other Compliance - Children’s				
Pupil Referral Units (PRUs)	0	1	0	1
Res Children's Centres/Assess	1	0	0	1
Other Compliance - Adults				
LD - Residential Homes	3	0	0	3
LD - Day Services	1	2	0	3
Comforts Funds	30	0	0	30
Other Compliance				
Register Offices	1	0	0	1
Educational Endowment Funds	5	0	0	5
Compliance Reviews	41 (93%)	3 (7%)	0 (0%)	44

The reviews identified non-compliance with key controls in the following areas:

- Independent reconciliation of the imprest account not undertaken (two establishments).
- No evidence that inventory is being checked on an annual basis in accordance with Financial Regulations (two establishments).
- Lack of separation of duties in the receipt, recording and banking of income and the prompt banking of income (two establishments).
- Use of unofficial receipts to record income (one establishment).
- Imprest account overdrawn on a monthly basis (one establishment).
- Imprest account blank cheques signed in advance (one establishment).

9.5 Financial Management in Maintained Schools

Audit Type	Audit Opinion			Total No.
	Substantial Assurance	Adequate Assurance	Limited Assurance	
Schools Compliance – High Schools	0	6	0	6
Schools Compliance – All other schools	3	14	1	18
Community Facilities income themed review	9	7	0	16
TOTAL	12 (30%)	27 (68%)	1 (2%)	40

The reviews identified non-compliance with key controls in the following areas:

Schools – General Compliance

Governance

- Scheme of Delegation requires amendment. (Nineteen establishments).
- No annual review of the Charging and Remissions Policy. (Four establishments).
- No debt recovery policy. (Seventeen establishments).

Income

- Income is not banked promptly and/or intact. (Eight establishments).
- Lettings are not administered appropriately (Seventeen establishments).
- Income is not receipted in accordance with Financial Regulations. (Nine establishments).
- There is a lack of separation of duties in the income and banking process. (Eight establishments).
- Cash is not held securely and/or may not be held in accordance with SCC Insurers cash holding limits. (Six establishments).

Procurement

- No financial limits set for declared pecuniary interest in companies. (Seven establishments).
- Purchases not authorised and possibility of best value not being obtained for the school. (Four establishments).
- Procurement/procurement card transactions not in accordance with Scheme of Delegation and Procurement Regulations. (Nine establishments).
- Purchase card is not used in accordance with the Financial Regulations. (Fourteen establishments).
- Incorrect accounting for VAT. (Four establishments).

Imprest Accounts

- There is no independent reconciliation of the imprest account. (Five establishments).
- Imprest account disbursements not in accordance with guidance. (Four establishments).
- Imprest account was overdrawn. (Five establishments).

Schools - Community Facilities

Governance

- No approved debt recovery policy. (Eight establishments).
- No Data Protection registration. (One establishment).

Income

- Income is not banked intact and/or promptly. (Four establishments).
- There is a lack of a separation of duties for the receipt and banking of income. (Three establishments).
- Insurance limits exceeded in respect of cash held on the premises. (Two establishments).

- Income not receipted in accordance with Financial Regulations. (Two establishments).

Operational

- Bookings are not administered appropriately. (Ten establishments).
- Charges and contracts are not reviewed annually and discounts not approved. (Five establishments).
- Parents/Carers do not sign their children into and out of Before and After School Clubs. (Two establishments).

9.6 Special Investigations/ Fraud & Corruption Arrangements

A summary of work undertaken in relation to fraud and corruption and specific counter fraud testing is attached as Appendix 1 in the confidential part of the agenda. Overall, the counter fraud and corruption work carried out in 2014/15 indicated that there had been some lapses in the application of controls, increasing the risk of potential fraud. The table below summarises those investigations which involved confirmed financial loss.

Area	Financial Value £	Control Objective
Investigations Complete		
Primary School	2,000	Misuse of Procurement Card
Catering Monies	405	Loss of catering monies
Direct Payments – Personal Budgets (Adult Social Care)	39,252	JA Case – Direct Payments – payable over a period of several years.
NFI* Identified Losses	46,359	Residential Homes overpayment
NFI* Identified Losses	6,124	Personal Budgets
Total	94,140	

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

2014/15 has seen the level of complexity in the nature and type of special investigation and fraud and corruption related work referred to the section for investigation remain the same as previous years. This year has seen a reduction in the amount of actual financial loss to the Council. The table below shows the trend of actual financial loss over the last four years. These types of investigation are very resource intensive particularly if the matter is referred to the Police for criminal action to be taken. In order to evaluate the effect this element of Internal Audit work has upon the wider control environment, a threshold of £250,000 financial loss per annum has been set. When this level is exceeded it is considered to have a material effect on the control environment. This year's level of actual financial loss is not considered to be significant.

Year	Financial Value	Direction of Travel
2010/11	163,932	↑
2011/12	179,312	↑
2012/13	29,831	↓
2013/14	101,753	↑
2014/15	94,140	↓

The special investigations category consists of two elements: firstly financial loss above £250,000 and secondly an evaluation of the control environment based on the counter fraud and corruption work outlined as a separate item on the agenda. Proposed percentage allocations are as follows:

Special Investigations		Fraud and Corruption Work	
£0 – below £50,000 loss	50%	Procurement /Contract arrangements	10%
£50,000 - £100,000 loss	40%	Physical Cash/Asset management arrangements	10%
£100,000 - £150,000 loss	30%	Payment mechanisms	10%
£150,000 - £250,000 loss	20%	Payroll /Expenses	10%
Above £250,000 loss	10%	Income	10%

Based on the above criteria the overall score awarded for this category is 80% (i.e. 40% for the special investigations elements as the actual financial loss incurred is between £50,000 - £100,000 and 40% awarded for the fraud and corruption elements based on the details outlined in the report contained in the confidential agenda).

10. Overall Opinion on the Control Environment

Following discussion at the Audit & Standards Committee at its meeting on 30 July 2012, it was agreed to endorse the methodology outlined below which was used as the basis to form the annual assessment of the overall internal control environment. It is not proposed to amend this method for the 2014/15 assessment.

Current Methodology

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

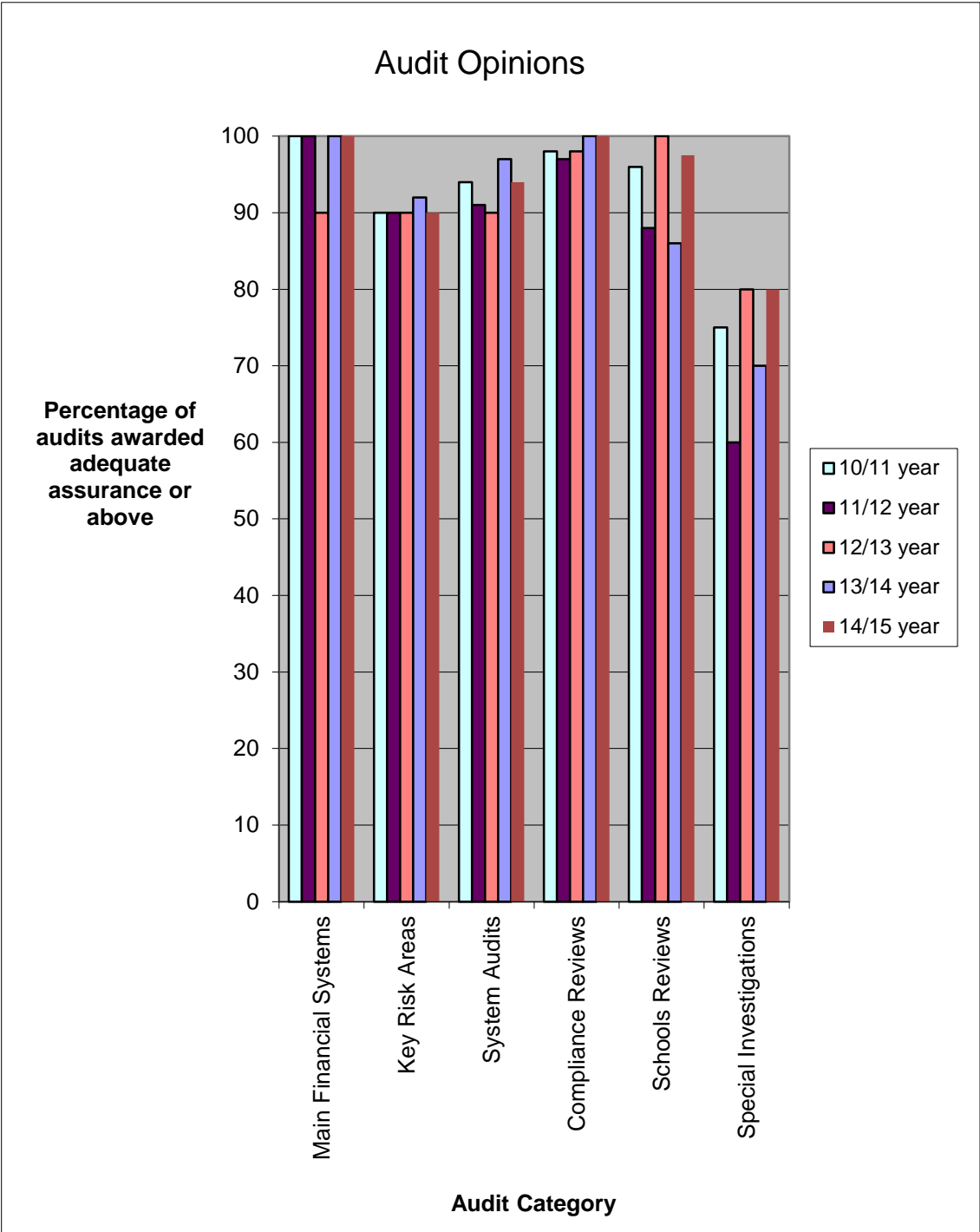
Overall Opinion Level	No of categories achieving the 90% benchmark
Substantial Assurance	6 out of the 6 categories
Adequate Assurance	4 or 5 out of the 6 categories
Limited Assurance	3 and below out of the 6 categories

Implications

The following table details the calculation of the 2014/15 overall assessment.

Audit Category	% awarded an opinion of at least “adequate”	Pass/Fail
Main Financial Systems (paragraph 9.1)	100%	Pass
Key Risk Areas (paragraph 9.2)	90%	Pass
System Audits (paragraph 9.3)	94%	Pass
Compliance Reviews (paragraph 9.4)	100%	Pass
Schools Reviews (paragraph 9.5)	97.5%	Pass
Special Investigations/Fraud & Corruption work (paragraph 9.6)	80%	Fail
Overall Total		5 out of 6 categories passed

The chart below details the audit opinions given to the key audit categories and provides a comparison with those awarded in 2010/11, 2011/12, 2012/13 and 2013/14.



Based on the above, an “Adequate Assurance” opinion has been given on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework, i.e. the control environment in 2014/15. There continues to be issues relating to the implementation and ongoing development of the Care Director IT solution, particularly surrounding data quality, which requires a joint approach with SSOPT to resolve. Work has taken place to strength arrangements within the Independent Futures service following the limited assurance report produced in 2014. There still remains a number of key actions that require completion in order to strengthen the control environment further. Operational Managers for both of these areas are scheduled to provide updates to the Audit & Standards Committee as part of the work programme for 2015/16.

11. Performance Measures

Key performance indicators (KPI) for the Section are detailed below. The KPI for the systems audits issued to draft report stage has been calculated to reflect the revised Audit Plan, which was approved by the Audit & Standards Committee on 8 December 2014. Unfortunately the Section suffered a period of long term sickness at the start of 2015 which has resulted in the KPI for compliance audits narrowly missing the target of 90%. The section continues to meet the KPI targets for the quality questionnaire feedback.

Description	Target %	2012/13 %	2013/14 %	2014/15 %
Reports issued to draft report stage:				
➤ Systems Audits***	90	97	95	96***
➤ Compliance Audits	90	98	97	88.5
Average score for Quality Questionnaires from clients is equal to or exceeds the 'good' standard:				
➤ System Audits	90	100	100	100
➤ Compliance Audits	90	100	100	100

*** The performance management targets have been calculated based on the revised audit plan presented to the Audit & Standards Committee on 8 December 2014.

12. Performance against the UK Public Sector Internal Audit Standards

The UK PSIAS came into force on 1 April 2013 with the aim of promoting further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. A Local Government Application Note has also been developed by CIPFA to provide further explanation and practical guidance on how to apply the standards.

The Internal Audit Service works to a Charter approved by the Audit & Standards Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way in which it interfaces with the Council. A detailed paper outlining how the section meets the specific requirements of PSIAS & LGAN was presented to the Committee in June 2014. This is the second year of assessment and the results of the updated self-assessment exercise against the current standards are summarised below. It can be seen that 90% of the standards are deemed to be fully in place.

Process/Control			
In Place	Partially In Place	Not In Place	Not Applicable
276 (90%)	13 (4%)	15 (5%)	4 (1%)

For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to significantly affect the effectiveness of Internal Audit. The key areas where improvements identified at the June 2014 assessment have been actioned during 2014/15 are detailed below:-

Action Points	Current Status
Determining the arrangements relating to the future five yearly external assessment;	A partnership approach to obtaining a suitable qualified independent person to conduct the external assessment is currently being taken with the other Public Sector bodies both within Staffordshire and neighbouring Counties. A service specification will shortly be drafted. At this stage the details will be shared with Members. It is envisaged that the assessment will not take place before the start of 2017; however this will still meet the PSIAS timescales.

The need to formalise Internal Audit's approach to using other sources of assurance i.e. assurance mapping;	A pilot exercise has been undertaken, using an external client to evaluate the approach to ensure that it is fit for purpose and can be rolled out across the client base. A number of issues were identified and will be looked into during 2015/16, with a view to refining the agreed approach for the County Council. This exercise will also need to take account of the work being performed within Risk Management to enhance the Strategic Risk Registers.
The need to review current reporting arrangements including a statement on conformance with the PSIAS on an annual basis.	Currently procuring an audit management software solution from Central Midlands Audit Partnership which will ensure that the PSIAS requirements are met.

A number of areas of non-conformance were highlighted as part of the self-assessment which will not involve any further action being taken namely:

- The Chief Internal Auditor (CIA) reports to the Head of Financial Strategy & Support who in turn reports to the Director of Finance & Resources rather than direct to the Chief Executive. Alternative reporting arrangements are detailed within the Audit Charter, should the need arise.
- The Audit & Standards Committee does not approve the Internal Audit budget. This is the responsibility of the Director of Finance & Resources via Full Council.
- The Audit & Standards Committee does not approve decisions relating to the appointment and removal of the CIA, this responsibility lies with the Head of Financial Strategy & Support in-conjunction with the Director of Finance & Resources.
- Neither the Chief Executive nor the Chair of the Audit & Standards Committee contribute to the performance appraisal of the CIA currently, responsibility for this area will remain with the Head of Financial Strategy & Support.

The work undertaken by the Internal Audit Section during 2014/15 and reported within the Annual Report has been performed in accordance with PSIAS. In relation to the above, there are no impairments or restrictions in scope which prohibit the CIA from delivering the annual Head of Internal Audit opinion for 2014/15.

13. Equalities Implications

There are no direct implications arising from this report.

14. Legal Implications

There are no direct implications arising from this report.

15. Resource and Value for Money Implications

The net budget of the Internal Audit Section is estimated at £575,200 of which £64,400 relates to payments to external providers.

16. Risk Implications

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

17. Climate Change Implications

There are no direct implications arising from this report.

Report author:

Author's name: Lisa Andrews – Chief Internal Auditor
Ext. No. 276402

List of Background Papers

Time Management System
Annual Audit Plan & Strategy 2014/15
2014 Audit Charter
Progress Reports to Audit Committee
Various Internal Audit Reports

Local Members Interest
N/A

Audit and Standards Committee – 30th June 2015

Internal Audit Charter 2015/16

Recommendation

1. To approve the revisions to the Internal Audit Charter originally approved in June 2014.
2. To invite comments regarding the role and responsibilities of the Audit & Standards Committee in relation to the Internal Audit Function as currently detailed in section 9 of the Charter.

Report of the Director of Finance and Resources

Background

3. 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 formally defined in an Audit Charter. The Internal Audit Charter is a formal document setting out:
 - internal audit's position within the organisation
 - its reporting lines
 - access to personnel, information and records
 - the scope of internal audit activities
 - what the term Board means (e.g. the Audit & Standards Committee)
4. The need for an Audit Charter was a new requirement of PSIAS and the Audit & Standards Committee approved the detailed document at its meeting in June 2014. Since this date there have been a small number of revisions which require approval. The key changes made are highlighted within the attached document in red and relate to the following areas:
 - Defines the relationship between the Audit Charter and the respective roles in those the External Client organisations currently purchasing their internal audit service from the County Council (*page 3 and appendix 3 on page 15*)
 - Updated to reflect the new definitions contained in the Accounts and Audit Regulations 2015 (*page 3 and 4*)
 - Includes the responsibility for managing the risk of fraud, corruption and potential for bribery within Managers areas of responsibility (*page 5*)
 - The reporting matrix has been updated to expand the categories of reports circulated to Cabinet Members (*page 7*)

- Expanded details regarding the role of the Audit & Standards Committee within the Quality Assurance process (*page 12*)

Equalities Implications and Climate Change Implications

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

Legal Implications

6. Whilst there are no direct legal implications arising from this report, 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'.

Resource and Value for Money Implications

7. The net budget of the Internal Audit Section is estimated at £575,200 of which £64,400 relates to payments to external providers.

Risk Implications

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

Report Author

Author's name: Lisa Andrews
Ext. No.: 276402

List of Background Papers

1. Public Sector Internal Audit Standards – with effect from 1st April 2013.
2. Local Government Application Note – with effect from 1st April 2013
3. Accounts and Audit (England) Regulations 2015.
4. CIPFA Statement on the Role of the Head of Internal Audit in Local Government 2010

Internal Audit Charter 2015



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The Charter is a mandatory requirement of the UK Public Sector Internal Audit Standards and CIPFAs Local Government Application Note. This document also takes into account the requirements of the CIPFA



statement regarding the Role of the Head of Internal Audit in Local Government (2010).

1. Introduction

This charter defines for the internal audit activity of the County Council¹, 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 Board².

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

The Audit Charter should be read in conjunction with the relevant sections of Financial Regulations of the Council, which are attached at Appendix 1.

2. 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 County 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

¹ See glossary (appendix 3) for translation of the terms used in the Public Sector Internal Audit Standards in respect of Staffordshire County Council's Internal Audit Activity and those of its External Clients.

² The Audit & Standards Committee is referenced in the PSIAS as the Board.



CIPFA's Local Government Application Note. These requirements are considered to be mandatory; instances of non-conformance must be reported to the Board as part of the CIA's annual outturn report. The Director of Finance and Resources has been delegated with this requirement by the Council.

Responsibility

The CIA is required to provide an annual opinion to the County Council and to the Director of Finance & Resources (section 151 Officer) 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**. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the County 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 County 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.

3. Scope

The Council's Internal Audit function is provided by an in house team supported by additional resources procured via an external support framework contract. The scope of the function includes the review of all activities (financial and operational) of



Staffordshire County Council. In addition to its County Council internal audit work programme, the Section currently:

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

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.

Internal audit does not routinely undertake value for money studies 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 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 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 Director of Law, Democracy and Transformation to decide, based on the advice from the Director of Finance and Resources and the appropriate Senior Leadership Team Member, whether there are sufficient grounds for the matter to be reported to the Police. This is in accordance with the Council's Integrity Policy.

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

In particular:

a) Creation of an Anti-Fraud Culture:

- Raising awareness of the e learning package
- Adherence to the recommendations contained in the Fighting Fraud Locally Strategy.
- 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 Authority

c) Prevention

- Specific detailed testing in vulnerable areas
- Regular monitoring of imprest accounts to prevent misuse
- Regular monitoring of procurement card expenditure

d) Detection

- Participation in the Audit Commission'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 whistle blowing communication channels.

4. Stakeholder Roles and Audit Independence

The Audit & Standards Committee will fulfil the role of the Board for the County 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 management of the organisation. 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 Financial Strategy and Support who in turn reports to the Director of Finance and Resources. Financial Regulation D.6 details alternative reporting lines if so required.

The extent of non County 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 and Resources.

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 plan which may impact on the ability to provide the required assurance opinion will be reported to the Audit & Standards Committee for approval.

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

5. Audit Reporting

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	✓	✓	✓	✓	✓
Director of Finance & Resources	✓	✓	✓	✓	
Relevant Director	✓	✓	✓	✓	
Director of Democracy, Law & Transformation				✓	
Local Member (where applicable)				✓	
Relevant Cabinet Member	✓	✓	✓	✓	
Deputy Leader and Cabinet Member – Finance, Resources & Transformation		✓	✓	✓	
Audit & Standards Committee Members	✓	✓	✓	✓	



Recommendations made within assurance and compliance audits will be ranked as either High, Medium or Low depending upon the relative importance of the audit finding. The number and level of recommendations made within risk based and compliance audits will influence the audit opinion, which will be ranked as either Substantial Assurance, Adequate Assurance or Limited Assurance. The methodology used is attached at Appendix 2.

6. 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 County Council.

The CIA will have direct access to the Chief Financial Officer, Monitoring Officer, 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 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 and Resources.
- 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.

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

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

- Financial Regulations
- Procurement Regulations
- Integrity Policy
- Whistleblowing policy
- Partnerships Policy
- Officers' Code of Conduct
- 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).

As the County Council completes its transformation into a Commissioning Authority 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.

7. Role of the Director of Finance and Resources

The Director of Finance and Resources 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 and Resources 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
- Progress on all fraud and irregularity investigations carried out by the Internal Audit Section

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

8. Role of Senior Leadership Team Members

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.

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

The CIA will present the annual internal audit plan and audit strategy to SLT members for their consideration and approval. The annual Outturn report, together with the overall opinion of the Organisation’s control environment will also be circulated to SLT where appropriate.

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

9. 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 Plan
- The annual assessment of Internal Audit to ensure that it meets the requirements set out in the Accounts and Audit Regulations 2011 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 (n.b. this must be performed by 2018)
- Regular updates on Progress against High Level Recommendations
- The Annual Outturn Report including results of anti-fraud and corruption work / special investigations
- Copies of Fraud-Watch Publication
- A copy of the audit report for those reviews given an opinion of “Limited Assurance”
- A copy of the audit report for all major special investigations (i.e. those areas where the potential loss is greater than £10,000).
- A copy of the audit report/ briefing note for those reviews awarded the greatest risk score irrespective of opinion (The top 10 risk areas within the Audit Plan)

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 Team 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.

10. Relationship with External Audit

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

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

Following on from the above, an Internal / External Audit Protocol has been developed and formally approved by the Audit & Standards Committee. It will be subject to review on an annual basis.

The External Auditor formally reports to the Director of Finance and Resources and Audit & Standards Committee upon the quality of the work of internal audit and the degree to which they can place reliance on the work conducted on the financial



systems.

11. Due Professional Care

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

In order 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, and
- Obtain and record sufficient audit evidence to support their findings and recommendations.
- Show that audit work has been performed competently and in a way which is consistent with applicable audit standards.

12. Quality Assurance

The CIA will maintain 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.**

13. Audit Processes

An Audit Manual will be produced detailing the procedures to be followed at each stage of the audit process. The content of the Manual will be reviewed regularly. The CIA shall periodically ensure adherence to its content. SLT Members will be consulted on any significant changes to the Manual.



APPENDIX 1**FINANCIAL REGULATION D – AUDIT, CONTROL AND IRREGULARITIES**

- D.1 The County Council has determined that the Director of Finance and Resources is responsible for conducting a continuous internal audit in accordance with the Accounts and Audit (England) Regulations 2011
- D.2 SLT Members will co-operate with, and provide all necessary information for, the Internal Audit Section and the Council's External Auditor.
- D.3 It is the responsibility of SLT Members to establish effective and efficient arrangements for internal control. SLT Members will seek the advice of the Director of Finance and Resources in those instances of a material nature where the principles of internal control prove difficult to implement or maintain.
- D.4 The Director of Finance and Resources must be notified immediately of all instances of potential and actual irregularity affecting the finances of the Council.
- D.5 The Director of Finance and Resources, or his authorised representative, must be afforded a reasonable right of entry to property of the County Council and must be granted access to such documents, records and computer files as appear to him to be necessary for the purpose of the audit. Furthermore, he will be entitled to require from any officer of the Council such information and explanation as he thinks necessary for that audit.
- D.6 Subject to any related statutory requirements, the Chief Internal Auditor will have the right to report directly to the Chief Executive, to any member of the Cabinet and the Audit & Standards Committee.

Response to audit reports

- D.7 SLT Members must consider and respond promptly to recommendations in audit reports (whether internal or external) and ensure that any agreed actions arising from audit recommendations are executed in a timely and efficient fashion.

Internal Control and Check

- D.8 The duty of providing information, calculating, checking and recording the sums due to or from the Council must be separated as far as possible from the duty of collecting or disbursing these sums.
- D.9 Wherever possible, arrangements must be made to ensure that: -
- (a) the ordering of works, goods and services
 - (b) the acknowledgment of their receipt, and
 - (c) the examination of invoices/accounts are not carried out by the same person.



Appendix 2**Audit Opinions**

The level of assurance to be allocated is determined by the number and categorisation of recommendations made. There are four categories – high, medium, low and points of best practice. The definitions for these are listed below, noting that points of good practice do not affect the overall opinion and are included within the report to offer advice/ add value to the processes.

	Level	System Adequacy	Control Application
(Positive opinion)	Substantial Assurance	Robust Framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
(Positive opinion)	Adequate Assurance	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses which may put some system objectives at risk.
(Negative opinion)	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

High (H)	Matters that are considered fundamental, to senior management that require immediate attention and priority action.
Medium (M)	Matters that are considered significant, that should be addressed within six months.
Low (L)	Matters that merit attention and would improve overall control levels.
Good Practice /Added Value	For consideration only (does not affect the opinion)

These are then linked to the overall opinion by the following mechanism:

Level	High	Medium	Low
Substantial Assurance	There are no high level recommendations	There are no more than two medium recommendations.	There are no more than six low level recommendations.
Adequate Assurance	There is no more than one high level recommendation.	There are three to seven medium level recommendations.	There are seven to twelve low level recommendations.
Limited Assurance	There are two or more high level recommendations.	There are more than seven medium level recommendations.	There are more than twelve low level recommendations.

Appendix 3**Glossary of Terms for External Clients where they are different to the County Council****Staffordshire Police** *(incorporating the Office of the Police & Crime Commissioner and Staffordshire Police Force)*

Senior Management	Chief Finance Officer
Board	Ethics, Transparency & Audit Panel
Recipients of Audit Reports	Contained within the annual Audit Strategy & Plan document

Stoke on Trent and Staffordshire Fire Authority

Senior Management	
Board	Audit Committee
Recipients of Audit Reports	Contained within the annual Audit Strategy & Plan document

South Staffordshire Council

Senior Management	Section 151 Officer Monitoring Officer
Board	Audit Committee
Recipients of Audit Reports	Contained within the annual Audit Strategy & Plan document



Local Members Interest
N/A

Audit and Standards Committee – 30th June 2015

Proposed Internal Audit Strategy & Plan 2015/16

Recommendations

1. To review the proposed content and coverage of the Internal Audit Strategy and Plan 2015/16.
2. To recommend approval of the Internal Audit Plan for 2015/16 to the Director of Finance and Resources.

Report of the Director of Finance and Resources

3. The proposed Audit Plan is attached at Appendix 1 and will be supported by a PowerPoint presentation. The plan has been discussed with members of the Senior Leadership Team (SLT) during June and is presented to Members for final endorsement.
4. The Audit Plan has been prepared in line with the Audit Strategy detailed in the report on page 3. All potential reviews have been allocated a risk score, which has been calculated using the risk model and the specific methodology outlined in the report at Appendix D. In general, only the high-level risk areas have been included in the summary plan. Furthermore as part of the agreement process for this year's plan, detailed discussions were held with the Commissioners to highlight the Internal Audit work proposed; complimented and added value to the process. Consequently, this allows greater certainty regarding delivery of these audits within 2015/16.
5. Certain elements of the plan must be done regardless of risk score, mainly surrounding the work undertaken to meet the requirements of the External Auditor. Increased emphasis will be placed on fraud and corruption work, particularly in relation to developing the proactive elements of the plan and the work of the North West Staffordshire Fraud Hub. Compliance work within Schools will continue to focus on the key risk areas of income, procurement and community facilities.
6. A general level of contingency time has been included, which is lower than in previous years. It is recognised that the Audit Plan needs to be continuously reviewed and remains sufficiently flexible to ensure that it is fully focused on the principal risks and hence may change throughout the year. Any major revisions will be reported to future meetings of the Audit & Standards Committee.
7. In line with the Audit Strategy, the top risk audits/reviews for the County Council have been assessed as being:

- Care Act Requirements
- Staffordshire and Stoke on Trent Partnership Trust - Transformation Programme
- Staffordshire and Stoke on Trent Partnership Trust - Contract Monitoring and Performance.
- Better Care Fund – Governance Arrangements
- Infrastructure Plus – Payment Mechanism
- HR Transformation Project
- SAP Replacement including Core +
- Economic Regeneration
- European Structural & Investment Funding Project
- Care Director – ICT application review
- Child Safety & Exploitation
- Strategic Property Procurement Partner

8. CIPFA's Audit Committees – Practical Guidance for Local Authorities 2013 includes the following core functions around Internal Audit relevant to the annual plan approval process:

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

Equalities Implications/ Legal Implications/ Risk Implications

9. There are no direct equalities implications arising from this report.
10. Whilst there are no direct legal implications arising from this report, 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'.
11. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Resource and Value for Money Implications

12. The net budget of the Internal Audit Section is estimated at £575,200 of which £64,400 relates to payments to external providers.

Climate Change Implications

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

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Internal Audit Strategy & Plan
2015/16





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Introduction

1. This report summarises the proposed work of Internal Audit for 2015/16. The aim is to give an overview of areas to be covered during the year and to provide an opportunity to comment on the proposed coverage.
2. The audit plan has been developed to allow sufficient flexibility to respond to change which will happen during the year. Whilst every effort is made to deliver the plan as shown there will always be the need to respond to emerging risks and changing circumstances. The plan is therefore a statement of intent – our liaison meetings with senior management will ensure that it is reviewed regularly.
3. Internal Audit is a statutory service required by the Accounts and Audit Regulations 2015. It is also a key source of independent assurance for management, designed to add value and improve how the Council operates. The results of our work feed into the Council's Annual Governance Statement.
4. The work is performed in conformance with the UK Public Sector Internal Audit Standards (PSIAS). These require that the scope of Internal Audit covers the whole range of the Council's activities, seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the County Council, which has been established to:
 - Achieve strategic objectives
 - Ensure effective and efficient operational systems and programmes
 - Safeguard assets and interests of all kinds

- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of resources
- Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

5. Our Internal Audit Strategy has been developed to take into account management's assessment of risk. This is obtained from the contents of the Corporate Risk Registers, listing of key critical services including IT systems, External Audit considerations, other internal assurance providers (i.e. Health & Safety and Information Governance Officers) and conversations with Senior Management to discuss potential changes/ areas of concern, including consideration of fraud risks within their area of control.
6. Also we use our own risk assessment against each activity assessing their materiality, sensitivity, significance and stability – ranking each area as high, medium or low risk. This allows each possible area to be prioritised based on risk, which then determines whether or not it will be included in the audit plan. A copy of the risk assessment methodology is included in Appendix A.
7. The plan has been constructed to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion.
8. The annual risk based plan is produced based on the following key principles:

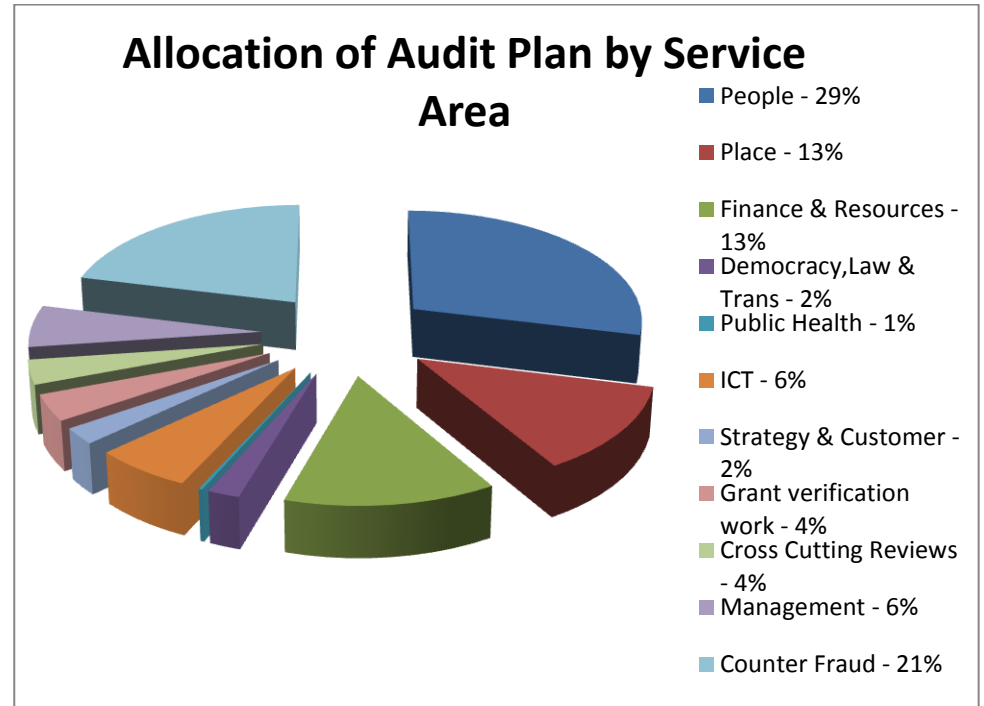
- Assurance reviews with a high risk (i.e. >60%) ranking should be completed.
- Identification of 'Top Ten Risk' Reviews.
- Fundamental Financial systems – reviewed on a cyclical basis.
- A risk based Schools' audit strategy, approved by the Section 151 Officer, will be completed.
- An initial allocation of 200 days to conduct Special Investigations.
- An initial contingency allocation – variable year on year.
- Time to undertake pro-active counter fraud work.
- Risk based programme of compliance reviews.

9. We co-ordinate our work on key financial systems with the Council's External Auditors, Ernst & Young (w.e.f from 2015/16). We will look to establish a joint working protocol which sets out where the External Auditor seeks to place reliance on our work. This ensures that the Council gets the most out of its combined audit resource – keeping audit fees low.

Draft Internal Audit Plan 2015/16

10. We propose to allocate resources across each Service Area as shown in figure 1 with further details in Appendix B
11. Top risks facing councils continue to include pressures on finances and resources; changes in demands and demography and the impact of welfare reforms.

Figure 1 – Analysis of Audit Plan



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

- | | |
|--|---|
| 1. Care Act | 7. SAP Replacement – Core + |
| 2. SSOPT – transformation programme | 8. Economic Regeneration |
| 3. SSOPT – contract monitoring & performance | 9. European Structural & Investment Funding Project |
| 4. Better Care Fund | 10. Care Director IT Application |
| 5. Infrastructure Plus – payment mechanism | 11. Child Safety & Exploitation |
| 6. HR Transformation Projects | 12. Strategic Property Partner |

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

Draft Counter Fraud Audit Plan 2015/16

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

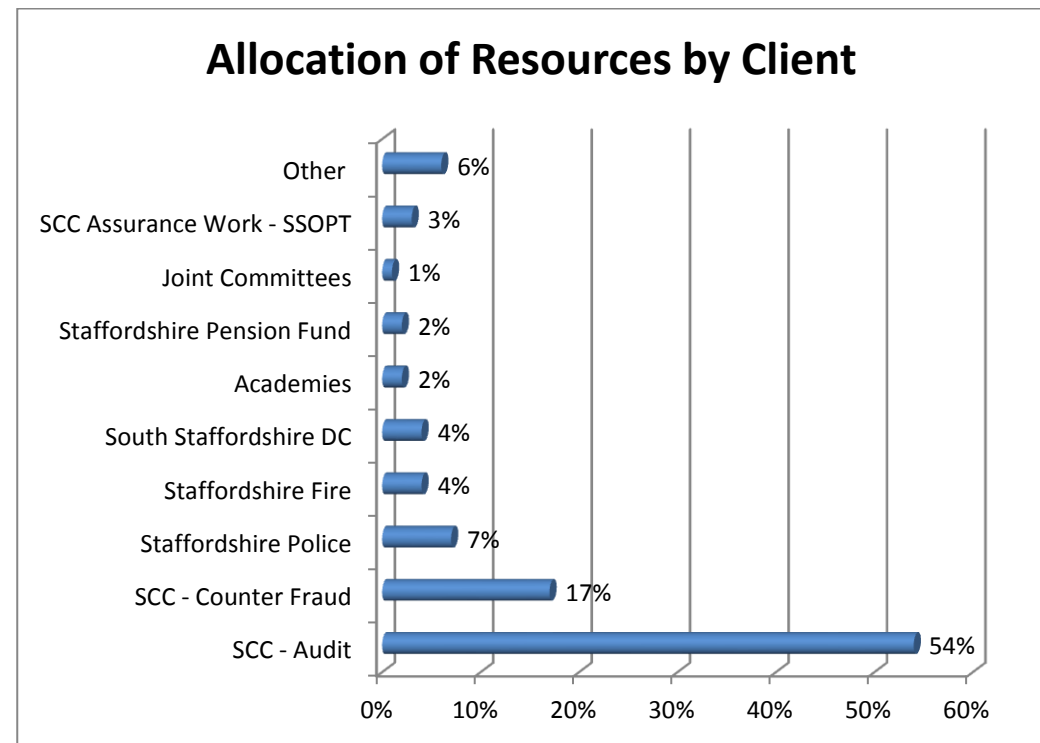
Resources

15. The total resource requirement for Staffordshire County Council in 2015/16 is 1990 days. This remains consistent with the level of resource delivered in 2014/15.
16. The Section also provides and receives income for the delivery of the internal audit service/management, for the following External Clients:
- Staffordshire Police
 - Staffordshire and Stoke on Trent Fire & Rescue
 - South Staffordshire District Council
 - Staffordshire Academies (via Entrust)
 - Staffordshire Joint Committees
 - Staffordshire Pensions Fund
17. The net income generated from this arrangement is £163,353
18. The delivery model for the Internal Audit Service is mixed – a combination of in-house staff and external staff via the Framework Contract. This allows the section to be flexible and respond to

peaks and troughs in demand and to buy in specialist resources as required.

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

Figure 2 – Allocation of Resources by Client



Performance & Quality Assurance Framework

20. Internal Audit within Staffordshire County Council operates in conformance with standards of best practice applicable to internal audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The Internal Audit team offer a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit processes, application of the Quality Assurance Framework (Appendix D) and the training and development programme for staff.
21. The Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication.
22. The Internal Audit Charter sets out the role, responsibilities and authority of the Internal Audit Service within the County Council. This was initially approved in June 2014 and any amendments to its contents are endorsed by the Audit & Standards Committee annually.
23. Internal Audit remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in such a way that allows them to make impartial and effective professional judgements and recommendations.
24. The Section use a number of ways to monitor performance, respond to feedback and identify ways in which to improve the service provided. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.
25. The current performance measures are set out below in Figure 3 for information

Figure 3 – Current Performance Measures

Performance Indicator	Target
Reports issued to draft report stage: <ul style="list-style-type: none"> • Assurance Reports • Compliance Reports 	90% 90%
Average score for Quality Questionnaires from clients is equal to or exceeds the good standard: <ul style="list-style-type: none"> • Assurance Reports • Compliance Reports 	90% 90%

Appendix A – Planning Risk Assessment Methodology

1. **Materiality X 2**

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

2. **Impact/Sensitivity X2**

- a) *Links to Strategic Plan 2014-2017/Political sensitivity*
1=No links to Strategic Plan/ and/or no political sensitivity
2=No links to Strategic Plan / and/or minimal political sensitivity
3=Indirect links with Strategic Plan/ and/or low level of political sensitivity
4=Direct links with Strategic Plan/ and/or medium level of political sensitivity
5=Direct links with Strategic Plan/ and/or high level of political sensitivity
- b) *Non-financial impact e.g. reputation*
1= Managed /reported to Business Unit -Local Media (short term duration)
2= Managed /reported to Heads of Service. Local media (Medium/Long Term duration)
3= Managed /reported to Senior Leadership Team and Members Regional media (short term)
4= Managed /reported to Members and Cabinet Regional/National media (Medium/ Long Term duration)
5= Third Party intervention Public Interest Group, National/International media (Medium/Long Term duration)
- c) *Contained in the Corporate Risk Register*
1 = No
5 = Yes
- d) *Key Partnership* - This considers how important the partnership is to the achievement of the Councils Outcomes. Failure to deliver the objectives of the partnership poses a significant risk to the Organisation.
1 = No
5 = Yes

3. **Audit View - Previous Assurance Category**

- 1 = Substantial Assurance
2 = Adequate Assurance
3 = No Opinion has previously been given
4 = Consultancy – system under development
5 = Limited Assurance

4. **Time since previous audit**

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

5. **Linkage to Risk Management - Controls Assurance**

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

6. **Fraud**

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

7. **Stability of the System -**

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

Appendix B – Draft Internal Audit Plan 2015/16

Area	Indicative Scope
People – Helen Riley	
Care Act 2014	<ul style="list-style-type: none"> • To review the robustness of the Care Act programme including a review of the assessment process particularly for new customers to ensure that there is a single policy to cover all social care providers. • To review the set up to the care accounts to ensure the robustness of the assessment process and its vulnerability to fraud. • To review the deferred payment arrangements that will be set up during 2015/16.
Staffordshire & Stoke on Trent NHS Partnership Trust (SSOPT)- Transformation Programme	New arrangements for the services provided under the section75 agreement with SSOTP implemented from 1/4/15. As part of the arrangements a Transformation Programme is in place. It is important that the transformation is on the right trajectory as it is linked to the finances. Internal Audit has been requested to review the robustness of the delivery and governance of the Transformation Plan (100 day), although the detailed scope is still to be determined it is likely to include a review of the quantum for 2015/16.
Staffordshire & Stoke on Trent NHS Partnership Trust - Contract Monitoring and Performance Management	Internal Audit will provide assurance on the effectiveness and robustness of the contract monitoring and performance management of the section 75 agreement. Key areas to include are; <ul style="list-style-type: none"> • Contract Management • Quality Assurance Framework • Contract Metrics and Monitoring including transparency of financial payments to the pooled fund • Reporting and feedback arrangements including actions arising from poor performance.
Better Care Fund	The Better Care Fund is operational wef 1/4/15. There will be several audits planned within this area and will cover the following areas; <ul style="list-style-type: none"> • the governance arrangements • risk management • financial arrangements including pooled budgets • performance management including pay for performance.
Child Sexual Exploitation (CSE) Agenda	The Authority has produced a high level strategic action plan for CSE that all partners are contributing to and Families First have appointed a CSE coordinator. Internal Audit has been requested to review implementation of the action plan and whether it has been embedded within the Authority.
Building Resilient Families	<ul style="list-style-type: none"> • To undertake the verification of the claims submitted for the payment by results element of the troubled families grant to ensure that they meet the prescribed government criteria. • To provide advice/support on any additional phases of the scheme.
Staffordshire & Stoke on Trent NHS Partnership Trust - Governance Arrangements	To review the effectiveness of the governance arrangements for the new Section 75 arrangements with SSOPT.
Care Policies - Contributions Policy for Adult Social Care	The Policy is currently being updated to reflect Care Act 2014. Internal Audit to contribute to the proposed working group regarding changes.

Independent Futures (IF)	<p>Internal Audit has reviewed IF service for the last 2 years and whilst there has been some improvement the opinion has remained negative moving from red to a red/amber rating. An audit report on the follow up to the recommendations on the Safe Service review was presented on 23/3/15, to the Audit & Standards Committee, which requested a further progress report by the Head of IF in December 2015.</p> <p>The management structure in IF has been strengthened to progress the transformation of the service and address the issues identified in the finance recovery plan.</p> <p>There are several action plans in place and these are under review by Internal Audit to identify where best we can add value and provide assurance on the systems and processes.</p>
Looked After Children - Business/Placement Unit : Independent Foster Agencies - Contracts & Monitoring	<p>The audit will review the arrangements for commissioning services from Independent Foster Agencies to ensure best value and will include;</p> <ul style="list-style-type: none"> • Contract implementation, • Contract Management including governance and placement breakdowns/unplanned disruptions. • Quality Assurance Framework • Contract Metrics and Monitoring • Reporting and feedback arrangements.
Best Start: Early Years Offer - Family Hubs	A new model has been operational from 1/4/15 and IA has been asked to provide assurance that the Authority is complying with its statutory duties for the Family Hubs.
Domiciliary Care Contracts	Domiciliary Care contracts are under review. The contract monitoring arrangements for existing contracts will be reviewed to ensure lessons learnt have been fed into the contract monitoring process to ensure that the Authority is only paying for care being delivered.
Director of People role -Test of Assurance	Audit to provide assurance that the governance arrangements in place for the combined roles of the Director of Children's Services and the Director of Adult Social Services is in compliance with Ofsted's statutory guidance.
Adults Safeguarding Board	To review the functions of the Adult Safeguarding Board to ensure that they are Care Act compliant.
Evolve - Social Work Practice (SWP)	The Evolve SWP was initially set up as a pilot project for 3 years and the contract has been extended several times with the latest contract due to run out in March 2016. The Authority is to make a decision as to whether this service will be retendered or be brought back in-house. Internal Audit has been requested to provide assurance that Evolve is operating in line with Families First policies and procedures, including; sufficient scrutiny through supervision and management oversight, statutory visits are being undertaken and that placement arrangements are appropriate.
Appointeeship Arrangements	Attendance at working group in year.
Staffordshire Adult Safeguarding Team (SAST) - Front door	To review the front door service to ensure compliance with statutory duties under the Care Act 2014 for causing section 42 enquiries to be made. Audit will cover arrangements at both the SAST and the contact centre.
Capital Programme in Schools	<p>The County Council has a large capital programme in schools of approximately £29 million in 2015/16. Internal audit has been requested to provide assurance that value for money has been achieved. The audit will cover the following areas:-</p> <ul style="list-style-type: none"> • Programme management and delivery; • Procurement activity; • Financial processes and controls.
Children's Services Review - Looked	As part of the review of Children's Services an external review of the Looked After Children element was commissioned. The

After Children Review	review identified a number of recommendations and a three year action plan has been drawn up to implement said recommendations. Internal Audit has been requested to review progress on implementing the recommendations.
Safeguarding Adult Reviews	A review of the procedures in place for serious case reviews to ensure that they are Care Act compliant and that the Authority is not delegating its statutory responsibility for safeguarding.
First Response Service	To consider the adequacy of front door services for First Response Service in receiving and responding to child protection concerns from parents, professionals and the general public including: promotion and accessibility of the service, recruitment and training, process and procedures and performance management.
Working Together: Early Help to Safeguard Children	To undertake an assessment of the extent to which the revised Targeted Services meets the requirements outlined in 'Working Together: Early Help to Safeguard Children' publication.
Education Welfare - Attendance and Welfare	The law requires that children receive full time education suitable to their needs. The Local Education Authority has a duty to step in if they believe a child is not getting the education required by law. Management would like assurance that the Authority is meeting its statutory duty in this area.
Developers Contributions Education Infrastructure	To review systems and controls in place for the calculation, recording, monitoring, payment and the transparency of accounting for developers contributions (financial and non-financial) in relation to the County's Education infrastructure.
Schools	Periodic Audits of maintained schools (High/Middle/Primary/Special) based on a detailed risk based annual assessment.
Compliance Reviews	Coverage within Pupil referral Units, Families First District Offices, Residential Children's Units, Day Services and Residential Homes for Learning Disability.
Total No of Days	574
Place – Darryl Evers	
Infrastructure + Contract (Amey)	<p>Audit assurance is required in the following areas during 2015/16:-</p> <ul style="list-style-type: none"> • Verification of contract/works expenditure from August 2014 - September 2014 (old Enterprise contract) • Verification of contract/works expenditure from October 2014 to January 2015 as part of the transition to the new contract with Amey • Design of the performance management framework to be put in place including the "exclusivity" aspect of the Infrastructure + contract • The strategic partnership governance arrangements and financial processes i.e. the payment Mechanism; • Contract monitoring, management and reporting arrangements (the client side) including the application of the performance management regime and correct application of the payment mechanism. • To liaise with Amey to establish and evaluate what counter fraud and corruption controls they have in place to mitigate the risk of fraud and bribery.
Single Local Growth Fund (year 1) - Economic Regeneration Capital Schemes	<p>In 2015/16, Internal Audit will review the following 4 capital schemes (funded by the Growth Deal) giving assurance over the governance arrangements; procurement activities; monitoring and management of schemes as well as payment controls.</p> <p>Meaford (£4.22m is Growth Deal funding, total scheme is £6.22m)</p> <p>Bericote Four Ashes (£1m is Growth Deal funding, total scheme is £3.85m)</p> <p>Lichfield Park (£4m phase 1 is Growth Deal funding, total scheme is £6m)</p> <p>Stafford Western Access Route (SWAR) (£24.3m is Growth Deal funding, total scheme is £35m).</p>
European Funding - European Structural & Investment Fund (ESIF)	The SSLEP has been successful in bidding for £140m of European Funding to fund projects within Staffordshire and Stoke on Trent for the period 2015 to 2020. Internal Audit scrutiny will be required towards the end of 2015/16 to ensure that

	systems and processes in place to account for ESIF monies and expenditure are robust and that projects funded via this source are firstly selected through fair and transparent processes, and are being properly managed, monitored and achieving their outcomes.
Libraries in a Connected Staffordshire - Part 3	The Libraries project has now moved into the third phase, the actual realignment of the Library model. Management has requested Internal Audit advice and support as the project moves through part 3 and in particular to ensure that the transition from SCC managed and delivered libraries to those being managed and/or delivered by the Community are done so in a controlled way so to minimise the risks (financial and operational) to the County Council.
i54 South Staffordshire	The project is now nearing completion and management has requested that prior to project close, Internal audit provides assurance over the contract final accounts process. Internal Audit will also provide assurance that SCC has recovered from the Backcountry LEP the required level of Business Rates (NNDR) as part of the joint venture agreement.
A50 Corridor projects	The County Council is to deliver two A50 growth corridor investment projects on behalf of the Department for Transport. The two projects are to cost circa £100m and relate to the following areas: <ul style="list-style-type: none"> • Project A - Western Grade Separated Junction (£30m); and • Project B - Eastern Grade Separated Junction (£70m) Internal audit has been requested to provide assurance over the following areas: <ul style="list-style-type: none"> • Project management and delivery and project governance • Procurement activity; • Financial processes and controls relating to works orders and their subsequent payment; • Fraud risks.
Superfast Broadband for Staffordshire Project	To provide continuing assurance over the superfast broadband for Staffordshire project (circa £20m) as well as the governance and delivery of the project. Internal Audit will provide assurance over the following areas:- <ul style="list-style-type: none"> • the delivery of the works by the supplier and in particular the management and monitoring controls in place; • verification of milestone payments made to the supplier • payment controls • financial and performance reporting • achievement of outcomes
Local Enterprise Partnership	To keep under review the decision making and governance arrangements of the Local Enterprise Partnership in terms of setting a clear vision and operating under a clear governance framework, securing and accounting for funding, managing performance of regeneration schemes and achieving milestones and outcomes.
Highways Developers Schemes (S38s, s278s - major schemes and S111s - Minor Schemes)	To review the project and contract management arrangements in place relating to a sample of highways developers schemes.
Special Educational Needs Transport	The review will consider:- <ul style="list-style-type: none"> • Provision of Services being provided and decision making process relating to this • Adequacy of data management information captured and reported upon • Budgetary control, accountability and responsibility;

	<ul style="list-style-type: none"> • Procurement activities (The audit will review the procurement of the new framework for taxi operators' wef September 2015. This review will also consider the safeguarding controls built into the contract following the issues experienced in Rotherham).
Wave 2 - City Deal	<p>One of the main projects included as part of the Wave 2 City Deal is to create a £27m Smart Energy Network (SEN) Demonstrator at Keele University Science and Business Park (£5m grant to be passported to Keele University). This is considered a high risk project and therefore management has requested continued internal audit activity in this area during 2015/16.</p> <p>Scope of Work will include:</p> <ul style="list-style-type: none"> • continued review of the governance arrangements in place between SoT and SCC (collaboration agreement) for the Wave 2 City Deal • the project governance arrangements (for the programme of projects which make up the Wave 2 City Deal including the Keele SEN Project); • delivery and monitoring of outcomes and objectives of the Wave 2 City Deal.
Network Management -Highway Permit Scheme	A new permit for street works will be developed during 2015/16. Management has requested audit assistance in-respect of the design of controls/processes in relation to the new permit scheme for street works.
Keele Science Park - IC5 Keele University - Economic Regeneration Scheme	In 2015/16, Staffordshire County Council is funding a £7m regeneration scheme at Keele University. Internal Audit will review the capital scheme in 2015/16 to provide assurance over the governance arrangements; procurement activities; payment controls; monitoring and management of the scheme.
Household Waste Recycling Centres	In 2013/14, the County Council successfully let the Household Waste Recycling Centre Contract via a Competitive Dialogue Process to FCC Environment. The contract is approximately £3.5 m per annum and for 15 years. A contract management and monitoring audit will be conducted in 2015/16 to review and evaluate:- <ul style="list-style-type: none"> • the performance monitoring framework in place and compliance with contract standards/conditions; • reporting arrangements; • payments to the contractor; • arrangements for dealing with non-performance and complaints • follow up previous audit recommendations.
Concessionary Fares Travel Scheme (Young Persons)	To review the system/processes in place to administer the Concessionary fares scheme including the administration and issue of bus passes including the use of smart cards (subject to implementation)
Concessionary Fares Travel Scheme (Elderly Persons)	To review the system/processes in place to administer the Concessionary fares scheme including the administration and issue of bus passes including the use of smart cards (subject to implementation)
Staffordshire LEADER Programme	To provide assurance over the new systems and processes in place to account for grant income (£2.2m European Funding) and expenditure.
Cannock Chase Joint Economic Investment Programme	To undertake a 'light touch' review of spend to provide assurance that expenditure has been appropriately spent on the agreed projects.
Total No of Days	250

Finance & Resources – Andy Burns	
HR Transformation Programme	To provide assurance over changes made to HR processes and the control environment as part of the HR Transformation Programme. Key work streams in 2015/16 are the Recruitment process (including use of contracts) and Pre- Recruitment Checks (including Migrant Workers).
SAP Replacement including Core +	The timing for SAP to be replaced is unclear at this present time. Time available to provide advice in the development of the control environment with the proposed changes to the financial systems and associated processes.
Capital Property Works - Planned (Schools & Non Schools)	To undertake a contract monitoring audit of the capital property works provided by Entrust to ensure that contractual performance standards are effectively monitored, managed and reported upon and that payments to Entrust are made in accordance with the contract terms and are for works carried out to the correct standard.
Facilities Management - (Planned & Reactive Property Maintenance Works, Servicing & Testing & other Facilities Management)	To undertake a contract monitoring audit of the facilities management services provided by Entrust to ensure that contractual performance standards are effectively monitored, managed and reported upon and that payments are made in accordance with the contract terms and are for services received to the correct standard.
Adult Financial Services Team - Direct Payments (Adults)	This audit will review the accounting and administrative arrangements for direct payments (Adults) including the regularity of financial reviews, monitoring arrangements and the claw back of surpluses in Direct payment Accounts. The audit will also provide assurance that direct payments are in line with service user's Direct Payment agreements and support plans.
Banking Services Contract	To provide on-going assurance over the operations of the new banking contract, particularly: <ul style="list-style-type: none"> • the cash collection arrangements/use of Kings etc. following the unavailability of the Post Office network (under the new arrangements); • social care banking arrangements; • assurance that the new banking service arrangement has captured <u>all</u> bank accounts that are being used for Council business; contract management and monitoring arrangements are in place.
Parent Pay - School's online payment system	The Council receives circa £25m per annum via parent pay, schools online payment system. Internal Audit will review the system controls in place (centrally and locally at schools) to ensure that all income received via parent pay can be accurately accounted for.
Strategic Property Asset Management - Strategic Property Partner	At the end of 2014, Kier were appointed as the Council's Strategic Property Partner and internal audit provided assurance over the procurement exercise. Further Internal audit input will be required in 2015/16 to provide assurance over the governance arrangements /processes to be put in place for the strategic partnership post contract award including the monitoring and management arrangements as well as the framework for accounting for assets, investment funds and capital receipts.
Procurement (Staffordshire Procurement)	To review the procurement arrangements operating within Staffordshire Procurement to ensure that the new Regulations (i.e. The New Public Contracts Regulations 2015 which came into force in February 2015) have been embedded and are being complied with.
SAP Enterprise (Electronic Ordering System)	On 1st June 2015, the new purchasing solution went live (SAP Enterprise). The review will evaluate the key controls operating over:- <ul style="list-style-type: none"> • Orders are raised for all relevant purchases. • Orders are complete, accurate, authorised and appropriate to the County Council's needs. • Invoices are released to the SAP Accounts Payable module only under a valid order.

	<ul style="list-style-type: none"> • System reports are accurate, timely and acted upon • Amendments to the system and its master data are adequately controlled. • Adequate supervision and management structures/ arrangements are in place
Adult Financial Services Team - Deferred Payment Agreements for Care Costs	The Care Act 2014 has introduced deferred payment agreements for care costs. Internal Audit has been requested to provide assurance that the requirements of the Care Act 2014 in relation to deferred payment agreements are being complied with and that the system control in place to administer, manage and monitor these payments are robust.
Purchasing Cards	The tender was re-let towards the end of 2014/15 and a new purchase card provider selected (RBS). Circa £250k is spent per month via a purchase card. The number of purchase cards has increased as cards are seen as a more efficient way of paying for goods rather than using imprest accounts. The audit review will focus on both the central controls operating by the Payments Team and the controls operated locally at a sample of establishments..
Alito E-Tendering	The Alito e tendering system is to be upgraded in 2015/16. The review of the IT application will specifically cover: <ul style="list-style-type: none"> • Roles, responsibilities and system access permissions; • IT application controls for input, processing and output; • Information security and confidentiality; • System audit trails; • Back-up and recovery arrangements
SAP Payroll	To review the processes in place within the Payroll System to ensure that the control environment is robust and is operating as expected including Payroll BACS controls.
Use of Imprests	To input to the review of the number and use of imprest accounts following the implementation of the new banking contract.
Accounts Receivable	In light of the centralisation of the debt recovery function, it is proposed to undertake a review covering the end to end processes i.e. the raising of a debt to its collection or recovery.
E - Payments	SCC has procured a totally managed/hosted e-payments system from Capita at the end of 2014/15 and is a significant upgrade to the previous system The Income Manager has requested internal audit assurance over the continued robustness of the control environment for e-payments in 2015/16 particularly as the level income received via this source is anticipated to increase.
Main Accounting including bank reconciliations	The audit will examine key controls relating to the Council's main accounting system including bank reconciliations. This area is a key financial control process.
Adult Financial Services Team - Direct Payments (Children's)	The review will evaluate the accounting and administrative arrangements for direct payments for Children including the regularity of financial reviews, monitoring arrangements, the claw back of surpluses in direct payment accounts and that direct payments in line with the Direct Payment agreement and support plans.
Treasury Management & LloydsLink (electronic payment system)	To review the treasury management arrangements in place covering short and long term investments and borrowings. The work will also include an evaluation of the payment controls using the Lloydslink system.
Insurance	IA will continue to provide the fidelity guarantee renewal under writing information in relation to systems and controls.
Total No of Days	263
Democracy, Law & Transformation – John Tradewell	
Deprivation of Liberty Safeguards (DoLS)	To provide assurance over compliance with the Mental Capacity Act 2005 legislation: <ul style="list-style-type: none"> • Assessment, authorisation and review processes;

	<ul style="list-style-type: none"> • Compliance with statutory timescales; • Maintenance of records/audit trail; • Compliance with the Care Act 2014; • Management Checks and monitoring of caseloads.
Members Expenses	Following the limited audit review in 2013/14 of the members' expenses system, Internal Audit has been asked to revisit this area to provide assurance over the systems and processes in place. New tax changes has meant that many of the weaknesses that were highlighted in the previous audit review have been resolved, however, independent confirmation of this has been requested.
Deputyships	In April 2014, the Deputyships function transferred from People (Adult Safeguarding) to Democracy, Law & Transformation (Legal Services Unit). Management has requested further audit assurance in 2015/16 relating to the management of deputyship accounts.
Local Government Transparency Code	To provide assurance over the arrangements in place to ensure compliance with the Local Government Transparency Code.
Total No of Days	40
Public Health – Aliko Ahmed	
Public Health - Transition arrangements for staff transferring from the NHS.	To provide a watching brief on the transition arrangements for the transfer of 0-5 children's public health commissioning, through the Health Visiting Service, to the Authority from the Health Service.
Total No of Days	5
ICT – Andy Burns	
Care Director Software (Adults and Children's modules)	To undertake a follow up review and incorporating an application control audit covering: input controls output controls processing controls audit trails and transaction logs user access security controls, starters and leavers data back-up and business continuity
Cybercrime	To benchmark current arrangements in place against the Government's Cyber Essentials+ scheme.
ICT Strategy/Digital Strategy	To identify the mechanisms by which the ICT/Digital Strategy takes account of Council business objectives and prioritises development projects.
IT Risk Management	To review the arrangements within IT for identifying and managing operational risks.
CRM & Customer Services	Application system and security review of New CRM system
Multi Agency Safeguarding Hub	To review the arrangements for the control of sensitive data including the use of GCSx accounts within the MASH.
Network Perimeter Firewall and Intrusion Detection	To review the methods by which the Council protects itself from the outside world. This will include a review of arrangements for Penetration testing.
IT Stores	To review the controls operating within the new stock management arrangements including the use of the new wider asset management system – Snow.

PSN compliance and Network Security Controls.	To review the arrangements to ensure on-going PSN compliance including documented network security standards and complete and accurate network diagrams.
SAP	Follow up reviews on unattached objects and authorisation limits and additional coverage regarding the controls operating over the use and accessibility of audit logs..
(Oracle) Database System Management	A number of key SCC systems run on Oracle including SAP and the Pension system. The audit will review logical security settings across the Oracle database security environment.
Staffordshire Marketplace	To undertake a post implementation review to ensure that the hosting and application controls surrounding the solution are operating effectively.
(Legacy) Operating System Management	To review the arrangements in place to migrate systems and services from legacy operation systems (esp. Windows Server 2003) to ensure that business and operational risks are managed.
Use of GCSx PSN accounts	To review the controls surrounding the use of GCSx accounts to ensure there is not the potential for security risks.
Total No of Days	124
Strategy & Customer Services – Kate Waterhouse/Dionne Lowndes	
Locality Working - Community Partnerships	The District Commissioning Leads are working with commissioners and partners to develop locality plans for the 8 districts to identify priorities to deliver safer communities, jobs, growth, health and wellbeing. The Accountable Body varies within each district and therefore a Memorandum of Understanding has been agreed identifying the roles and responsibilities for each district. Whilst one year contracts have been agreed there is potential for growth in this area and the County seeks assurance over the contract and performance management arrangements.
Business Planning Process	To review the corporate business planning process to determine the link between SCC's business plan and the service plans. This work will also evaluate the links between budget accountability and the MTFS Savings.
Customer Contact Centre	The Special Education Needs and Disabilities (SEND) reforms have required changes to the front end systems operating within the Contact Centre. The review will evaluate the procedures for screening referrals and how cases for referral are determined to ensure demand is not created unnecessarily in the system or missed.
Register Offices – compliance reviews	Rolling programme of review to ensure best practice surrounding the receipt and recording of income has been implemented across all offices. A sample of Register Offices (Cannock and East Staffs) will be reviewed in 2015/16.
Total No of Days	47
Grant Verification Work	
To perform a grant verification audit for the grants detailed to ensure that the expenditure has been spent in accordance with the grant conditions. This work also requires a certified statement to be produced and signed by the Chief Internal Auditor and Chief Executive and submitted to the relevant Government Department.	NHS England – Section 256 expenditure, Community Capacity Capital Grant, Staffordshire TEND, Result, Adopt & Keep grant, Regional Growth Fund – Business Growth Hub Project, Pinch Point Schemes, Growth Hub Investment to the LEP, Local Transport Capital Block, Local Transport Capital block – pot holes funding specific, Sustainable Transport Fund, Department for Transport – Bus Subsidy grant, Public Protection - Department for Business, Innovation & Skills (BIS) - National Trading Standards Board (NTSB) Grant. Total value for all grants = £ 61.556million
Total No of Days	76

Cross Cutting Reviews	
Procurement (Outside of Staffordshire Procurement)	To review a sample of contracts awarded during 2015/16 across People, Place and One Council which has been undertaken outside of Staffordshire Procurement for compliance with Procurement Regulations/The Public Contracts Regulations 2015 and to provide assurance that best value has been obtained.
Risk Management & Controls Assurance	Time will be required in the Internal Audit Plan to develop SCC's Corporate Risk Register, Corporate Risk Framework and Assurance Framework.
Corporate Governance Working Group	Chief Internal Auditor attendance at the Corporate Governance Working Group covering areas such as Scheme of Delegation/ Gifts & Hospitality
Contingency	To respond to emerging issues/queries as an initial allocation.
Management Tasks	Including development and management of the Internal Audit Plan, liaison with key senior leaders, preparation and reporting to Audit & Standards Committee, management of the External Supplier framework and quality assurance arrangements.
Total No of Days	190
Total Days For SCC Plan	1569

Appendix C - Counter Fraud Plan 2015/16

Area	Number of Days	Completion Date
Creating an Anti-Fraud Culture		
To continue to promote the fraud awareness e-learning package on SCC's e-learning portal - Step		Throughout the Year
Produce and Circulate Edition 10 and 11 of the Fraudwatch Newsletter across the Council via the intranet.		July 2015 January 2016
Raise staff awareness of fraud, corruption and bribery risks through audit work and workshops, as appropriate.		Throughout the Year
Disseminate key points arising from regulatory bodies such as CIPFA and the Counter Fraud Hub (as appropriate).		Throughout the Year
Total Days		15
Deterrence		
Continue to Publicise national and local cases of proven fraud through the Fraudwatch Newsletter.		Throughout the Year
Continue to promote a zero tolerance culture against fraud		Throughout the Year
To continue to link in with the North Staffordshire Fraud Hub on regional anti-fraud campaigns and publicity during 2015/16		Throughout the Year
Total Days		10
Prevention		
Carry out Fraud Risk Assessment for 2015/16 and identify potential local proactive work to be undertaken in the year.		June 2015
Complete the Fraud and Corruption checklists as part of the following system audit reviews:- - Cash Collections; - Contracts; - Loans and Investments; - Payroll; - Pensions; - Expense Claims (Officers & Members).		By March 2016
To review the processes in place for Income Collections for a sample of establishments to ensure that all income (cash and cheques) received is recorded and banked intact		By March 2016
To review the processes in place for Cash Collections at Staffordshire Place to ensure that income collected is accounted for correctly and not misappropriated		By March 2016
HR Travel Manager - review non-compliance with internal processes and a sample of high value travel claims paid to officers and verify that they are properly payable.		By March 2016
To undertake a joint exercise with the Department for Work and Pensions to ensure that special guardianship payments are paid correctly where children have been placed with friends and family		By March 2016
To carry out targeted testing regarding high value/volume purchase card transactions.		By March 2016

To carry out a review of the processes in place to control, manage and monitor fuel cards both centrally and at a local level, including sample checking a number of fuel card transactions for a sample of locations to ensure they had been correctly incurred.		By March 2016
To undertake an analysis of vendor management.		By March 2016
To review a sample of appointeeship/ deputyship and community account transactions relating to service users to ensure that they are legitimate.		By March 2016
To carry out targeted testing regarding income clearing accounts to identify delays in banking or non-banking of income that has been cash receipted within the system.		By March 2016
To review the financial administrative arrangements relating to a small sample of visitor centres.		By March 2016
To review the controls in place to deal with the seizure of counterfeit and illicit goods within Trading Standards.		By March 2016
To review the controls in place to deal with the seizure of counterfeit and illicit goods within Trading Standards.		By March 2016
To review the Local Members Divisional Highways Programme.		By March 2016
To review the management and administration of personal travel budgets.		By March 2016
Continue to monitor calls made to the County Council's Fraud Hotline and take appropriate action and disseminate intelligence received from the National Anti-Fraud Network of Local Authorities		By March 2016
Continue to regularly monitor imprest account balances and ascertain reasons for accounts becoming overdrawn. In addition, carry out a small sample of unannounced visits to those establishments where an account has become significantly overdrawn and confirm systems of control		By March 2016
Total Days	146	
Detection		
Continue to participate in the NFI data matching exercise		Throughout the Year
Develop the partnership working arrangements with the Fraud Hub to identify potential matches for investigation		Throughout the Year
Total Days	40	
Investigation		
Continue to undertake investigative work when issues of concern are identified through routine audit, reported by management or via the whistleblowing processes in place		Throughout the Year
Total Days	200	
Management		
Representation at the MCCIAG Fraud Sub group and SCAG working groups		Throughout the Year
Continued liaison with the Director of Finance and Resources as and when issues arise		Throughout the Year
Develop Internal Audit's knowledge of emerging fraud risks through appropriate training.		Throughout the Year
Attendance at Corporate Governance Working Group as and when required		Throughout the Year
Grand Total (Days)	421	

Appendix D – Quality Assurance Programme

Quality Assurance

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

Quality Improvement Plan

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

Ongoing Monitoring

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

Role of the CIA -

- To develop and maintain the Quality Assurance Improvement (QAIP) and resultant action plan.
- Focus on evaluating conformance with the Internal Audit Charter.

- Arrange an External Assessment in-conjunction with the Audit & Standards Committee.

Role of the Audit Managers

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

Role of Individual Auditors

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

Audit and Standards Committee – 30 June 2015

Code of Corporate Governance

Recommendations

1. To note that following review by the Council's Corporate Governance Working Group, no material changes are proposed to the current Code of Corporate Governance ([Appendix 1](#)) or Single Sheet Local Framework ([Appendix 2](#)).
2. To note the progress made on implementing the Corporate Governance Action Plan 2014/15 ([Appendix 3](#)).
3. To approve the Corporate Governance Action Plan 2015/16 ([Appendix 4](#)).

Joint Report of the Director of Democracy, Law and Transformation and the Director of Finance and Resources

Background

4. The annual review of the Code of Corporate Governance (and Single Sheet Local Framework) has been undertaken by the Council's Corporate Governance Group and the conclusion reached that no material changes are proposed to the Council's over-arching Code of Corporate Governance ([Appendix 1](#)) or the Single Sheet Local Framework ([Appendix 2](#)).

Progress against the Action Plan 2014/15

5. Progress against the Action Plan 2014/15 is reproduced at [Appendix 3](#).

Development of the Action Plan 2015/16

6. The Action Plan 2015/16 is reproduced at [Appendix 4](#).

Equalities and Legal and Climate Change Implications

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

Resource and Value for Money Implications

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

Risk Implications

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

Report author

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List of Background Documents:

CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Framework – Addendum December 2012

CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Guidance Note for English Authorities – 2012 Edition

STAFFORDSHIRE COUNTY COUNCIL - CODE OF CORPORATE GOVERNANCE

Introduction

The County Council has adopted a Code of Corporate Governance based upon the CIPFA / SOLACE document entitled “Delivering Good Governance in Local Government: Framework.

What do we mean by Governance?

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

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

The Corporate Governance framework consists of six core principles:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

The County Council’s Code of Corporate Governance specifically identifies the actions to be taken in relation to each of the six core principles. On a more practical basis, and in order to assist the reader, a single sheet which defines the local framework by reference to key documents and contributory processes is detailed at the end of the Code.

The Audit and Standards Committee is responsible for approving this Code and ensuring it is kept up to date by reviewing its operation on an annual basis.

Actions to be taken by the County Council in relation to each principle of corporate governance

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The County Council will:

- Develop and promote the authority's purpose and vision
- Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements
- Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners
- Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance
- Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available
- Put in place effective arrangements to identify and deal with failure in service delivery
- Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.
- Measure the environmental impact of policies, plans and decisions

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The County Council will

- Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice
- Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers
- Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for the collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required
- Make a Chief Executive responsible and accountable to the authority for all aspects of operational management
- Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
- Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control
- Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with
- Develop protocols to ensure effective communication between members and officers in their respective roles
- Set out the terms and conditions for the remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel
- Ensure that effective mechanisms exist to monitor service delivery
- Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated
- When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority
- When working in partnership;
 - ensure that there is clarity about the legal status of the partnership
 - ensure that representatives of organisations both understand and make clear to all other parties the extent of their authority to bind their organisation to partner decisions

Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The County Council will

- Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
- Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols
- Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice
- Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners
- Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
- Develop and maintain an effective audit and standards committee
- Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority
- In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The County Council will

- Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible
- Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice
- Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee
- Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints
- Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications
- Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately
- Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs
- Ensure that effective arrangements for whistle blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access
- Actively recognise the limits of lawful activity placed on the authority by, for example, the ultra vires doctrine but also strive to utilise its powers to the full benefit of the community
- Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the authority by public law
- Observe all specific legislative requirements placed upon the authority, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into its procedures and decision making processes

Developing the capacity and capability of members and officers to be effective

The County Council will

- Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis
- Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority
- Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively
- Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
- Ensure that effective arrangements are put in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs
- Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority
- Ensure that career structures are in place for members and officers to encourage participation and development

Engaging with local people and other stakeholders to ensure robust public accountability

The County Council will

- Make clear to itself, all staff and the community to whom it is accountable and for what
- Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required
- Produce an annual report on the activity of the scrutiny function
- Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively
- Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result
- On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period
- Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so
- Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

Staffordshire County Council Corporate Governance Framework
Principles, Statutory Obligations and Organisational Objectives

APPENDIX 2



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

Key Documents: Annual Review / Production

- Annual Outturn Performance and Finance Reports
- Annual Information Governance Statement
- Corporate Information Security Policy
- Corporate Property Strategy
- Corporate Risk Register
- Delegations from/to Directors Business Plan
- Innovation & Efficiency Board
- Internal/External Audit Protocol
- ICT Strategy
- Medium Term Financial Strategy
- Members Allowances Scheme
- Prudential Code & Treasury Management Strategies
- Risk Management Policy Statement
- Statement of Accounts
- Strategic Plan
- Staffordshire Strategic Partnership

Key Documents: Ad-Hoc Review / Production

- Anti-Fraud Work plan
- Business Continuity Plans
- Change Management Framework
- Communications Strategy
- Community Engagement Framework
- Constitution
- Corporate Procurement Strategy and Regulations
- Equality and Diversity Information
- Financial Regulations
- Health and Safety Policies
- Information Governance Framework
- Integrity Policy Statement
- Internet Transparency Pages
- Member/Officer Relations
- Members' Code of Conduct
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Partnership Policy
- Performance Management Framework
- Record of Decisions
- Whistle Blowing Policy

Contributory Processes/ Regulatory Monitoring

- | | |
|------------------------------------|------------------------------|
| Annual Governance Statement | Job Descriptions |
| Audit and Standards Committee | Job Evaluation Process |
| Budget Accountability Statements | Law & Governance |
| Corporate Governance Working Group | Member Training |
| Corporate H&S Process | Monitoring Officer |
| Corporate Intranet | My Performance Conversation |
| Council Tax Leaflet / Information | Schedule of Council Meetings |
| Customer Feedback Process | Scrutiny Framework |
| Director of Finance and Resources | Staff Induction |
| Consultative Forums | Staff Surveys |
| External Audit | Staffordshire Web |
| Finance and Resources | Organisational Development |
| Head of Paid Service | Safer Recruitment |
| H&S Champion | Staffordshire Magazine |
| Independent Remuneration Panel | |
| Inspectorate Reports | |
| Internal Audit | |

CORPORATE GOVERNANCE ACTION PLAN 2014/15**Carried Forward from Previous Years**

Action	SLT Lead Officer	Progress
Review high level governance arrangements to make sure they continue to be fit for purpose in light of the increasingly and integrated partnership environment in which the County Council operates	Corporate Governance Working Group	On-going The Council's relationship with SSOTP has been refreshed under its new 75 agreement. Following the appointment of Kier, a Strategic Property Partnership Board has been established. A new governance framework has been put in place for the Infrastructure+ partnership
Review ICT Strategy	Director of Finance and Resources	Deferred pending outcome of SAP review
Review Procurement Regulations and ensure consistency with commissioning intentions	Director of Finance and Resources	Deferred pending assessment of implications arising from the Public Contract Regulations 2015
Review Financial Regulations	Director of Finance and Resources	Deferred
Review Director decision making Process (e.g. recording of significant decisions)	Director of Democracy, Law and Transformation	Completed
Review Integrity Policy Statement	Corporate Governance Working Group	Completed

New Actions

Action	SLT Lead Officer	Progress
Review Corporate Information Security Policy	Director of Democracy, Law and Transformation	Completed
Review progress on implementing the requirements of the Bribery Act 2010	Director of Finance and Resources	Completed

Review format and content of the Corporate Risk Register	Corporate Governance Working Group	Corporate Risk Register reviewed – Further Consideration required on process to capture operational risks emanating from the Business Plan
Review Risk Management Policy Statement	Corporate Governance Working Group	Deferred pending completion of above process
Review process for communicating key governance documents	Corporate Governance Working Group	On-going

CORPORATE GOVERNANCE ACTION PLAN 2015/16**Carried Forward from Previous Years**

Action	SLT Lead	By When
Review high level governance arrangements to make sure they continue to be fit for purpose in light of the increasingly and integrated partnership environment in which the County Council operates	Corporate Governance Working Group	On-going
Review ICT Strategy	Director of Finance and Resources	31 March 2016
Review Procurement Regulations and ensure consistency with commissioning intentions	Director of Finance and Resources	30 September 2015
Review Financial Regulations	Director of Finance and Resources	31 March 2016
Review format and content of the Corporate Risk Register with specific reference to operational risks emanating from the Business Plan	Corporate Governance Working Group	30 September 2015
Review Risk Management Policy Statement	Corporate Governance Working Group	31 December 2015
Review process for communicating key governance documents	Corporate Governance Working Group	On-going

New Actions

Action	SLT Lead	By When
Review Corporate Property Strategy to include defining the role of the Strategic Property Partner	Director of Finance and Resources	31 March 2016
Review of compliance with Local Government Code of Transparency 2015	Director of Law, Democracy and Transformation	31 January 2016

Review each principle of corporate governance against the requirements of a Commissioning organisation	Corporate Governance Working Group	31 March 2016
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Local Members' Interest
N/A

Audit and Standards Committee – 30 June 2015

Work Programme for the Audit and Standards Committee / Member Training Update

Recommendations

1. To note that the indicative agenda for the meeting on 14 September 2015 will be confirmed following consultation with the Chairman.
2. To consider the need for a programme of awareness training having regard to the rolling work programme.

Report of the Director of Finance and Resources

3. The rolling work programme is attached at Appendix 1.

Training Update

4. The following session(s) have been provided to Members of the Audit and Standards Committee subsequent to the County Council elections in May 2013.
 - The role of the Audit and Standards Committee
 - Understanding the Statement of Accounts

Equalities, Climate Change, Legal and Resource and Value for Money Implications

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

Risk Implications

6. Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an audit committee, independent from the executive and scrutiny functions. Effective audit committees raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. In addition, they enhance public trust and confidence in the financial governance of an authority. In order to discharge their responsibilities, it is vital that audit committee members receive full and regular training.

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List of Background Documents

None Specific

APPENDIX 1

ROLLING WORK PROGRAMME OF THE AUDIT AND STANDARDS COMMITTEE

8 December 2014 – Agenda

Annual Report on Health, Safety and Wellbeing Performance
Annual Audit Letter 2013/14
Internal Audit Plan Update – 2014/15
National Fraud Initiative (NFI) – 2014
Work Programme for the Audit and Standards Committee / Member Training Update
Internal Audit Reports – High Risk Reviews plus Limited Assurance Reviews plus Special Investigations

26 January 2015 –Agenda

Meeting Cancelled

23 March 2015 –Agenda

Proposed Changes to the Constitution
Annual Report on Information Governance
External Audit Plan 2014/15
Staffordshire Pension Fund – External Audit Plan 2014/15
Protecting the Public Purse – Fraud Briefing (2013/14 Exercise)
Launch of the North West Staffordshire Fraud Hub
Work Programme for the Audit and Standards Committee / Member Training Update
Internal Audit Reports – High Risk Reviews plus Limited Assurance Reviews plus Special Investigations

30 June 2015 –Agenda

Proposed Changes to the Constitution – New Regulatory Requirements re Procedure for Discipline or Dismissal of Head of Paid Service, Monitoring Officer and Chief Financial Officer
External Audit – Progress Report
Internal Audit Outturn Report 2014/15
Internal Audit Charter
Internal Audit Strategy and Plan 2015/16
Code of Corporate Governance
Work Programme for the Audit and Standards Committee / Member Training Update
Internal Audit Outturn Report 2014/15 – Appendix 1

14 September 2015 – Indicative Agenda

Annual Governance Statement
Training Session - Understanding the Statement of Accounts
2014/15 Statement of Accounts
Report to those Charged with Governance
Corporate Risk Register and Policy Statement – Update
Work Programme for the Audit and Standards Committee / Member Training Update

Future Agendas

- * English National Concessionary Travel Scheme – Update
- * Bribery Act 2010 - Update
- * Mental Health Trust, Financial Management Arrangements - Update
- * Auditing in a Commissioning Environment
- * Format of the External Assessment of Internal Audit *
- * Update on Staffordshire Health Economy (SSOTP / Better Care Fund / Care Act)
- * Procurement Regulations and Financial Regulations

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of Part 1 of Schedule 12A
of the Local Government Act 1972

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