

Audit and Standards Committee

Monday, 5 December 2016
2.00 pm
Oak Room, County Buildings

John Tradewell
Director of Strategy, Governance and Change
25 November 2016

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 26 September 2016** (Pages 1 - 10)
4. **Health, Safety and Wellbeing Performance Annual Report** (Pages 11 - 32)
Report of the Health, Safety and Wellbeing Manager
5. **Annual Audit Letter 2015-16** (Pages 33 - 54)
Report of the External Auditor
6. **Internal Audit Plan 2016-17** (Pages 55 - 62)
Report of the Director of Finance & Resources
7. **National Fraud Initiative** (Pages 63 - 66)
Report of the Director of Finance and Resources
8. **Fraud Briefing** (Pages 67 - 82)
Report of the Director of Finance & Resources
9. **Forward Plan 2016-2017** (Pages 83 - 88)
10. **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)

11. Staffordshire and Stoke on Trent NHS Partnership Trust Update

Update from the Director of Health and Care

12. Internal Audit Reports - Update on Limited Assurance Review (Pages 89 - 90)

13. Exempt minutes of the Audit and Standards Committee meeting held on the 26 September 2016 (Pages 91 - 92)

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

Note for Members of the Press and Public

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Minutes of the Audit and Standards Committee Meeting held on 26 September 2016

Present: Martyn Tittley (Chairman)

Attendance

Mike Davies (Vice-Chairman)	Philip Jones
William Day	Robert Marshall
Brian Edwards	David Smith
Michael Greateorex	Alison Spicer
Derrick Huckfield	Mike Worthington

Apologies: Councillors Derek Davis, OBE, Kevin Jackson, Diane Todd and Caroline Wood

PART ONE

33. Declarations of Interest

Councillor Alison Spicer declared an interest as a member of Staffordshire Pension Fund.

34. Minutes of the Meeting held on 27 June 2016.

The Chief Accountant explained that the meeting had had to be rescheduled to take place on the 26 September due to this being the first audit undertaken by the new external auditors and a couple of technical notional adjustments being made to the accounts.. The Committee were thanked for moving the meeting whilst the adjustments were finalised and it was noted that the meeting was still being held within the deadline of the 30 September.

The Chairman suggested that the September meeting in 2017 should take place towards the end of September to ensure that paperwork would be available beforehand.

There was a discussion in respect of ongoing concerns about the value for money that the council receives from external contracts/partnerships. Whilst there are a number of ways that this assurance is obtained the members asked that concerns in respect of Infrastructure + be followed up with the appropriate scrutiny chairman.

Resolved: That the

- minutes of the meeting held on the 27 June 2016 be confirmed and signed by the Chairman.
- Committee Chairman write to the Chairman of the Prosperous Staffordshire Select Committee seeking reassurances regarding the scrutiny of the contract with Amey and Infrastructure Plus.

35. Joint Annual Governance Statement

The Chief Internal Auditor discussed the Annual Governance Statement prepared in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) which detailed what the Committee was responsible for, the aim of the governance framework, the governance framework itself, the review of how effective the governance framework was and to highlight any significant governance issues. The document was required on an annual basis.

Section three of the report detailed the systems, policies, procedures and operations in place to ensure an effective governance framework. The report detailed the review undertaken to ensure that effective governance was operational. Actions contained within the 2014/15 Statement were outlined within the report and the annex to the report contains these actions taken. An unqualified annual audit letter for 2014/15 had been received and the outturn report from internal audit had been received which gave an adequate opinion. Other reasons to have confidence that there was effective governance in place included; no issues having been reported through to the Monitoring Officer or the Chief Financial Officer under their official powers, effective scrutiny in place through the Select Committees, appropriate action plans implemented to strengthen controls, the risk register continued to be revised as the operating model continued to develop and a low number of complaints. Significant governance issues highlighted for 2015/16 would be taken forward by the officer Corporate Governance Working Group included seven key pieces of work as detailed within the report. These significant issues would be monitored by the Group and where appropriate included in the Strategic Risk Register.

Whilst the work in respect of governance arrangements was praised there remained a concern that there are risks in the number of decisions that are taken by individual Cabinet members as opposed to all the information being made available to and the decision being made by the full Cabinet. This was a concern raised previously by Corporate Review but remained a concern to date.

The Director of Finance and Resources explained that the rationale behind Delegated decisions was about being more effective and efficient in decision making. In addition to matters that are delegated to each Cabinet member there are occasions when a collective decision of the whole Cabinet was required in respect of overarching direction and intent but for reasons of effective and efficient decision making the detail in respect of that decision is considered and the decision made by the appropriate Cabinet Member. This was in accordance with the County Council's arrangements which were consistent with good practice guidance.

Whilst there are, in addition, informal ways that decisions are discussed by all Cabinet members the concerns for individual Cabinet members remained using the issues around the Better Care Fund (BCF) as an example.

Concerns were also raised in respect of the quantity and complexity of the issues that the County Council needed to respond to within limited resources, particularly time.

The Sustainability and Transformation Plan (STP) in respect of how local authorities and Clinical Commissioning Groups (CCGs) could spend NHS money was one example but there are many others.

Resolved: That the

- Audit and Standards Committee approve the Annual Governance Statement.
- Chairman of the Audit and Standards Committee write to the Leader of the Council regarding the Committee's concerns in relation to delegating decisions to one Cabinet Member, in particular making reference to recommendations made previously by Corporate Review and concerns regarding the BCF.

36. Statement of Accounts

The report was introduced and the slides circulated to the Committee prior to the meeting explained the format, content and the rules that existed for the Statement of Accounts and highlighted some of the key points in relation to the 2015/16 accounts.

The County Council had £1.2 billion yearly gross expenditure. To comply with the rules of local government accounting the accounts have to apply with international standards and a range of notional transactions had had to be included to demonstrate compliance with international standards. These notional transactions are then reversed out, complicating the accounts.

In response to a question, the Chief Accountant clarified that there were two schools funded through PFI mechanisms in the 2015/16 year of account, neither of which had transferred to academy status. Looking to the future, one school was likely to move to an academy and the implications of this were being considered. The arrangements would be dependent on who would continue to receive the funding for the borrowing. If this went to the academy the liability under the contract would also move to the academy. It was uncertain if this would be the case however as two schools were let as one contract and this contract would therefore need to be separated. The funding for borrowing would follow where the liability fell so there would be no impact on the Council however there would be notional adjustments to be made which would then need to be reversed out.

In response to a question, the Director of Finances and Resources explained that although it was too early to say what the impact of Brexit would be, the Pension Fund since Brexit had increased in its value because of increased stock market valuations. There was uncertainty about the impact in the medium term but in the short term the biggest impact of Brexit had been on exchange rates rather than the value of assets. Most commentators anticipated that there would be a negative impact in medium term growth but the long term impact would depend on the alternative arrangements secured with the markets in Europe post Brexit.

In response to a further question in respect of PFI, the Chief Accountant reassured the Committee that the previous accounting treatment which was based on a set of assumptions and judgements on the contract was correct. The accounting was not wrong but the interpretation of the clauses in the PFI contract had changed as the external auditors had had a slightly different view of the assumption around the operator's income from third parties. Any waste to resource plant would generate

electricity and the income from this had to be treated as either due from the County Council or from users. The interpretation of what was a user had been questioned. The external auditor's interpretation of a user of the plant meant that the notional liability needed to be split. The PFI asset was shown notionally in the County Council's assets and this had to be balanced against a finance lease. The interpretation placed by the external auditors meant that the liability had to be split between that which was related to the finance lease and that which was related to other third party operators. The issue came down to the interpretation of how the notional asset was funded, how much from the County Council and how much from the third party user. This resulted in many debates and the cost of service and cost of financing having to be split, however this was purely notional as the PFI asset was not yet the County Council's. By the time the decision had to be made, the papers had had to be sent out to the Committee so the decision was made to defer the date of the Committee. The process would be much more straightforward next year as the interpretation had now been agreed.

In response to a question regarding the moving of un-useable reserves to useable reserves to cover the loss on the transfer of school premises for example, the Chief Accountant explained that un-useable reserves were the opposite entries for the notional accounting adjustments that had to be put through. For example the pensions liability did not, under the rules, have to be funded one hundred percent as there was time under the Local Government Pension Scheme to put the pension contributions aside, however, in reflecting the notional entry on the balance sheet there had to be an opposite entry. The same applied for asset accounting as this was a notional transaction which needed an opposite entry. The un-useable reserves were not cash backed. Within the cash backed reserves, money was earmarked for specific periods. For example where the County Council had to pay out on claims or pay for other capital obligations money had been put into earmarked reserves. Earmarked reserves were for a specific purpose in accordance with the scheme of management. The surplus from previous years was called a general reserve. There was never a transfer between cash backed and non cash backed reserves.

A question was asked whether the general fund balance of £11.9 million was adequate considering that CIPFA had previously recommended that a 3-5% of managed turnover should be what was reserved.

The Chief Accountant explained that the general balance had to be spent when required. It was acceptable to spend on any deficit from general balances provided that there was a credible plan to repay the balances over a reasonable period. Due to overspend on care services general balances had gone down, however in 2016/17 the Council had budgeted for a contribution to go back into the balances of around £6 million. Taking a long term view, the general balance would be brought back more in line with the assessed requirement. However rather than a 3-5% in balances a better approach to determine this amount was to consider the risk associated. The better the risk assessment, the more money could be put into earmarked reserves and the less money was needed in general balances. An assessment had been undertaken of unknown risks and this had suggested that the County Council needed in the region of £18 - £20 million of available resources to fund these issues. When the contribution back into balances in 2016/17 was taken into account, together with an in year contingency provision of £2 million a year, over a five year period this was an addition

£10 million of available resource. There was satisfaction that there was enough general resource to address risks assessed as part of the medium term financial strategy.

In response to a question, the Corporate Finance Manager explained that where schools converted to academies in legal terms the building and land was let on a long term lease of one hundred years or one hundred and twenty five years to the academy. The Council therefore no longer controlled the asset and the building was removed from the balance sheet. The land was kept on the balance sheet however as the Council still legally owned this but the value of the land was reduced to £1 to represent that the County Council could not have any say in how the land was used.

In response to questions in respect of the County Council's interest in Entrust the Chief Accountant confirmed that in 2015/16 there was no dividend from Entrust. The Corporate Review MTFS Working Group would be considering when there was likely to be a dividend and how much that was likely to be. This would depend on the trading activity and performance of the company. Regarding the investment in Entrust, this was contained within long term investments on the balance sheet at Note 12 to the Accounts. The £53.7 million was made up of the Treasury Cash Investment of £30.4 million and the investment which the County Council held in Entrust which was £23.3 million.

Resolved: That

- Approval be given to the 2015/2016 Statement of Accounts as included in the Committee papers.
- Approval be given to the letters of representation from the Director of Finance and Resources.

37. Report to those charged with Governance

Steve Clark, Ernst and Young LLP, explained that the document presented concluded the first year of Ernst and Young's appointment as auditors to the County Council and Pension Fund. Thanks were expressed to the County Council's team in supporting the process. Overall the audit had gone well. He highlighted in terms of the opinions, an unqualified audit opinion was being issued in both financial statements in accounts terms and the value for money statement. This did not happen everywhere. Once the Committee had approved the accounts and the letters of representation the accounts could be signed. The auditors had not received any objections from members of the public and there were no unadjusted audit differences. There had been a number of audit adjustments, the major one relating to the PFI scheme which had been explained in detail earlier in the meeting by the Chief Accountant. In terms of materiality, the level to which the audit work was focussed had been discussed with the Committee previously and was referred to in the report under the scope and materiality section and there was no change to this. The external auditors had initially identified two significant risks, the risk of management override and the risk of revenue and expenditure recognition. These were standard significant risks identified in any audit of any organisation. As a result of going through the detail of the PFI, the PFI had also been classed as a significant risk because of the level of focus on this. This matter had been dealt with however and it was not anticipated this would be an issue in the future. The other area of significant work undertaken was in relation to value for money. A number of procedures had been undertaken to understand the arrangements that the County

Council had in place to secure value for money. The external auditors had examined a number of things specifically related to the BCF up until the 31 March 2016 and the auditors had concluded that they were satisfied with the arrangements that the County Council had in place.

Mark Surridge, Ernst and Young LLP, explained that the audit had commenced with two significant risks over the financial statement. The extent of the work that the external auditors planned to perform in relation to the significant risks was set out in the report, and the Committee could take assurances from work that the external auditors had undertaken. Assurance was given that there was no issues to report in relation to the significant risk that management may override controls and manipulate the financial statement in a way that they should not. Secondly, regarding the significant risk around expenditure recognition which was essentially the undercounting of expenditure to manage the financial position incorrectly, a variety of procedures had been undertaken to give the Committee assurance that the expenditure in the financial statement was not materially misstated. The PFI work was very technical and took time to conclude due to the nature of interpretation and judgement required. There were some adjustments to the accounts but none of the adjustments impacted on the County Council's general fund as they were all financial reporting technical adjustments that mostly moved figures around the accounts but did not affect the overall financial resilience of the organisation.

A Member referred to the Governance Statement which had stated that to achieve savings and do more and better for less, a Challenge Board had been set up including the Deputy Leader, Chief Executive and Director of Finance and Resources. This Board was responsible for finding savings and value for money. The auditors' key findings however identified significant risk that insufficient arrangements were in place to identify savings to bridge the financial gap. It was queried if the present arrangements were insufficient or if the governance system was working well in finding these savings?

It was explained that because of the scale of the savings that the Council was working towards and the challenges that the Council faced this had been identified as a significant risk that the Council may not have had arrangements for. The auditors however had looked at the arrangements in place and operating up until the 31st March 2016 and concluded that the arrangements were adequate at that point in time.

The Member raised concern that the term insufficient had been used and the auditor clarified that the information meant that there was a significant risk that the arrangements may not be in place. Further work was undertaken to determine if the arrangements were adequate and the auditors believed that they were. This did not mean that there was not a significant risk but that the arrangements in place were adequate.

Caroline Davies, Ernst and Young LLP, discussed the high level messages in the audit report for the Pension Fund. At the time of writing the auditors were awaiting the Pension Fund's Annual Report which had now been received and it was anticipated that audit procedures would be completed in time for the Pensions Committee in October. There were no unadjusted differences that auditors wished to present. There were however two minor changes to the statements, one in regard to the contributions and one in regard to an updated valuation. One significant risk had been identified which was in relation to management override and there was nothing the auditors needed to

bring to the Committee's attention regarding the work undertaken on that particular risk. One further risk was identified in regard to the valuation of complex investments which were more judgemental in nature, for example hedge funds and private equity. The detailed work to give assurance in this area was detailed in the report and there was nothing that needed to be brought to the Committee's attention.

In response to a question in respect of BCF income, the Director of Finance and Resources reported that the Council was still in an escalation process with the Department of Health around the BCF. Nothing had been received through the BCF in the current financial year and the Cabinet had therefore put in place controls on non essential spending to compensate. The resolution of the escalation process had not concluded but from a financial planning point of view a Cabinet report, which had been Called In by scrutiny, identified a series of savings to compensate if the money was not received going forward. There were £4 million in savings in the current year, rising to £14 million in a full year. Financially the assumption was that the County Council would get nothing out of the BCF after the current financial year because it was prudent to do so, but if the escalation did secure some money for the Council this would enable money to be put back into the Council for health and care or other priorities. Over the medium term the Sustainable Transformation Plan process was the mechanism in which the Council, in accordance with national guidance, could get greater NHS contributions towards adult social care.

In response to a member question in respect of whether the council tax increase had been sufficient to cover the shortfall in funding from the health economy the Director of Finance and Resources clarified that the extra 2% on Council Tax was the Staffordshire taxpayers contribution to adult social care. This was separate to the BCF monies which were intended to be the the NHS contribution towards adult social care.

Resolved: That the Committee

- Note the Staffordshire County Council Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2016.
- Note the Staffordshire Pension Fund Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2016

38. Code of Corporate Governance

The Head of Democracy acknowledged the work undertaken on the item by the Chief Internal Auditor. Previously it had been brought to the Committee's attention that there had been changes to the guidance around corporate governance and the County Council was looking to introduce these changes. The assessment of the old principles compared to the new principles was included in the report. A new single page diagram of the key methods by which the Council assures itself that all was working properly was also included. There was more work to do to assure that the evidence was available to show how well the arrangements were embedded, where there were issues that needed to be reflected on and the development of a new action plan to address any such issues. . Members were asked to note that there was more work to do and that there would be further report to the Committee on progress.

Resolved: That the Committee

- Note the updated Code of Corporate Governance and the revised Single Sheet Local Framework.
- Note the progress on developing the Corporate Governance Action Plan 2016/17.

39. Future External Audit Procurement

The Chief Internal Auditor referred to reports previously shared with the Committee following the decision to close the Audit Commission and to end its role in appointing the external auditor. Original transitional arrangements for the appointment of all external auditors within the public sector and for the setting up of audit fees were extended, for one more year – 2017/18. , The Council had received confirmation that Ernst and Young LLP would continue as the external auditor for that period. When the transitional arrangements end on the 31 March 2018 each Council has the ability to move to local appointment of the external auditor. The County Council and Pension Fund should appoint an external auditor for the 2018/19 financial year by December 2017. There were three broad options available, firstly to make a stand alone appointment via an auditor panel, secondly to set up a joint auditor panel or undertake joint procurement arrangements with other public sector bodies within the particular area or thirdly to opt into a sector led body arrangement. The Local Government Association had lobbied for a sector led body to be established to potentially procure future audit contracts. This body would have the ability to negotiate contracts nationally, potentially maximising opportunities to procure sustainable external audit arrangements on behalf of the whole sector. In July 2016 it was announced by the Department for Communities and Local Government that Public Sector Audit Appointments Limited had been named as the sector led body and that the first appointments made by this body would be for 2018/19. The advantages and disadvantages of each option were outlined in the Committee paper, including a detailed question and answer paper published by Public Sector Audit Appointments Limited. CIPFA had produced guidance on setting up an auditor panel which organisations would need to adhere to when making their own appointments and also if a joint auditor panel was set up. A sector led body could provide the opportunity to potentially obtain greater scales of economy. The County Council had until 2017/18 to make an appointment but in practical terms this meant that one of the options had to be deemed as the favourable route by December 2016. Public Sector Audit Appointments Limited would be looking to issue the invitation to join the sector led body by December 2016 which would give organisations eight weeks to decide whether to go down this route. Contract negotiations would then commence in Spring 2017. Over two hundred and seventy public sector bodies had said that they would prefer the Public Sector Audit Appointments route to do the procurement on their behalf when consulted. The Council is required to take action to appoint the external auditor from April 2018. The appropriate route for the organisation would need to be approved by Full Council following a decision by the Audit and Standards Committee. The recommendation to the Committee was for the Council to opt for the forthcoming cycle of appointments to be undertaken by the Public Sector Audit Appointments route.

Resolved:

That the Committee recommend that Full Council ‘opt-in’ to the Local Government Association Sector Led Body approach via Public Sector Audit Appointments Ltd for the procurement of the External Audit contract for the financial year commencing April 2018.

40. Work programme 2016-17 for the Audit and Members Standards Committee

A Member asked if the Committee could consider if the Council should have an appeals process for decisions made by Officers in the field of licensing or contracts. It was suggested that there should be some further right of appeal as people currently could only make a complaint to the Council and then take the matter to the Local Government Ombudsman or to Judicial Review. It was requested that the possibility of setting up an appeals panel could be explored.

The Committee Chairman clarified that for the normal taxi driver function, taxi drivers had a right of appeal to the Magistrates Court. The regulated work referred to scenarios when drivers were carrying vulnerable people. He understood that in this scenario there was an appeals panel of two people who played no part in the decision making process, however this panel did not include Members of the Council. He undertook to discuss this matter with Officers.

A Member referred to a letter from the Committee to the Leader of the Council asking him to consider setting up a position of a Cabinet Member without a portfolio to focus on the financial position of the Council and Entrust. It was queried if a response had been received.

The Chairman confirmed that a reply had been received and it had been considered that there were enough checks and balances in place, including the Overview and Scrutiny Committees, and the Council therefore did not require a Cabinet Member without a portfolio.

There was a discussion in respect of the optimum time for training members in respect of changes to local government funding. It was agreed that this training was best arranged for after the elections and when there was sufficient detail available as to what was to change, how these changes affected the County Council and when the changes would be coming into force.

Resolved:

That the Committee Chairman discuss the process for appeals in relation to regulated work with Officers and report back to the Committee on this matter.

41. Exclusion of the Public

The Chairman moved that the public be excluded from the meeting for the following items of business which involved the likely disclosure of exempt information as defined in the paragraphs of Schedule 12A (as amended) of Local Government Act 1972.

42. Internal Audit Reports - Limited Assurance Review Update

Exemption under Paragraph 3

Chairman

Staffordshire County Council
Annual Report on Health, Safety and Wellbeing Performance 2015/16

1. Action Required**1.1 The County Council's Senior Managers need to: -**

- Review the findings and management information detailed in this report;
- Analyse this year's performance and identify action to ensure continuous improvement;
- Consider key actions identified for 2016/17 and decide if any further actions are required;
- Share and communicate the report to SLT, WLT and OMT; and
- Recognise the work that has been achieved to improve the council's management of health, safety and wellbeing risks.

2. Introduction

- 2.1 This report covers the period from 1st April 2015 to 31st March 2016. The aim is to provide the council's senior management, stakeholders, public of Staffordshire and others interested in health, safety and wellbeing with information about what the county council is doing to protect its employees, volunteers, contractors, service users, pupils and members of the public.
- 2.2 Health, safety and employee wellbeing in the county council is part of the overall risk management strategy, which aims to identify and manage risks to the county council and its services to the public. Health, safety and employee wellbeing focuses on the risks of injury and ill health that can arise from the wide range of activities necessary to deliver the services to the people of Staffordshire.
- 2.3 This report identifies progress against the key action points outlined in the action plan for 2015/16 and identifies key priorities for 2016/17.

3. Background

- 3.1 The type of health and safety risks involved are varied, but include:-
- Work related ill health including stress at work
 - Manual handling
 - Lone working
 - Violence and aggression
 - Transport and road risks
 - Slips, trips and falls

- 3.2 An organisation with such a broad range of activities as Staffordshire County Council has a wide variety of risks to manage and the above list represents only some of the most common risks across the council. To ensure that all risks are identified, the council has a risk assessment process for use by managers and staff.
- 3.3 Our services are often delivered via partnership arrangements. These include a wide range of external organisations such as the NHS, charities, contractors and volunteers. By focusing on co-operation, communication and co-ordination with our partners, we aim to ensure that these operations are also effectively managed as safely as is reasonably practicable.
- 3.4 To support the management of health, safety and employee wellbeing the council employs a number of specialists, including health and safety specialists, occupational health specialists who provide support for employees, property management specialists etc. In the workplace there are trained safety representatives nominated by trade unions who help to monitor health, safety and wellbeing as well as represent employees during consultation.

4. Action taken during 2015/16 to improve Health, Safety and Wellbeing Management Arrangements

4.1 Key Successes

- 4.1.1 Revised health and safety audit and evaluation arrangements were developed and launched in 2015 to improve the council's monitoring arrangements and make them fit for a commissioning authority and the changing shape of services. The new arrangements make the monitoring simpler for managers to use and releases management time. The new arrangements have a risk based approach within the process. The new arrangements have been well received and completed effectively across the organisation with the majority of services now having an annual improvement plan in place for 2015/16.
- 4.1.2 ThinkWell was launched in September 2014 to help manage increasing levels of psychological absence. As a result of the benefits that ThinkWell brought to the organisation, SLT agreed to extend the service to allow further embedding across the organisation. The year 2015/16 shows an overall 7% reduction in psychological absence, building further on the achievements of previous years. The service has seen a 22% increase in employees being referred. 52% of referrals were preventative (remained in work). Feedback from individuals accessing the service and their managers is that they find it very beneficial. The service continues to perform well with 95% of referrals being contacted within 48hrs. 13% of employees have accessed the online self-help toolkit.
- 4.1.3 The council's musculoskeletal prevention and early intervention activities have continued to provide benefits to the organisation and maintained the reduction achieved over the previous two years.
- 4.1.4 The Health, Safety and Wellbeing Service maintained its diverse training programme to meet the needs of the organisation. A "Developing Personal Resilience" training course was launched to support individuals and teams. The training allows individuals to develop positive behaviours which can improve their mental wellbeing and have an awareness of how behaviours impact teams. Bespoke briefings

“Looking After Yourself in Professional Practice” were developed and provided to frontline employees in Families First in conjunction with the Principal Social Worker. Feedback from participants and line managers indicates that they have seen positive behaviours and outcomes as a result of embedding resilience practices within their workforce.

- 4.1.5 Following the conclusion of the Thomas Bucket v SCC civil liability case the Health, Safety and Wellbeing Service developed additional guidance on site security and managing of lettings. Although the judge dismissed the case against the council as the claimant was a trespasser and the premises were not in an unsafe state, the organisation has taken proactive steps to ensure that all potential learning from the unfortunate situation has been fully utilised. A series of briefings and guidance was launched for the organisation, governing bodies and schools.
- 4.1.6 Completed 74 School and 19 Core Council audits of services to review their health and safety management arrangements and develop improvement plans.
- 4.1.7 Completed 97 health and safety planning meetings with schools who purchased the Additional Service Level Agreement to allow them to identify key risk gaps and develop management plans to improve their health, safety and wellbeing performance.
- 4.1.8 Over 60% of the workforce has now engaged with one or more of the council’s wellbeing activities, helping and supporting colleagues to improve their personal wellbeing. Over 3000 colleagues have used the self-service wellbeing stations and taken part in the council’s “know your numbers” campaign which allows colleagues to understand their health risks and simple steps they can take to improve their health and wellbeing.
- 4.1.9 The Health, Safety and Wellbeing Service has also responded to and managed several emergency situations and serious incidents during 2015/16.

4.2 Service Level Agreements (SLA)

- 4.2.1 99% of maintained schools purchased the health and safety service during 2015/16 with just 4 schools seeking other provision. 97 maintained schools purchased the additional service level agreement. The Headteacher briefings were well attended and feedback was excellent. Headteachers have indicated that these briefings help them to understand their accountabilities and develop further their learning and skills to manage health, safety and wellbeing effectively in school environments.
- 4.2.2 Customer survey showed that 98% of customers were “very happy” or “happy” with the service delivered by Health, Safety and Wellbeing.

4.3 Improving the Health of the Workforce

- 4.3.1 Absence within the county council is now at **7.06 days** per employee, which is a decrease from last year. This level of absence is below the public sector benchmark. Prevention and early intervention activities continue to help reduce absence levels. An improvement plan has been agreed for 2016/17 which will focus on improving the use of early intervention support services.

- 4.3.2 Between 1st April 2015 – 31st March 2016, 499 employees had been referred to the physiotherapy service resulting in the following achievements:-
- 52% of corporate colleagues with a new musculoskeletal absence were referred by their manager.
 - Maintained the reduction in musculoskeletal absence achieved since implementation in 2012.
- 4.3.3 The physiotherapy service was further supported by the “Let’s Get Moving” campaign launched in 2015. This campaign embedded preventative back care activities into both manual handling training and back care awareness training.
- 4.3.4 ThinkWell has supported a 7% decrease in psychological absence in the workforce in 2015/16 which builds on previous reductions.
- 4.3.5 Colleagues supported by ThinkWell showed after treatment a 100% improvement/recovery. 95% of colleagues accessing the service described the support as helpful or extremely helpful. 98% of Managers felt the service helped them support employees. 95% of referrals were contacted within 48 hrs and the average time to first session was 6 days
- 4.3.6 Occupational Health received 1130 management referrals which is less than last year reflecting the reduction in employee numbers. 77% of all long term cases are being referred by managers to Occupational Health for support. The HR team continues to work with managers to ensure early referral to Occupational Health as early advice and support can help maintain colleagues in work or support a faster return to work.
- 4.3.7 Preventative health promotion and wellbeing events and tools operated by Health, Safety and Wellbeing Service are being used by Core County Council and schools. Feedback regarding these tools indicates that they are found to be helpful and supportive in undertaking duties and supporting their staff groups.
- 4.3.8 Flu vaccination was offered to colleagues where agreed with their manager to support continued delivery of services and the NHS flu vaccination campaign. Vaccination is an essential part of the overall infection prevention and control arrangements. Nearly 900 vouchers were supplied to schools and SCC colleagues.

4.4 Key Performance Indicators (KPI's)

- 4.4.1 The council has agreed a range of key performance indicators for health and safety against which the council can monitor progress and performance. The outcomes of these are detailed in Appendix 1, and are benchmarked against previous years. These key performance indicators demonstrate that the council is improving performance and key actions are being undertaken by managers in the workplace. It is important that the council continues to monitor these indicators to identify further scope for improvement and to maintain the gains already made.
- 4.4.2 The Health, Safety and Wellbeing Service is contacting all maintained schools who have not confirmed that they have reviewed their fire risk assessment to ensure

that they understand the importance of having an effective and adequate fire risk assessment in place and to offer support where required.

5. Health and Safety Audit and Evaluation Process

5.1 Outcomes of Internal Health and Safety Audits

5.1.1 During 2015/16 93 health and safety audits were completed by the Health, Safety and Wellbeing Service.

5.1.2 The outcome of these audits identifies the operating maturity level of the service/establishment audited. The frequency at which the service/establishment will be re-audited is based on the level of maturity achieved; allowing investment of resources where most benefit may be achieved.

5.1.3 The table below outlines the present maturity results of all services.

Maturity Level	Schools	Families & Communities	Economy, Infrastructure & Skills	Finance & Resources	Strategy, Governance & Change	Health & Care
Level 1 - Emerging	2	0	0	0	0	1
Level 2 - Managing	59	9	0	3	2	3
Level 3 - Established	82	7	5	3	1	0
Level 4 - Performing	115	3	3	3	0	0
Level 5 – Continuous Improvement	31	3	3	0	0	0
Average Score	3.5	2.9	3.8	2.99	2.3	1.75

The Health, Safety and Wellbeing Service are working with all services that have achieved levels 1 & 2 to support them to make improvements. 81% of all schools are now achieving level 3 or above in their audit which is a 5% improvement on last year. Corporately 63% of services audited in the revised process are operating at level 3 and above.

6. Accident and Incident Data

6.1 Accidents and Violence Statistics

6.1.1 See Appendix 2 for detailed accident and violent incident statistical data. Data shows that accidents have decreased by 30% and violence to employees has remained consistent. Reportable incidents to the HSE have decreased. The council's AIR (Accident Incident Rate) indicator shows an increase compared with last year.

6.2 Costs of Accidents & Incidents

6.2.1 Each accident costs the council valuable resources in staff time, sickness absences, insurance claims and other hidden costs. The estimated total costs of all incidents, including accidents and violence is based on the Health and Safety Executive's costing guidance detailed in Appendix 1 items 9 and 10. Cost of accidents has fallen for 2015/16 to £2,111,250 compared with £3,016,250 in 2014/15 (saving of £905,000). Costs of violence to employees for 2015/16 has risen very slightly to £831,250 compared to £816,250 in 2014/15 (increase of £15,000).

7. Health and Safety Investigations

7.1 Internal Health and Safety Investigations

7.1.1 The Health and Safety Advisors have continued to investigate the more serious accidents and encourage Operational Managers to investigate all accidents. Managers have been encouraged to establish both the immediate and root cause of accidents to manage the potential for reoccurrence.

7.2 Incidents during 2015/16

7.2.1 There has been a number of near miss accidents/minor injuries in schools and core council activities which could have had more serious outcomes. The Health, Safety and Wellbeing Service has investigated these incidents and helped the services and schools implement improved control measures.

7.3 Health and Safety Executive's (HSE) Involvement

7.3.1 The HSE has requested information and investigation reports on some of the RIDDOR reportable accidents, and no further action has been taken as they have been satisfied with our investigations.

7.3.2 Asbestos ceiling tiles were discovered to have been removed following self-managed work by a voluntary aided school. The work had not been notified to the HSE. The Health, Safety and Wellbeing Service supported the school with an investigation and the Chair of Governors with a formal interview with the HSE. The points of note from the investigation were shared with the Diocese and all Voluntary Aided Schools.

7.3.3 Remedial works were conducted at Flash Ley Community Primary School during July and August 2015 in order to rectify structural integrity issues with areas of the flooring that had deteriorated in February 2015. On the re-opening of the School in September 2015 the school reported a strong odour within the building.

7.3.4 On 2 October the Head Teacher contacted the Health, Safety and Wellbeing Manager at the Council to ask for urgent assistance. The Council attended site in order to assess the situation.

7.3.5 On the 2 October 2015 the school was closed as the odour appeared to be affecting the health and wellbeing of the occupants and the Health, Safety and Wellbeing Service needed to identify the risks associated with the situation. Specialist air monitoring was commissioned which identified formaldehyde levels within the school which were above both the World Health Organisation limit and both HSE EH40

short term and long term work exposure limits. As a result a decision was taken to keep the school closed and make alternative schooling arrangements until the issue could be resolved.

- 7.3.6 The Health, Safety and Wellbeing Service set up a multi-agency incident team to manage the situation, understand the potential health implications and to find temporary arrangements for the continued education of the pupils. Public Health England confirmed that the health effects were temporary and that all persons exposed should recover fully within a few days of being removed from the environment creating the exposure. The HSE implemented a “Do Not Disturb Notice” on the site on 20th October 2015 which was lifted in February 2016 to allow remedial works to commence.
- 7.3.7 The situation remains ongoing with a project team set up to manage remediation. The safety of pupils and staff are paramount and the premises will remain closed until the council is assured of its ability to be safely occupied.
- 7.3.8 The investigation of this incident has identified that the direct cause was the deficiency of the Benefil UK product used to fill the ducts. The HSE has not taken any action against the council regarding this incident.
- 7.3.9 In April 2012 the HSE launched “Fee for Intervention”. To date we have not been charged for any interventions.

8. Joint Consultation

- 8.1 The council has held health and safety committees and forums in accordance with the Health, Safety and Wellbeing Policy. Consultation forum meetings are planned for 2016/17. Union and staff views are sought on management tools and health, safety and wellbeing initiatives. The Unions supported the wellbeing days that were held. The Health, Safety and Wellbeing Service works with the Unions on campaigns and launching new initiatives.

9. Occupational Health Unit (OHU)

	2013/14	2014/15	2015/16
Ill Health Referrals	1481	1342	1133
Ill Health Retirement Requests	39	30	21
Ill Health Retirements Approved	16	14	10

- 9.1 Occupational Health management referrals have decreased compared to last year in line with workforce changes.
- 9.2 On average 77% of all absences over 21 days are being referred to Occupational Health for advice and support, however only 62% of these are sent in a timely manner. Occupational Health has provided briefings to managers on the benefits of occupational health services and how to get the best from a management referral. Advice was given on how to improve the quality of documentation sent to ensure that advice can support employees and managers to identify actions that can be taken to remain in work/return to work.

9.3 The ill-health retirement figures show a decrease in the number of ill health retirement requests. The number of ill-health retirements being granted (meeting the qualifying criteria) remains similar to the previous years.

10. Liability Claims

10.1 The number of claims occurring has remained fairly stable although a claimant has up to 3 years after the accident within which to claim. Therefore, the numbers may increase over time.

	2011/12	2012/13	2013/14	2014/15	2015/16
No. of Claims Occurred	106	83	64	59	37
Estimated Cost of payments	978,418	938,080	300,715	461,180	151,339

10.2 Background Information on Claims / Legal Developments

- 2011/12 includes one Employers Liability claim concluded at a cost of £145,417 with a further Employers Liability claim in policy period 2012/13 currently reserved at £179,000.
- Estimated Cost of Payments includes reserves. This represents insurers “best estimate” of final settlement.
- While claimants generally have 3 years post incident to pursue a claim without an action becoming statute barred (3 years after 18th birthday in the case of minors). As a result of the Jackson reforms the indications are that claims are being submitted more quickly.
- The impact of the Jackson Reforms, implemented in August 2013, is starting to be seen with reducing third party claimant costs on conceded claims

11. New Legislation & HSE Key Topics for 2016/17

11.1 During 2016/17 the Government will review the role and function of the Health and Safety Executive to ensure it remains fit for purpose.

11.2 The following health and safety issues will be the focus of the Health, Safety and Wellbeing Service during 2016/17;

- Stress in the Workplace
- Asbestos Management
- Fire Safety
- Tackling occupational health diseases
- Management of musculoskeletal conditions.

These topics when relevant will form part of the Health, Safety & Wellbeing Services 2016/17 audit programme.

12. Key Actions for 2016/17

The Health, Safety and Wellbeing Service will work as part of the HR Service to ensure that we will become the HSW Service of choice for Staffordshire County Council, its partners and providers, to deliver outcomes for Staffordshire and colleagues.

Organisational Effectiveness

- Support the organisation to ensure external contracts, joint ventures and partnership working is operating to best practice standards.
- Work with the wider risk management agenda to improve how health and safety governance and risk management work together.
- Support the property moves within the organisation to enable health, safety and wellbeing to be embedded within new operational arrangements.

People Processes

- Use management information and insight to develop targeted solutions to maintain current impact that prevention and early intervention support is achieving and seek out opportunities for further improvement.
- Continue to develop a training portfolio to meet the needs of the council and schools and develop training provision for external contracts, joint ventures and partnership working. This will include the investigation of the use of digital media.

Line Manager Capability

- Provide managers with information and feedback on how they are managing health, safety and wellbeing issues.
- Inspire managers and leaders to develop effective leadership skills applied to health, safety and wellbeing development.
- Launch and embed revised fire safety arrangements. Provide support to premises managers to improve understanding and quality of fire risk assessments ensuring that revised best practices are in place.
- Develop tools to support line managers to complete stress risk assessments and facilitate effective management and support for employees with mental wellbeing issues.

Colleague Wellbeing

- Undertake workforce wellbeing initiatives that promote employees to take personal responsibility for their health focusing on:-
 - Physical health
 - Psychological health
 - Health choices
- Build upon current foundations to create a healthy organisation.
- Further develop, embed and evaluate the resilience training to colleague mental wellbeing.
- Assess the organisation's need for mediation provision and consider the potential synergies of this with ThinkWell.

Standardisation

- Improve health, safety and wellbeing management procedures and guidance to make them more streamlined and efficient.
- Launch a revised accident and incident investigation and management system in line with SAP removal timeframe.

Consultancy Service Approach

- Further develop the health, safety and wellbeing function as a trusted and commercial partner that acts with professionalism and pride and aims to support the council's business plan and outcomes.
- Maintain a proactive consultancy ethos within the delivery of the service.
- Enhance skills within the service in order to provide additional flexibility in service.
- Provide support to external customers to encourage health, safety wellbeing within Staffordshire.

Enhance reputation of the council

- Managing health and safety incidents and accidents.
- Role modelling and supporting partner and providers to ensure effective health, safety and wellbeing practices.

13. Conclusion

- 13.1 This report provides an indication that health and safety performance has continued to improve in the last twelve months. However there remains room for growth and the council still has to reactively manage several incidents.
- 13.2 The development of the Health, Safety and Wellbeing Service is allowing the council to focus its competent health and safety advice proactively in services that present the greatest risk and/or where the health and safety management arrangements require development.
- 13.3 The key actions for 2016/17 are to further develop and embed:
- health, safety and wellbeing standards
 - prevention and early intervention services and evaluate improvement to colleague mental wellbeing; and
 - managers capability to enable them to manage performance and apply health, safety and wellbeing policies and processes effectively.

14. Contacts

Rebecca Lee - Health, Safety and Wellbeing Manager, HR, Finance and Resources
01785 355777

Appendix 1 - Key Performance Indicators

	Indicator	How Measured	2013/14	2014/15	2015/16
1.	Number of accidents	Quarterly SAP Report	2698	2413	1689
2.	Number of violent incidents to employees	Quarterly SAP Report	962	653	665
3.	Number of RIDDOR reportable incidents	Quarterly SAP report	Excluding School Sports Incidents 81 Total 94	Excluding School Sports Incidents 112 Total 123	Excluding School Sports Incidents 71 Total 73
4.	Number of Civil Claims occurred (excluding highways claims)	Quarterly	64	59	37
5.	Cost of Liability Claims	Quarterly	£300,715	£461,180	£151,339
6.	% of Premises with a Fire Risk Assessment completed/reviewed within last 12 months.	Annually	Schools 79% Core Council 91%	Schools 83% Core Council 100%	Schools 76% Core Council 95%
7.	% of Management Standards surveys returned by corporate services and Self Audits completed by schools	Annually	Schools 72% People 85% Place 73% Support Services 89%	Schools 74% People 84% Place 100% Support Services 100%	Schools 76% Families & Communities 94% Economy, Infrastructure & Skills 100% Strategy, Governance & Change 89% Finance and Resources 79% Health & Care 40% *Restructure
8.	% of Internal Health and Safety Audits completed to programme	Annually	Schools 100% People 95% Place 100% Support Services 94%	Schools 100% People 92% Place 100% Support Services 100%	Schools 100% Families & Communities 100% Economy, Infrastructure & Skills 100% Strategy, Governance & Change 100% Finance and Resources 100% Health & Care 100%
9.	Cost of accidents Number Accidents x HSE average cost of accidents (£1250 per incident)	Annually	£3,372,500	£3,016,250	£2,111,250
10.	Cost of violence to employees Number incidents x HSE average cost of incidents (£1,250 per incident)	Annually	£1,202,500	£816,250	£831,250

Appendix 2 * Data as of 25th June 2016

Table 1 Accident and Violent Incident data for 2015/16

	Employee Accidents	AIR Figure Employee Accidents**	Non-Employee Accidents	Total Accidents	Violence Incidents towards employees	Total Violence	RIDDOR Reportable Accident & Incidents*
SCC Overall	429	33	1260	1689	665	795	73
Schools	255	27	1008	1263	153	163	60
Families & Communities	155	66	244	399	512	632	13
Economy, Infrastructure & Skills	11	33	4	15	0	0	0
Strategy, Governance & Change	3	7	4	7	0	0	0
Finance & Resources	5	9	0	5	0	0	0
Health & Care	0	0	0	0	0	0	0

Table 2 Break down of RIDDOR Reportable Accidents

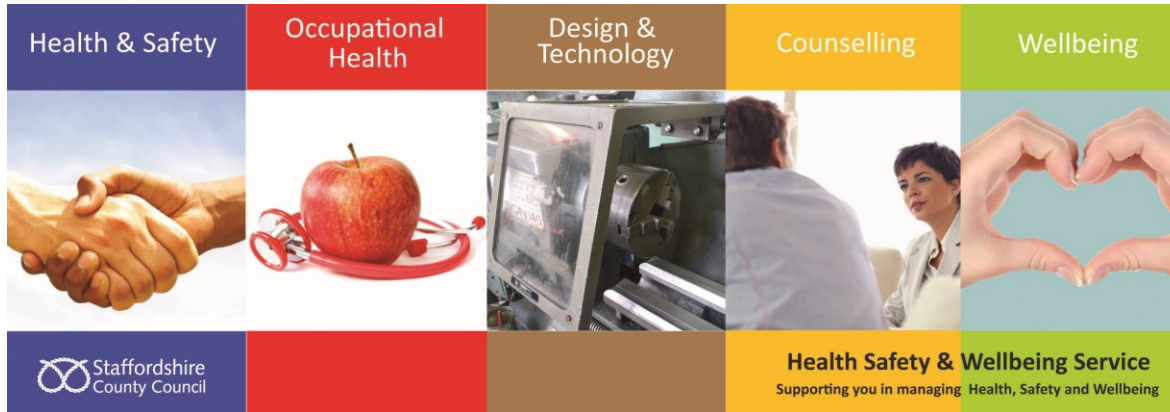
Categories of Reportable RIDDOR	Death	Dangerous Occurrence	Major injuries to people not at work	Major Injury to a person at work	Non-employee taken to hospital	Over 7 Day injuries
SCC Overall	0	1	0	2	33	37
Schools	0	1	0	1	32	26
Families & Communities	0	0	0	1	1	11
Economy, Infrastructure & Skills	0	0	0	0	0	0
Strategy, Governance & Change	0	0	0	0	0	0
Finance & Resources	0	0	0	0	0	0
Health & Care	0	0	0	0	0	0

* RIDDOR reportable accidents are those incidents that are reportable by employers to the Health and Safety Executive. They are generally the more serious incidents.

** AIR – Accident Injury Rate (the benchmark used by the Health & Safety Executive)

$\frac{\text{Number of employee accidents}}{\text{Average Number of Employees (Headcount)}} \times 1,000$

Average Number of Employees (Headcount)



Annual Health and Safety Performance Report 2015/16

Achievements in 2015/16

- 81% of all schools and 63% of all Corporate services now achieving level 3 and above in their H&S Audit.
- Completed 74 School and 19 Core Council audits of services to review their health and safety management arrangements and develop improvement plans.
- Completed health and safety planning meetings with schools who purchased the additional SLA to allow them to identify key risk gaps and develop management plans to improve their health, safety and wellbeing performance.
- ThinkWell supported an overall 7% reduction in psychological absence and has seen a 22% increase in referrals.
- Musculoskeletal prevention and early intervention activities have continued to provide benefits and achieved national recognition.
- Over 3000 colleagues have used the self-service wellbeing stations or taken part in the 'know your numbers' campaign.
- The Health, Safety and Wellbeing Service has also responded to and managed several emergency situations and serious accidents.

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2015/16 Incidents

- To resolve a problem with collapsing floor ducts in Flash Ley Primary School Strategic Property arranged for Entrust to fill the corridor floor ducts with an expanding foam material. This was completed in the summer holidays without any issues. The school raised concerns about a strong smell within the building and air sampling was undertaken which identified the presence of formaldehyde. As a result of the high levels of formaldehyde it was arranged to relocate children to alternative sites and work was undertaken to remove the foam material and undertake alternative remedial work.
- The Health, Safety and Wellbeing Service worked with the HSE and Public Health England throughout the management of the incident and ongoing investigations. These agencies have been actively involved with identifying a solution and managing the risk on site.

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HSE Involvement

- The HSE have requested information and investigation reports on some RIDDOR reportable accidents. No further action has been taken as they have been satisfied with the investigations outcome.

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Identified that asbestos ceiling tiles had been removed from a Voluntary Aided School as part of self managed work. The H,S&W service supported the school with an investigation and the formal interview of the chair of governors by the HSE.

- In April 2012 the HSE launched “Fee for Intervention”. To date we have not been charged for any interventions.

Outcomes of Health and Safety Audits





The table below outlines the maturity results of all services

Maturity Level	Schools	Families & Communities	Economy, Infrastructure & Skills	Finance & Resources	Strategy, Governance & Change	Health & Care
Level 1 - Emerging	2	0	0	0	0	1
Level 2 - Managing	59	9	0	3	2	3
Level 3 - Established	82	7	5	3	1	0
Level 4 - Performing	115	3	3	3	0	0
Level 5 – Continuous Improvement	31	3	3	0	0	0
Average Score	3.5	2.9	3.8	2.99	2.3	1.75

Level 5= Highest Level

Performance Data – Accident/Violence

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Indicator	2013/14	2014/15	2015/16	Outturn
Number of Total Accidents	2698	2413	1689	
Number of Accidents to Employees	693	573	429	
Number of Violent Incidents to Employees	962	653	665	
Number of RIDDOR Reportable Incidents	Excluding Sports 81 Total 94	Excluding Sports 112 Total 123	Excluding Sports 71 Total 73	

Improving Performance







Decreasing Performance



Consistent Performance






Performance Data – Ill Health

Indicator	2013/14	2014/15	2015/16	Outturn
Absence – average days lost per employee	7.08 days	7.79	7.06	
Number of referrals to OHU	1481	1342	1133	
Ill health retirement requests	39	30	21	
Ill health retirements approved	16	14	10	

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Performance Data – Health and Safety Management

Indicator	2013/14	2014/15	2015/16	Outturn
% of Premises with a Fire Risk Assessment completed/reviewed within last 12 months.	Schools 79% People 85% Place 100% Support Services 100%	Schools 83% People 100% Place 100% Support Services 100%	Schools 76% Core County 95%	
% Management Standards Surveys returns by corporate services and Self Audits completed by schools	Schools 72% People 85% Place 73% Support Services 89%	Schools 74% People 84% Place 100% Support Services 100%	Schools 76% Families & Communities 94% Economy, Infrastructure & Skills 100% Strategy, Governance & Change 89% Finance & Resources 79% Health & Care 40% - Restructure	
% of Internal Health and Safety Audits completed to programme.	Schools 100% People 95% Place 100% Support Services 94%	Schools 100% People 92% Place 100% Support Services 100%	Schools 100% Families & Communities 100% Economy, Infrastructure & Skills 100% Strategy, Governance & Change 100% Finance & Resources 100% Health & Care 100%	

Key Actions 2016/17



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Contact Details

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Health, Safety and Wellbeing Manager

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Staffordshire County Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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Agenda Item 5

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Staffordshire County Council following completion of our audit procedures for the year ended 31 March 2016. The tables below set out the results and conclusions on the significant areas of the audit.

Area of Work	Conclusion
<p>Opinion on the Council's:</p> <ul style="list-style-type: none"> ▶ Financial statements 	<p>Based on our review of your internal control environment and assessment of key business risks we designed a risk based audit testing strategy. As a result of our detailed testing and use of EY data analytics tools, we obtained sufficient evidence to form a conclusion on your financial statements.</p> <p>We concluded that the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.</p>
<ul style="list-style-type: none"> ▶ Consistency of other information published with the financial statements 	<p>We reviewed the financial and non-financial information accompanying the Financial Report 2015/16, including the Narrative Statement, to identify material inconsistencies with the audited financial statements or from the knowledge acquired by us in the course of performing the audit.</p> <p>Based on the results of our work we concluded that the financial information in the Financial Report 2015/16 was consistent with the financial statements.</p>
<p>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</p>	<p>We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our Value for Money conclusion.</p> <p>Based on our review of your internal control environment and assessment of key business risks we identified a significant risk to the value for money conclusion. We therefore developed an appropriate audit response to address the risk that the Council had insufficient arrangements in place for the identification and delivery of savings to secure the Medium Term Financial Position.</p> <p>In addition, we kept three areas under review:</p> <ol style="list-style-type: none"> 1. The work and reports of regulators, such as the Care Quality Commission and OFSTED. 2. The local health economy, including adult social care, and in particular the outcome measures of the Better Care Fund. 3. The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion <p>As a result of our work, we concluded that you have put in place proper arrangements to secure value for money in your use of resources.</p>

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	We reviewed the Annual Governance Statement and confirmed to the Audit and Standards Committee that it was not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.
▶ Public interest report	We have duty to consider if there are any matters coming to our notice that should be brought to the public's attention through a public interest report. We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

As a result of the above we:

- ▶ Issued our Audit Results Report to communicate the significant findings resulting from our audit on 26 September 2016.
- ▶ Completed our reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA) by the deadline of 21 October 2016.

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2016. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code.

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

Steve Clark

Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the Audit and Standards Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued in February 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 31 March 2016 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

Responsibilities of the Council

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

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

Financial Statement Audit

Financial Statement Audit

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office. Our detailed findings were reported to the Audit and Standards Committee on 26 September 2016 and we issued an unqualified audit report on 29 September 2016.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>To address the risk of management override, we:</p> <ul style="list-style-type: none"> ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, using our data interrogation tools to focus on specific areas of risk. ▶ Reviewed the accounting estimates for evidence of management bias. ▶ Remained sceptical for the existence of any significant unusual transactions. ▶ Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. <p>Based on the audit procedures undertaken we did not identify any evidence of management override.</p>
<p>Revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.</p>	<p>To address the risk of fraud in revenue and expenditure recognition, we:</p> <ul style="list-style-type: none"> ▶ Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias. ▶ Developed a testing strategy to test material revenue and expenditure streams. ▶ Reviewed and tested material creditors at the year end. <p>Our audit work did not identify any significant issues in respect of expenditure recognition.</p>

Significant Risk	Conclusion
<p>Accounting for the Waste PFI Scheme</p> <p>The Council has four PFI Schemes, the most significant of which is the Waste to Energy PFI Scheme, which has a liability at 1 April 2015 of £165 million.</p> <p>Accounting for this material scheme requires the use of a complex financial model, the calculation of estimates and the application of management judgement. As such, it is an area of particular focus and requires the use of specialist input in this first year.</p>	<p>Our PFI experts reviewed the accounting arrangements for the Waste to Energy PFI scheme and, following detailed and extensive debate, proposed an adjustment to the accounting treatment. The adjustment is technical in nature and had no direct impact on the Council’s general fund position.</p> <p>The centre of the debate and subsequent accounting change related to the operator’s right to sell electricity to third parties. The Council had previously included this within the calculation of the overall liability. In our view, it is more appropriate to split the accounting for the scheme into two elements:</p> <ul style="list-style-type: none"> ▶ The payments for the asset that generates electricity are accounted for by giving the operator an intangible asset in the right to revenue from electricity sales. Because the granting of the right to generate electricity is accounted for separately, this reduces the total liability and creates a deferred revenue balance. ▶ The payments for the remainder of the scheme are accounted for separately, following the same methodology currently applied by the Council. <p>The overall impact was to re-profile the finance costs in the comprehensive income and expenditure statement with lower values because the liability has reduced and a deferred revenue balance, which is amortised over the remaining life of the contract, created. The Council has named this deferred revenue balance “PFI Third Party Liability.”</p> <p>Whilst the figures are material, and a Prior Period Adjustment was made, under local government accounting there was no impact on actual payments made by the Council, nor on its general fund position.</p>

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

Value for Money

Value for Money

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

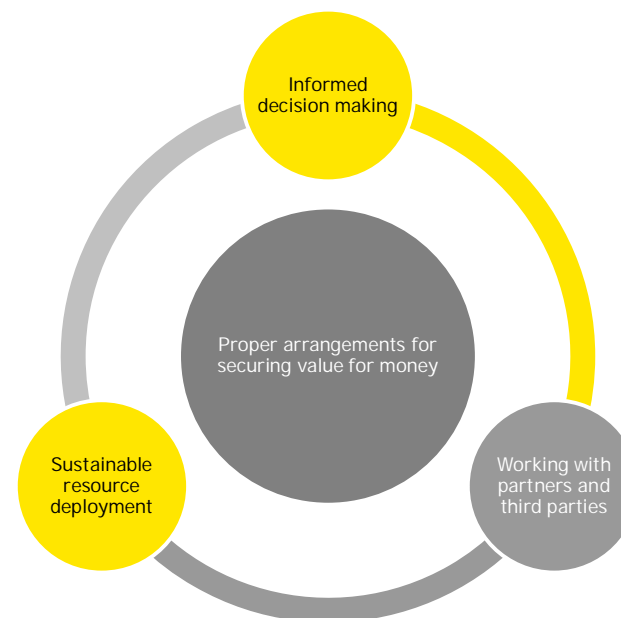
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

We issued an unqualified value for money conclusion on 29 September 2016.

Addressing the significant audit risk

As set out in our Audit Plan, we identified a significant risk that insufficient arrangements are in place for the identification and delivery of savings to secure the Medium Term Financial Position. The following table summarises the work we have performed and key findings.



Planned procedures	Work performed	Key findings
Document the Council's approach to the identification, development and implementation of efficiencies and savings.	We met with management and reviewed key reports and minutes of meetings to obtain a clear understanding of the Council's arrangements to develop specific savings as monitored through the savings tracker as well as those savings monitored through budget management.	We are satisfied that for 2015/16, the Council had adequate arrangements in place.
Assess the Council's overall arrangements, plans and risk strategy [for the financial position].	We reviewed the Council's risk reports to confirm that the financial position was included in the risk register. Our review of financial reports confirmed the Council routinely reported financial risks including over/under spends and non-delivery of savings. This included a review of the financial gap arising through the Better	The Council has a significant challenge on the medium term to deliver a balanced budget. The Council is taking action to identify savings and Members will need to ensure that robust plans are in place to deliver

Planned procedures	Work performed	Key findings
	Care Fund.	the required savings.
Review key financial reports, including the 2015/16 outturn position to evaluate the Council's record of financial management.	We scrutinised the Council's key financial reports, combining this with our audit of the financial statements.	We are satisfied that for 2015/16, the Council had adequate arrangements in place.
Assess the Council's key financial performance indicators.	We reviewed the Council's own key financial performance indicators and ensured these were routinely reported to Members.	We are satisfied that for 2015/16, the Council had adequate arrangements in place.
Evaluate the Council's internal risk assessment of savings identified across 2016/17 to 2018/19.	We discussed and reviewed the Council's process in developing the MTFs for 2015/16 and for 2016/17 and beyond. We read and evaluated the Council's savings tracker for 2015/16 and also the most recent version presented to cabinet, using the information presented to evaluate the Council's financial resilience.	The Council's position over the medium term is challenging, but for 2015/16 we are satisfied that the Council's arrangements were adequate.

Areas kept under review	Key findings
The work and reports of regulators, such as the Care Quality Commission and OFSTED	From meetings with management and from our independent review of the work of the Care Quality Commission and OFSTED, there are no indicators of inadequate scores or ratings from the regulator that indicate that the Council has inadequate arrangements.
The local health economy, including adult social care, and in particular the outcome measures of the Better Care Fund	We held a number of meetings with management over the performance of the Better Care Fund in 2015/16. Supported by a review of reports and minutes of meetings, we discussed the arrangements put in place to establish governance over the Better Care Fund and also during the year and the Council's response to escalate, report and recover the budget gap. Overall, therefore, we believe that the Council had adequate arrangements in place to monitor and report the risk of any financial gap in the Better Care Fund.

Areas kept under review	Key findings
The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion	<p>We met with Internal Audit and reviewed key reports on the Council's control environment. We noted that the Internal Audit Annual Report for 2015/16, as presented to the June meeting of the Audit and Standards Committee, reported that an "Adequate Assurance" opinion was given on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, i.e. the control environment in 2015/16.</p> <p>We were satisfied that there were no new or undetected significant risks to the value for money conclusion arising through the work of Internal Audit.</p> <p>Overall, there was a £15.7million increase to revenue reserves and £5.1million increase in capital reserves during 2015/16. As such, we do not believe this to be an indicator of a significant risk to the VFM conclusion.</p>

Other Reporting Issues

Other Reporting Matters

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Standards Committee on 26 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. We have adopted a fully substantive approach and have therefore not tested the operation of controls.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are behind the lenses, and their hands are holding the binoculars. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Audit fees".

Audit fees

Audit fees

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

	Predecessor auditor fee	EY planned fee	EY forecast fee
Financial statements and VFM conclusion	£146,340	£109,755	£109,755

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Local Members Interest
N/A

Audit and Standards Committee – 5 December 2016

Internal Audit Plan Update 2016/17

Recommendations

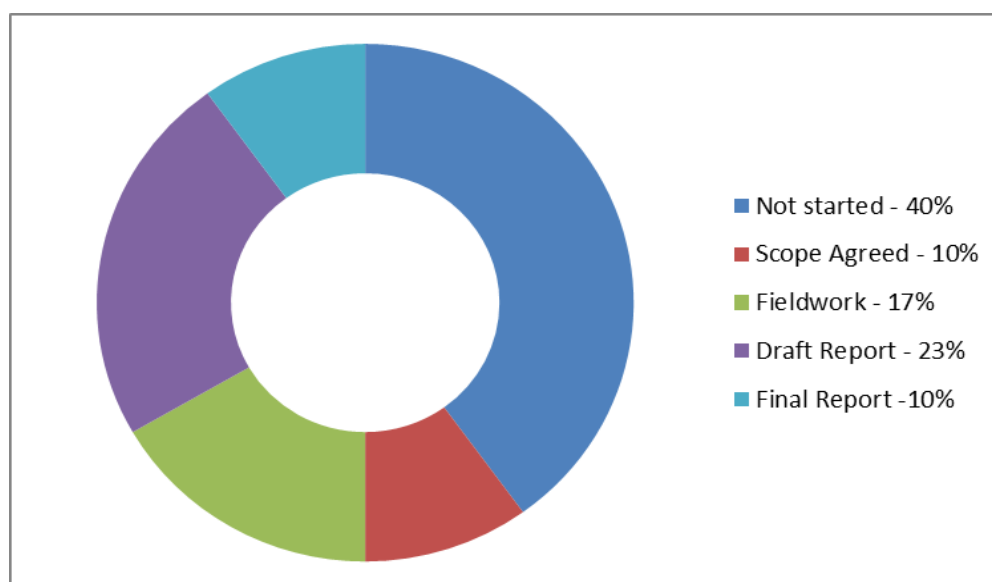
1. To note progress against the 2016/17 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval in June 2016.
2. To note progress on the implementation of high level recommendations made during 2016/17.

Report of the Director of Finance and Resources

3. Given the changing operating module of the County Council the annual plan approved by the Committee in June 2016 continues to be reviewed to ensure that areas originally included remain relevant and reflect the risk profile of the organisation. Internal Audit has undertaken a number of additional audits since the original plan was approved including the certification of the Local Growth Fund grant and evaluating governance procedures in place within the Council against those areas of concern reported in the Derby City Council Public Interest report. Additional time has also been spent on expanding the original scope of a number of audits previously identified within the approved plan e.g the payroll work has been increased to take account of the change in payroll providers for maintained schools and Liberata for the core County payroll. Additional time has also been allocated to the Penda review to incorporate wider governance related elements. As a direct result of the additional work a number of smaller reviews have been cancelled, these are detailed in Appendix 1 of the report: At this stage in the year the section remains on schedule to meet its key performance targets.
4. Overall, delivery against the 2016/17 audit plan is summarised below. Previously the Audit & Standards Committee agreed that only the reports of the high risk reviews (Top 10), limited assurance audits and major special investigations would be considered as part of the agenda, where relevant other reports would be emailed to Members for information.

Area	Plan	Not Started	Terms of Reference Agreed	Fieldwork Ongoing	Draft Report Issued	Final Report Issued	Cancelled	Total
Systems Audits								
Planned Audits	94	38	6	19	8	9	(14)	80
Additional Work	8	1	2	0	3	2	0	8
Total	102	39	8	19	11	11	(14)	88
Compliance Audits								
Schools	22	0	0	15	0	7	0	22
Educational Endowment Funds	5	0	0	0	0	5	0	5
Other compliance – Adults	15	0	0	0	0	15	0	15
Total Compliance	42	0	0	15	0	27	0	42
Pro-active Counter fraud Work	13	3	0	9	0	1	0	13
Special Investigations/ Exercises	11	0	0	4	0	7	0	11
Overall Totals	168	42	8	47	11	46	(14)	154

- Since the last meeting of the Audit & Standards Committee, there has been no limited assurance opinion reports finalised requiring Members consideration.
- Delivery of the work for the External Clients is important in ensuring that the section meets its income targets for the year. Performance to date is detailed below and each audit plan is on course to be fully delivered by the end of the audit year. The results of these exercises are reported to the individual bodies' Audit Committee.



- During 2014/15 the Team successfully bid for the contract to deliver the Internal Audit function, including the management of the existing in-house team, for South Staffordshire District Council. This equates to an additional 100 days per annum and is on track to be fully delivered by the end of the financial year. The total value to the section for this work is £32,000.

8. Through the introduction of the new electronic management and working paper system within the internal audit team, the implementation of all recommendations made is monitored. As part of the process responsible managers are reminded via email once the implementation deadline date has past, until a positive response is received by Internal Audit.
9. Previously those recommendations which have not been actioned by the target implementation date together with an explanation of the delay by the appropriate officer have been reported to the Audit & Standards Committee. The number remaining outstanding has reduced significantly over time when compared to previous years, due in part to the involvement of the Audit & Standards Committee. Progress in implementing those outstanding agreed recommendations has been monitored and there are a small number of high level recommendations that have not been fully implemented by their due date. The details are attached as Appendix 2 to the report and include a commentary regarding action taken to date by the respective manager. Internal Audit will continue to monitor their implementation and will include the results of this exercise within the annual outturn report.

Equalities Implications

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

Legal Implications

11. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations specifically require that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

Resource and Value for Money Implications

12. The net budget of the Internal Audit Section is estimated at £575,200.

Risk Implications

13. 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. Where relevant, the results of individual reviews will link into the Annual Governance Statement, providing assurance on the operation of key controls. Internal Audit will continue to align its work with the Corporate Risk Register.

Climate Change implications:

14. There are no direct CO2 implications arising from this report.

Report Author

Author name: Lisa Andrews
Ext. No. 01785 276402

List of Background Papers:

2016/17 Internal Audit Strategy & Plan
2016/17 Internal Audit Charter

Details of Audits Contained in the Audit Plan approved in June 2016 which have been cancelled.

Special Educational Needs Transport
Families First Contract Management
Dynamic Purchasing System
Claims Management Unit – Follow Up
Trading Standards Unit
Economic Regeneration
Superfast Broadband
Multi Agency Safeguarding Hub – computer audit review
Better Care Fund
Rural Enterprise Programme
Libraries in a connected Staffordshire

HIGH LEVEL AUDIT RECOMMENDATIONS NOT IMPLEMENTED BY THE AGREED DUE DATE

APPENDIX 2

No.	Audit Subject	Recommendations	Target Date for Implementation	Current Status
1	Cannock Chase – Joint Economic Investment Programme	Confirmation should be sought from Cannock Chase District Council that they will act as the accountable body as per the Cabinet Paper and include the balances in the bank account within their formal accounts.	01/05/2016 revised to 01/08/2016	From discussions, Cannock Chase District Council considers that as the account requires a joint signature from SCC they do not have control over the money and therefore do not propose to include the details in their formal accounts. The matter has been referred to the Chief Accountant for further consideration.
2	Deferred Payments	The Council should confirm what its policy is regarding service users eligible for a deferred payment agreement but who have an existing mortgage on their home.	30/06/2016	The recommendation was originally the responsibility of an Officer who has subsequently left the Council. Her replacement has recently picked up responsibility for this area and a response is being considered.
3.	Deferred Payments	The Council should ensure that it has arrangements in place when it is offering a deferred payment agreement to a service user that has capacity problems or where their representative is seeking a deputyship.	30/06/2016	The recommendation was originally the responsibility of an Officer who has subsequently left the Council. Her replacement has recently picked up responsibility for this area and a response is being considered.
4.	Deferred Payments	That consideration is given to introducing a reporting mechanism to enable senior management to monitor progress on securing debt against properties.	30/06/2016	Clarity still required as to whom and which team will undertake this task.
5.	Evolve – Social Work Practice	Staff should be reminded that care/pathway plans and statutory visits should be undertaken in accordance with statutory timescales and the details recorded in Care Director. Full and accurate completion of plan/visit records should be monitored by the Practice Lead.	30/06/2016	A response is required from the Operational Manager to confirm that the recommendation has been implemented as agreed and detailed within the final report.

Local Members Interest	
	N/A

Audit and Standards Committee – 5 December 2016

Cabinet Office – National Fraud Initiative 2016

Recommendations

1. To receive the report on the requirements of the Cabinet Office's National Fraud Initiative (the 'NFI') 2016.

Report of Director of Finance & Resources

Background

2. Since 1996, the Audit Commission has undertaken national data matching exercises aimed at detecting potential public sector fraud. Following the closure of the Audit Commission, the 2016/17 NFI is being run by the Cabinet Office. For over two decades the NFI has enabled participants to detect fraud, overpayment and error totalling £1.39 billion with the latest completed exercise in 2014 detecting fraud, overpayment and error totalling £222 million relating to over 172,907 cases.
3. The NFI matches data provided by over 1,300 participating organisations from the public and private sectors against data provided by other participants and key data sets provided by government departments and other national agencies to help prevent and detect fraud.
4. The NFI 2016 exercise will involve the County Council submitting payroll (including pension payroll) and other relevant data to the Cabinet Office on behalf of the County Council. Potential matches are then referred back to authorities for investigation.
- 5.. The remainder of this report provides details of Internal Audit's work in relation to the notification and data extraction processes that underpin the NFI 2016 exercise.

Notification

6. Participants in the data matching exercise are required to inform individuals that their data will be processed; as required by Part 6 of the Local Audit and Accountability Act 2014, which is referred to as the 'fair processing' notice. For the NFI 2016 exercise, the fair processing notice was 'layered', which comprised of 3 layers of notices as follows:
 - **Summary Notice** – to provide individuals whose data is to be matched, with the minimum of information but with links to where more detailed information can be found. Employees and Members were notified of the 2016 data matching exercise in their August 2016 payslips. Pensioners

were notified in the “In-Contact Magazine” distributed to all Local Government Pension Scheme (LGPS) members;

- **Condensed Text** - A summary of the Cabinet Office’s data matching exercise is located on the County Council’s website (link included on notification slip) as well as in hard copy on request; and
- **Full Text** – is on the Cabinet Office’s website and includes a full description of the exercise and an explanation of the legal basis for the data matching.

7. The benefit of applying the layered approach is to provide different audiences with appropriate fair processing information, for example individuals who require short explanations can access the ‘summary’ notices’.

Data Submission

8. The Cabinet Office released guidance / instructions for the NFI 2016 data matching exercise and required submission of the following data from the County Council to perform the NFI exercise:

- Payroll (which includes members’ allowances and expenses);
- Pension payroll;
- Private supported care home residents;
- Transport passes & permits (Blue Badges);
- Direct payments;
- Insurance claims; and
- Trade creditor’s payment history and standing data.

9. Both the payroll and pension data was collected for the period 1st April to 30th September 2016.

10. The payroll data will be used to identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working at another employer at the same time. Payroll data will also be matched against visitors with UK Visas. The aim of this match is to identify any instances of overseas persons working in this country where the UK visa has expired or does not permit them to be in employment. Benefits paying organisations will receive notification of Council employee’s whose employment status is inconsistent with their benefit claims.

11. The pension data will be used to identify instances where an occupational pensioner has died but the pension is still being paid.

12. Private supported care home residents data was collected as at 30th September 2016 and will be used to identify individuals shown on the Care Director system as having their accommodation funded by the Authority but are shown as deceased on the DWP records.
13. Transport pass data was collected as at 1st October 2016 from the County Council's Smartcitizen System. The data will be used to identify instances where the pass/permit holder has died.
14. Blue Badge holder data has been submitted directly to the Cabinet Office by the badge issuing body, Northgate Public Services. The Blue Badge holder data will be matched against DWP records to identify blue badge holders who have died.
15. Direct payments data was collected from the Council's Care Director System and Financial Information System, SAP, for the period 1st April to 30th September 2016. The data will be used to identify service users receiving funding from the authority matched against a range of Housing Benefit, DWP death records and other records.
16. Insurance claims data was collected directly by the Cabinet Office from the Council's insurers namely, Zurich; Travelers and Gallagher Bassett for the period 1st April 201 to 30th September 2016. The data will be used to identify serial claimants between and within local authorities.
17. Trade Creditors data was collected from the Council's Financial Information System, SAP for the three year period 1st October 2013 to 30^h September 2016. The data will be checked to identify instances of duplicate payments being made, duplicate creditor records and VAT overpayments. This data is also checked against payroll data to identify employees who have interests in businesses which may cause a conflict of interest.
18. Over 1 million records were extracted as part of the NFI 2016 exercise and were submitted to the Cabinet Office in the week commencing the 10th October 2016.
19. It is envisaged that the data matches identified will be returned to the County Council for examination by 26th January 2017 via the secure NFI software. Detailed enquiries on the matches identified will be undertaken by the County Council's staff. This work will be monitored on an on-going basis and progress reports will be presented to the Audit and Standards Committee at regular intervals.

Equalities implications and Climate Change Implications

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

Legal implications

21. Participation in the 2016 data matching exercise is mandatory under Part 6 of the Audit and Accountability Act 2014.

Resource and Value for money implications

22. The Cabinet Office fee for participating in the exercise is £3,750, excluding VAT. With the NFI exercise running over a period of two financial years the authority will be invoiced in two equal annual instalments. Internal Audit has allocated 10 days within the audit plan for collating and uploading data submissions, and 15 days to commence processing matches in February 2017.

Risk Implications

23. This work supports the risks identified in the Corporate Risk Register

Report Authors:

Authors Names: Lisa Andrews/ Steven Parsons
Telephone No: 01785 276402/276405

List of Background Papers

National Fraud Initiative 2008/09 – Code of data-matching practice
National Fraud Initiative 2016 - Instructions



Fraud and Bribery & Theft

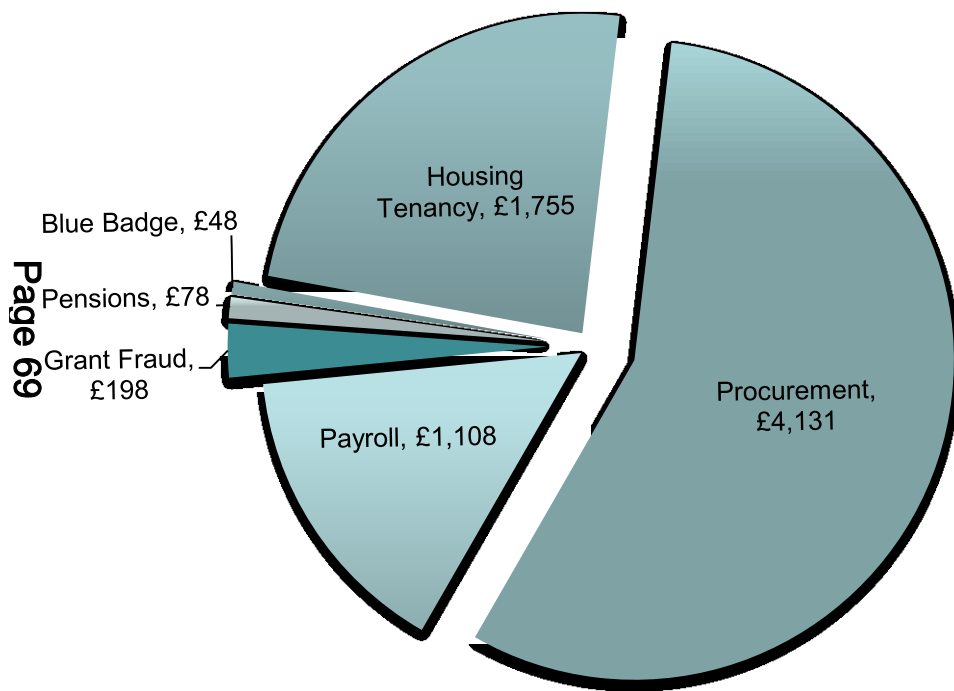


Objectives

- Introduction
- Fraud and Bribery – What it is and how much it costs
- Who commits fraud, and when?
- Red Flags
- Staff Survey
- CIPFA code of Practice
- Next Steps



Cost of Local Government Fraud in the UK: £7,319million – 4.5% of all expenditure.



**How much could fraud
be costing SCC?**

CIPFA: £3.3 million

Annual Fraud Indicator
£17 million

£million.

Source: PKF/Experian Annual Fraud Indicator, May 2016

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What is Fraud?

False Representation

- **Dishonestly** makes a **false representation**

Failure to Disclose Information

- **Dishonestly fails to disclose** to another person **information** which he has a **legal duty** to disclose

Abuse of Position

- Occupies a **position** in which there is an expectation to **safeguard, or not to act against** the interests of **another**. Can be committed by **omission**.

In all cases: there must be an **intent** to make a gain, for oneself **or** another, or cause a loss or risk of loss to another.



What Bribery Offences are there?

Offering a bribe

- Offers or gives financial or other advantage
- To induce or reward improper performance from the recipient or another

Receiving a bribe

- Requests or agrees to accept a financial or other advantage
- In order that a relevant function or activity should be performed improperly.

Failing to prevent

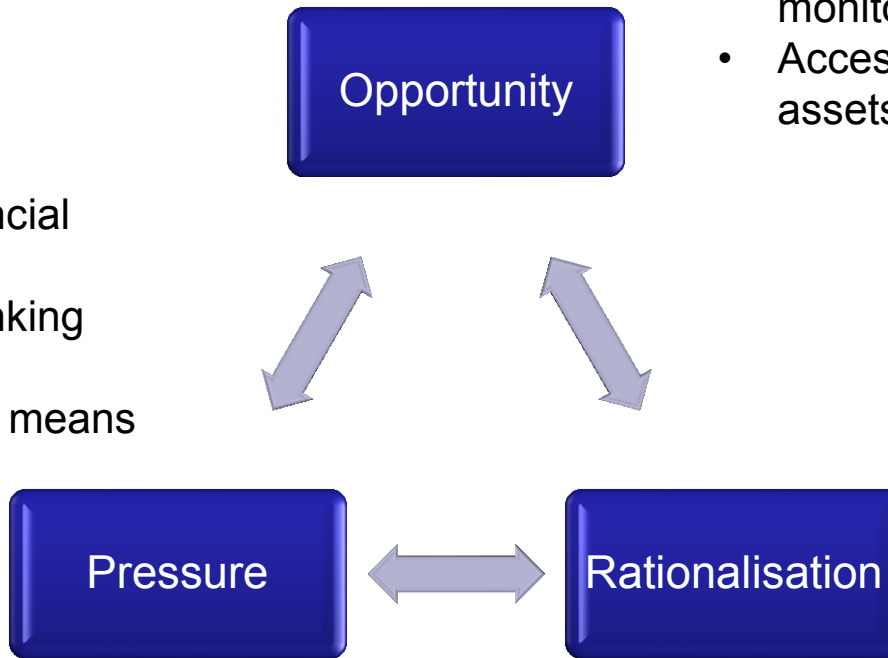
- A person associated with a corporate body commits one of the above acts, when the corporate body did not have in place adequate procedures to prevent this taking place.

Bribery Act came into effect in 2011.



When Does Fraud occur

- Personal financial difficulty
- Gambling/Drinking problems
- Living beyond means
- Affairs



- Are controls adequate?
- Are bypassed controls detected?
- Is procurement monitored?
- Access to cash/liquid assets

- I deserve it
- Only borrowed
- I need to look after my family
- Everyone else does it



Who Commits Fraud?

Who commits the largest frauds?

- Males
- Females

Which age group commits the most frauds?

- Under 30's
- 30-40's
- 50-60's
- over 60's

What qualifications do most fraudsters have?

- GSCE
- Further Education
- Degree
- Post Grad

What position do the most successful fraudsters hold?

- Employee
- Manager
- Executive



Behavioural Red Flags

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HR Related Red Flags

Fear of job loss 12%

Poor performance evaluation 10%

Actual job loss 8%

Non-Fraud Misconduct Red Flags

Bullying 18%

Absenteeism 11%

Tardiness 10%

Excessive internet use 7%



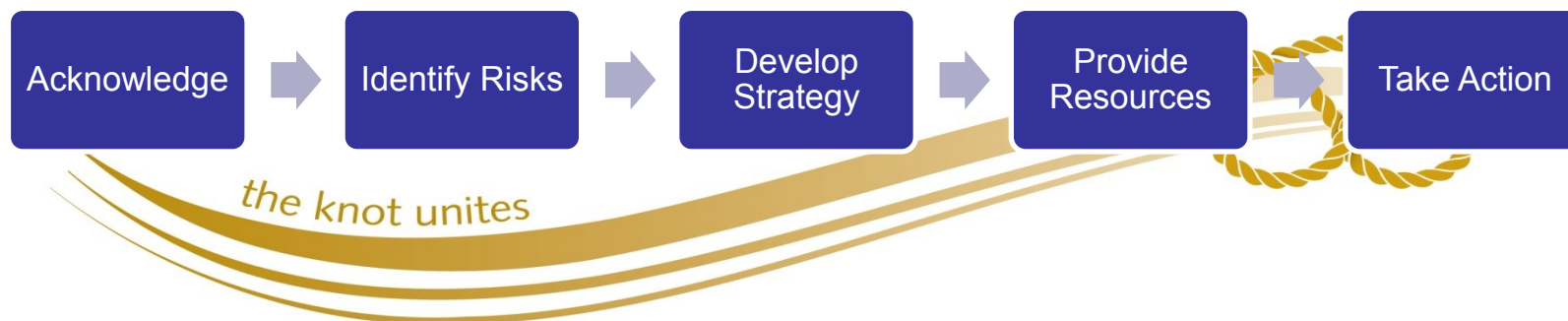
Strategies to Reduce the Risk of Fraud

CIPFA – Fighting Fraud Locally – 2016

Page 76



CIPFA Code of Practice on Managing the Risk of Fraud and Corruption - 2014



What are we doing to combat fraud losses at Staffordshire County Council?

Dedicated Fraud Resource from May 2016.

Relaunch of Fraud, Bribery and Theft Policy in November 2016

Page 77 Intranet and Web resource launch November 2016, Awareness plan

Ongoing risk assessment and proactive work

Participation in NFI (from 1996)



How do we perform against the CIPFA Code of Practice

Acknowledge Responsibility

90% compliant

- 90% compliant
- Improve awareness of Senior level 'buy in' to Strategy via intranet.

Identify Risks

64% compliant

- 64% compliant
- Further development of Risk Assessments
- Implementation of e-learning/roll out of training sessions.

Develop a Strategy

71% compliant

- 71% compliant
- Development of a full strategy document, building on the newly revised Policy, which contains principles of our strategy. Refresh fraud manual.

Provide Resources

92% Compliant

- 92% compliant
- Assess the ability of investigators to investigate at partner organisations

Take Action

67% Compliant

- 67% compliant
- Review linked Policy framework (Cyber Security, G&H, Register of Interests, Bribery and Corruption etc). Improve awareness of AML procedures.

Staff Survey – September 2016

A September 2016 electronic staff survey assessed awareness of key policies and confidence in how a reported concern would be dealt with.

Key Policies

- **Most staff aware of key policies:**
 - Whistleblowing (79%)
 - Code of Conduct (90%)
 - Declaring Interests (78%)
 - Gifts and Hospitality (97%)
- **Room for improvement regarding awareness of Policies around:**
 - Fraud, Bribery and Theft (70%)
 - Anti Money Laundering (55%)

Staff Survey – September 2016

A September 2016 electronic staff survey assessed awareness of key Policies and confidence in how a reported concern would be dealt with.

Culture

- **Most Staff agree the Council has an ‘anti-fraud’ stance**
 - The Council does not tolerate fraud or bribery (85%)
 - A concern shared with a line manager would be dealt with appropriately (76%)
 - A concern would be investigated thoroughly (72%)
- **Room for improvement regarding how to report a fraud**
 - Limited employees knew how to report a fraud at the Council (42%)
 - Less knew how to report a fraud regarding a Council partner organisation or contractor (33%)

Next Steps

- Proactive work planned:
 - Procurement
 - Direct payment risk assessment
 - Review of fraud arrangements within a large contractor
 - National Fraud Initiative 2016/17
- Continued monitoring of P-cards, expenses, bank accounts, policies
- Implementation of Communications strategy, increasing awareness of Policies
- Development of Strategy Document

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Any Questions?

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Dave Fletcher

David.Fletcher@staffordshire.gov.uk

01785 895 408

Fraud Reporting Line – 0800 7311890

Reporting Form (*coming Nov 2016*)

www.staffordshire.gov.uk/fraud

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Audit and Standards Committee Forward Plan June 2016 - May 2017

If you would like to know more about our work programme, please get in touch with Louise Morris, Scrutiny Support Officer, 01785 276144 or louise.morris@staffordshire.gov.uk

Item and lead officer	Date of meeting	Detail	Action/Outcome
Information Governance Head of Information Governance	21 March 2016	Annual Report	Members received the Information Governance annual report and noted the work ongoing. An increase in cyber-attacks was investigated where necessary.
Protecting the Public Purse Chief Internal Auditor		Fraud Briefing/ Awareness Training	Members received a presentation: Protecting the Public Purse raising awareness of fraud, how it can arise and why it is important to mitigate ongoing threat.
Members Standards Director of Strategy, Governance and Change		Annual Statement	Members received the report in respect of Complaints against members of the county council.
External Audit Plan 2015-16 Ernst & Young			Members approved the External Audit Plan 2015-16; agreed that a letter should be sent to the Leader of the County Council recommending the appointment of a Cabinet Member without portfolio to act as a gatekeeper for the County Councils finances; and asked for arrangements for scrutinising Entrust to be investigated.
Staffs Pension Fund – External Audit Plan 2015-16 Ernst & Young			Members approved the Pensions Fund External Audit Plan 2015-16

Item and lead officer	Date of meeting	Detail	Action/Outcome
External Audit Ernst & Young	27 June 2016	Progress Report	The committee received the progress report; sought assurance that SLT could evidence that the County Council is achieving Value for Money; and, asked about the likely cost and necessity of identifying the Highways Network Asset, in line with CIPFA Code of Practice.
Internal Audit Chief Internal Auditor		<ul style="list-style-type: none"> • Outturn Report 2015-16 • Strategy and Plan 2016-17 • Charter 	The committee received the Internal Audit Outturn report including the annual audit opinion and the Internal Audit Strategy and Plan for 2016-17. They noted two small revisions to the Internal Audit Charter for 2016-17.
Code of Corporate Governance Director of Strategy, Governance and Change <i>and</i> Director of Finance and Resources		Update on action plan	Members noted progress towards implementing the Corporate Governance Action Plan 2015-16 and in particular revising the Code of Conduct. The revised framework contained a number of key changes to the principles which determine the County Councils governance arrangements.
Better Care Fund (BCF) Director for Health and Care		Management of Risk	Members received an update on managing risk around the Better Care Fund.
Annual Governance Statement Director of Strategy, Governance and Change <i>and</i> Director of Finance and Resources	12 September 2016		The Committee approved the Annual Governance Statement. It was agreed that the Chairman write to the Leader of the Council regarding the Committee's concerns in relation to delegating decisions to one Cabinet Member, in particular making reference to recommendations made previously by Corporate Review and concerns regarding the BCF.

Item and lead officer	Date of meeting	Detail	Action/Outcome
Statement of Accounts 2015/6 Chief Accountant	12 September 2016 continued	<ul style="list-style-type: none"> County Council Pension Fund 	The Committee gave approval to the 2015/2016 Statement of Accounts as included in the Committee papers and the letters of representation from the Director of Finance and Resources.
Report to those charged with Governance Report of Ernst & Young			The Committee noted the Staffordshire County Council Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2016 and the Staffordshire Pension Fund Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2016
Code of Corporate Governance Director of Strategy, Governance and Change <i>and</i> Director of Finance and Resources		To receive the new Code	The Committee noted the updated Code of Corporate Governance, the revised Single Sheet Local Framework and the progress on developing the Corporate Governance Action Plan 2016/17.
Future External Audit Procurement Report of the Director of Finance and Resources			The Committee recommended that Full Council ‘opt-in’ to the Local Government Association Sector Led Body approach via Public Sector Audit Appointments Ltd for the procurement of the External Audit contract for the financial year commencing April 2018.
Health, Safety and Wellbeing Performance Health, Safety & Wellbeing Manager	5 December 2016	Annual Report	
Annual Audit Letter 2015-16 Report of Ernst & Young			

Item and lead officer	Date of meeting	Detail	Action/Outcome
Internal Audit Plan 2016-17 Chief Internal Auditor	5 December 2016 continued	Update	
National Fraud Initiative Chief Internal Auditor		Update	
Fraud Briefing Counter Fraud Manager <i>and</i> Chief Internal Auditor		Briefing/Awareness Training	
SSOTP Head of Financial Strategy and Support		Management of Risk	
Internal Audit Reports – Update on Limited Assurance Review Update			
Preparing for Self Assessment - evaluate the effectiveness of Audit and Standards Committee Chief Internal Auditor and Head of Democracy	March 2017		
Risk Management Chief Internal Auditor		Briefing/Awareness Training	
Pensions Pooling			

Item and lead officer	Date of meeting	Detail	Action/Outcome
Internal Audit Reports Chief Internal Auditor	All meetings as required.	Internal Audit Reports: <ul style="list-style-type: none"> • High Risk reviews • Limited Assurance Reviews • Special Investigations 	Members discussed the detail of the following limited assurance reviews and were assured that in each case satisfactory progress was being made to rigorously address the areas of risk identified by Internal Audit: <ul style="list-style-type: none"> • Settlement Agreements • Oracle Database Security • Independent Foster Agencies – Contract Management • SEN transport • DBS Safer Recruitment • Procurement (outside the commercial team)
Work programme for the Audit and Standards Committee	All meetings		
Proposed changes to the Constitution: Politically Restricted Posts Director of Strategy, Governance and Change	As required 27 June 2016	Approval to amending the Council's constitution	The committee approved the change to the list of politically restricted posts and recommended the change to Council.
Other items:		<ul style="list-style-type: none"> • Auditing in a Commissioning environment (cybercrime) • External Assessment of Internal Audit • Local Public Audit - update • Procurement Regulations and Financial regulations. • Penda property partnership 	A development day on Penda Property Partnership will be offered to all members

<p>Membership County Councillors</p> <p>Martyn Tittley (Chairman) Mike Davis (Vice Chairman) Derek Davies OBE William Day Brian Edwards Michael Greatorex Derrick Huckfield Kevin Jackson Philip Jones Robert Marshall David Smith Alison Spicer Diane Todd</p>	<p>Mike Worthington Caroline Wood</p> <p>Calendar of Committee Meetings</p> <p>27 June 2016 12 September 2016 5 December 2016 2pm 13 March 2017</p> <p>Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH</p>
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