

Audit and Standards Committee

Tuesday, 12 December 2017
2.00 pm
Oak Room, County Buildings, Stafford

John Tradewell
Director of Strategy, Governance and Change
4 December 2017

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 25 September 2017** (Pages 1 - 6)
4. **Annual Audit Letter for Year Ended 31 March 2017** (Pages 7 - 32)
Report of Ernst and Young LLP
5. **Annual Report on Health, Safety and Wellbeing Performance 2016/17** (Pages 33 - 44)
Report and Presentation by the Director of Finance and Resources
6. **Internal Audit External Quality Assessment** (Pages 45 - 48)
Report of the Director of Finance and Resources
7. **Internal Audit Plan 2017/18 - Annual Update** (Pages 49 - 56)
Report of the Director of Finance and Resources
8. **National Fraud Initiative (NFI) 2016/17 - Update** (Pages 57 - 70)
Report of the Director of Finance and Resources
9. **Audit and Standards Committee Forward Plan** (Pages 71 - 78)

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. **Exempt Minutes of the meeting held on 25 September 2017** (Pages 79 - 82)
(Exemption paragraph 3)

Membership	
Derek Davis, OBE	Jeremy Oates
Mike Davies	Carolyn Trowbridge (Vice-Chairman)
Michael Greatorex	Ross Ward
Martyn Tittley (Chairman)	Bernard Williams
David Brookes	Victoria Wilson
Colin Greatorex	Jill Hood
Syed Hussain	Paul Northcott
Ian Lawson	

Note for Members of the Press and Public

Filming of Meetings

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

Recording by Press and Public

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

Minutes of the Audit and Standards Committee Meeting held on 25 September 2017

Present: Martyn Tittley (Chairman)

Attendance

Mike Davies	Jeremy Oates
David Brookes	Carolyn Trowbridge (Vice-Chairman)
Colin Greatorex	Bernard Williams
Syed Hussain	Victoria Wilson
Ian Lawson	

Apologies: Michael Greatorex, Ross Ward and Jill Hood

PART ONE

79. Declarations of Interest

Councillor C Greatorex declared an interest as a member of the Staffordshire Pension Fund.

The Committee kept a minutes silence in memory of former member of the Committee, Councillor Graham Burnett.

80. Minutes of the Meeting held on 26 June 2017

RESOLVED That the minutes of the meeting held on 26 June 2017 be approved and signed by the Chairman.

The Chairman reported that Mr Jon Waller, Head of Financial Strategy and Support had now retired. The Director of Finance and Resources outlined the interim arrangements for redistributing Mr Waller's duties:

Treasury and Pensions – Melanie Stokes
Broader Governance and Adult and Children's Financial Services – Lisa Andrews
Deputy Director and responsibility for Income and Payments – Rob Salmon

These appointments would remain in place for six months before being ratified by a Special Appointments Committee.

The Chairman observed that there should be no conflict of interests in the role of the Chief Internal Auditor and the Director of Finance and Resources confirmed that the Auditor role would be protected and defined.

81. Annual Governance Statement 2016-17

The Annual Governance Statement had been 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) issued in 2016. This governance statement explained how the County Council has followed the corporate code of governance and also meets the requirements of the Accounts and Audit Regulations 2015 regarding its preparation and publication. The governance framework is basically the systems and processes, and the culture and values we are controlled by and which we answer to, get involved with and lead the community. The system of internal control is an important part of the framework and we have designed it to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our policies and aims, so it can only offer reasonable protection. The governance framework is made up of the many systems, policies, procedures and operations we have in place which govern the way the County Council conducts its business.

The Corporate Governance Working Group continue to advise on the result of the review of how effective the governance framework is and a plan in place aims to continuously improve the system. Significant governance issues were clearly identified and set out in the report.

A member asked about the adequacy of reserves and what level was deemed to be appropriate. The Deputy Director of Finance and Corporate Finance Manager explained that there was not a mechanistic formula but the guidance from the former Audit Commission had been 3% which was still generally observed. It was a matter of adopting a risk assessing approach. He explained that the more specific and accurate it was possible to be around earmarked reserves (agreed capital schemes, insurance claims etc); the less you needed in general reserves and balances. Generally, £20m was considered enough and the County Council had this amount in its general reserves.

RESOLVED That the Annual Governance Statement be approved.

82. Statement of Accounts 2016-17

The Corporate Finance Manager delivered a presentation explaining the 2016-17 Statement of Accounts – how they are prepared, how public money has been spent in Staffordshire, the accounting concepts and principals and technicalities around the Balance Sheet.

The 2016-17 Statement of Accounts had been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Director of Finance and Resources had prepared letters to the Auditors expressing an opinion that the accounts gave a true and fair view of the financial position of the Council and the Staffordshire Pension Fund in accordance with the appropriate rules and regulations.

In terms of Revenue Grant, the County Council had spent £477.8m after allowing for transfers to reserves, which was £4.7m more than had been budgeted for. The Health and Care Directorate had seen increasing pressures over recent years due to rising demographics and challenging market conditions. In addition to these pressures, the Better Care Fund income shortfall of £15m had impacted on this service area.

The Families and Communities Directorate ended the year with a small overspend of £0.4m, despite increasing placement costs for looked after children but these were offset by underspends in Education Services.

The Economy, Infrastructure and Skills Directorate achieved an overall underspend of £3.9m which has arisen from various initiatives. The underspend had been partially offset by overspend on waste tonnages and on winter maintenance. In terms of Capital Outturn, the County Council spent grants from Government totalling £56.2m in 2015-16. £14.7m of borrowing to finance our capital spend was accounted for. The total capital spend for 2016-17 was £127.3m, compared to £84.8m in 2015-16.

The capital spend of £127.3m included £16.4m of revenue transformational spend which had been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State.

The Balance Sheet showed that the total of assets less liabilities is £124.8 m which is a decrease of £173.8m when compared with the 2015-16 Balance Sheet. One of the main reasons for this decrease is that the value of property, plant and equipment had reduced due to the number of schools being disposed of following their conversion to academy status. Additionally there was an increase of £44.8m in the Council's share of liabilities associated with the pension fund.

The Balance Sheet also included a Prior Period Adjustment, required by the external auditors. This technical accounting adjustment which relates mainly to maintained schools, has not had an impact on the value which could be obtained should the assets be sold.

After taking account of the outturn, the General Fund Balance total was £21.0m as at 31 March 2017. School reserves have decreased by £13.2m to £29.1m, reflecting the impact of academy conversions and schools using their reserves for specific projects or to support their revenue budgets.

In 2016-17 the Pension Fund's market value steadily increased over the year despite being impacted by volatility in global equity markets. The fund was now valued at £4,590.5m.

A member asked about the reduction in school reserves and asked whether this represented overstaffing or questionable management practices in schools. The Deputy Director of Finance and Corporate Finance Manager explained the £13m decrease was roughly half due to academisation (so schools took any balances with them) and half had been used by schools in-year (which suggested some schools had need for additional funds). The Director of Finance and Resources acknowledged that the situation of schools using their reserves to a greater extent was replicated around the country.

Members asked for clarification around academisation whether the County Council retains responsibility for the building and why reserves (of public money) should move with the school, in effect moving reserves into the private sector. The Director explained that the DfE required in the academisation process that surplus reserves move with the school. Furthermore, when a school converts, the County Council leases the building to

the new academy on a long term arrangement. The County Council no longer has control over that asset and so it is removed from the Balance Sheet. The County Council does not have responsibility to repair and maintain the building but an obligation to provide education in a community. All liabilities remain with the County Council. Approximately two third of schools were still maintained by the authority.

2016-17 had proved challenging in terms of MTFS. Within the first quarter it had become apparent that the NHS were not going to pay £15m BCF and overspending in various areas meant that a quick response to address the £20m of additional pressures. By introducing rigorous spending controls ultimately the overspend was reduced to £4m.

RESOLVED That (a) the 2016-17 Statement of Accounts be approved and

(b) the letters of representation from the Director of Finance and Resources be approved.

83. Report to those charged with Governance

Mr Steve Clark, Mr Mark SurrIDGE and Mr Jason Burgess from Ernst & Young, External Auditors, presented the County Councils Audit results report.

The report described how the External Auditors had substantially completed their audit of the County Council's financial statements for 2016-17 in line with the procedures outlined in their Audit Plan. They anticipated issuing an unqualified opinion on the authorities financial statements and to conclude that proper arrangements are in place to secure value for money in the use of resources.

The External Auditors identified the following audit risks during the planning phase of the audit plan:

- Risk of fraud in revenue recognition
- Risk of management override
- Property, plant and equipment valuation
- Accounting for the waste PFI

The report set out how these risks had been addressed to enable them to gain audit assurance over these issues.

Other key areas of the audit identified as significant risks were:

- Local Government Pension Scheme Liability (reclassified as a significant risk)
- Financial statements presentation – Expenditure and Funding Analysis and Comprehensive income and expenditure statement.

A member asked the External Auditors for assurance that they were happy with the long term borrowing arrangements and they confirmed that they were. They acknowledged that going forward, as more Councils entered into commercial arrangements there was

some nervousness amongst the LGA around Councils expertise in this area however, they had no concerns currently regarding the County Council in this regard.

Members noted that the timetable for the production and audit of accounts in future years had been brought forward and the External Auditors were asked whether they were sufficiently resourced to accommodate these changes. The External Auditors believed they would be able to deliver within the timeframe.

RESOLVED That the County Councils External Audit results report be received.

84. Pension Fund

The External Auditor Pension Fund Manager, Caroline Davies, summarised the observations and conclusions from the audit of the Staffordshire Pension Fund's financial statement for the year ended 31 March 2017. The report identified a small number of control observations and improvement recommendations for management of financial processes and controls.

The External Auditor concluded that the pension fund financial statement gave a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local authority Accounting.

RESOLVED That the Staffordshire Pension Fund Audit Results Report be received

85. Local Public Audit - Update

The Interim Head of Audit and Financial Services presented a report which set out the outcome of the sector led body procurement process for the appointment of the external auditor for the County Council with effect from 2018-19.

In October 2015, the Secretary of State – Communities and Local Government (DCLG) determined that the transitional arrangement for local government bodies for the appointment of external auditors be extended to include the audit of accounts for 2017-18. During July 2016, it was announced that Public Sector Audit Appointments Ltd (PSAA) had been named as the body authorised to make future appointments on behalf of principal local authorities in England.

RESOLVED That (a) the outcome of the sector led body procurement process for the appointment of the external auditor for the County Council with effect from 2018-19 for a five year period, as being Ernst and Young, be noted, and

(b) members of the Audit and Standards Committee be advised of the level of audit fee over recent years.

86. Work Programme 2017-18

RESOLVED That the Work Programme for 2017-18 for the Audit and Standards Committee be noted.

87. Exclusion of the Public

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

88. Exempt Minutes

RESOLVED That the exempt minutes of the Audit and Standards Committee held on 26 June 2017 be recorded as an accurate record and signed by the Chairman.

89. Internal Audit Report - Limited Assurance Review

Exemption paragraph 3

Members received a report summarising the Internal Audit Review into the systems, controls and risks relating to the administration and control of processes in place for dealing with those aspects deemed to have limited assurance. Members noted progress to address the recommendations within the review.

Chairman

Staffordshire County Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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Agenda Item 4

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

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 (updated 23 February 2017)” 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 (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

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 significant business risks we designed a substantive risk-based testing strategy. As a result of our detailed audit testing and use of EY data analytics tools, we obtained sufficient evidence to form a conclusion on your financial statements.</p> <p>We are issuing an unqualified opinion concluding that the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 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 statements including the narrative statement to identify material inconsistencies with the audited financial statements or from the knowledge acquired by us during 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 for 2016/17 was consistent with the audited 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 of its use of resources. This is known as our value for money (VFM) conclusion.</p> <p>Based on our review of your internal control environment and assessment of significant business risks and challenges, in planning our audit, we identified three significant risks to the VFM conclusion:</p> <ul style="list-style-type: none"> ▶ Resilience of the Council's medium-term financial strategy ▶ That the Council does not have effective arrangements in place to work effectively with the Staffordshire CCGs to deliver strategic priorities through the Better Care Fund; and ▶ That the Council does not have adequate arrangements in place to oversee performance and enact change in a timely manner with external provider of adult social care <p>We developed an appropriate audit response to address the risks which is summarised on pages 21 to 24. 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 the Annual Governance Statement (AGS)	We reviewed the Annual Governance Statement and confirmed to the Audit and Standards Committee on 25 September 2017 that it was not misleading or inconsistent with other information reviewed during the audit or our knowledge and understanding of the Council.
▶ Public interest report	We have a duty to consider if there are any matters brought to our attention that should be reported to the public 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.
Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We completed our reporting to the NAO on our review of the Council's Whole of Government Accounts return on 27 October 2017.

As a result of the above we also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was presented to the Audit and Standards Committee on 25 September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued 31 October 2017 confirming we completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

We would like to take this opportunity to thank the Director of Finance and Resources and his 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 elected 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 2016/17 Audit Results Report to the Audit and Standards Committee, representing those charged with governance, on 25 September 2017. 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 on 13 March 2017 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 2016/17 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 AGS. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

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

Financial Statement Audit

Financial Statement Audit

Key Issues

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

We audited the Council'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 25 September 2017 and we issued an unqualified audit report on 29 September 2017.

In our Audit Plan we identified a number of significant and other risks to the financial statements. The tables below detail the outcomes from work we completed.

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

Significant Risk	Audit findings and issues arising
Management override of controls	<p>To address the risk of management override we:</p> <ul style="list-style-type: none"> ▶ Reviewed accounting estimates for evidence of management bias as identified in the response to revenue recognition. ▶ Tested the completeness and existence of provisions. ▶ Evaluated the business rationale for any significant unusual transactions. No such transactions were identified. ▶ Reviewed the accounting adjustments processed and disclosed in the Movement in Reserves Statement and supporting notes. ▶ Confirmed the Council's Minimum Revenue Provision was consistent with the Council's strategy and policy. ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; ▶ Tested a sample of journal entries across the year based on appropriate risk based criteria to identify potential manipulation of revenue and expenditure. <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

We did not identify any evidence of material management override nor any instances of inappropriate judgements being applied.

Significant Risk

Audit findings and issues arising

Revenue and expenditure recognition

- To address the risk of fraud in revenue and expenditure recognition we:
- ▶ Reviewed and tested expenditure recognition policies.
 - ▶ Reviewed and discussed with management any material accounting estimates on expenditure recognition for evidence of bias.
 - ▶ Tested the valuation of any provisions recorded in the financial statements and performed appropriate tests to consider whether all material provisions have been recognised.
 - ▶ Developed a testing strategy to test material debtors and creditors.
 - ▶ Developed and followed a testing strategy to test whether the Council has inappropriately capitalised revenue expenditure.

Our testing did not reveal any material misstatements with respect to revenue and expenditure recognition. Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position

Significant Risk

Audit findings and issues arising

Valuation of Property Plant and Equipment

- To gain assurance over the valuation of the Council's land and buildings we;
- ▶ utilised EY valuation experts to support our consideration of the valuation of the Council's Property, Plant and Equipment portfolio of assets.
 - ▶ reviewed the valuation methodology behind a sample of assets as well as performed appropriate tests over the completeness and appropriateness of information provided to the valuer and ensured the valuer's conclusions were appropriately recorded in the accounts.

In performing our work, we identified an error in the approach adopted by the Council, with the consequence being a reduction in the financial reporting value assets by £264million as a prior period adjustment. This adjustment is a notional accounting entry and did not impact on the Council's general fund.

Significant Risk

Audit findings and issues arising

Accounting for the waste PFI

Our PFI expert has reviewed the accounting model for the Waste to Energy PFI scheme and we are satisfied the Council has updated the model to account for the changes identified in our 2015/16 audit. Overall, we are satisfied that the PFI liability is not materially misstated.

Other financial statement risk	Audit findings and issues arising
Valuation of the Local Government Pension Scheme Liability	<p>Based on completion of the specified procedures we have not identified any matters to report.</p> <p>EY's actuarial experts have reviewed the overall methodologies used by Hymans Robertson and summarised by an independent review commissioned by PSAA. The resulting discount rate, RPI inflation, CPI inflation and mortality assumptions are consistent with our experience on other audit clients in the UK.</p> <p>We performed appropriate tests to ensure that the financial statements materially reflect the key assumptions and figures provided by the actuary.</p> <p>The pension fund liability as at 31 March 2017 disclosed in the financial statements is consistent with the actuarial report provided by the pension fund actuary and IAS 19 adjustments within the financial statements are also in line with this report.</p>
Financial statements presentation - Expenditure and funding analysis and Comprehensive income and expenditure statement	<p>The Council has applied the Code changes over the presentation of the financial statements.</p> <p>We reviewed the Council's disclosures and reconciled the figures presented in the new format to the prior year financial statements. The Council has produced an additional note to the financial statements to support this.</p>

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>In our audit plan presented in March 2017, we communicated that our audit procedures would be performed using a materiality of £13.25million (2015/16 £13.33m). The basis of our assessment was 1% of gross operating expenditure, which is consistent with prior years.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit and Standards Committee that we would report to the Committee all audit differences in excess of £0.66 million (2015/16 £0.67m).</p>

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

- ▶ We assessed the Remuneration disclosures including any severance payments, exit packages and termination benefits as numerically sensitive and set a materiality level of £1k, being the rounding number in the accounts.
- ▶ Related party transactions. For any errors identified related parties we considered the concept of the materiality of transactions and balances as would be relevant to the related individual or organisation.
- ▶ External audit fees: we set a materiality of £1k, being the rounding number in the accounts.
- ▶ Member allowances: a figure of £50k was judged appropriate.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Looking ahead

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.

Area	Impact on the Council
Earlier deadline for production and audit of the financial statements from 2017/18	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council is to review the closedown plan process which achieved production of the draft accounts for 2016/17 by 12 June 2017.</p> <p>Locally we:</p> <ul style="list-style-type: none"> ▶ will continue to have regular discussions through the year on the Council's proposals to bring forward the accounts closedown timetable and scheduling of the 2017/18 audit. ▶ we plan to meet the finance team to discuss areas for early testing at the interim audit. ▶ To further support the faster closedown, we recommend that the Council consider bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information.

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'.

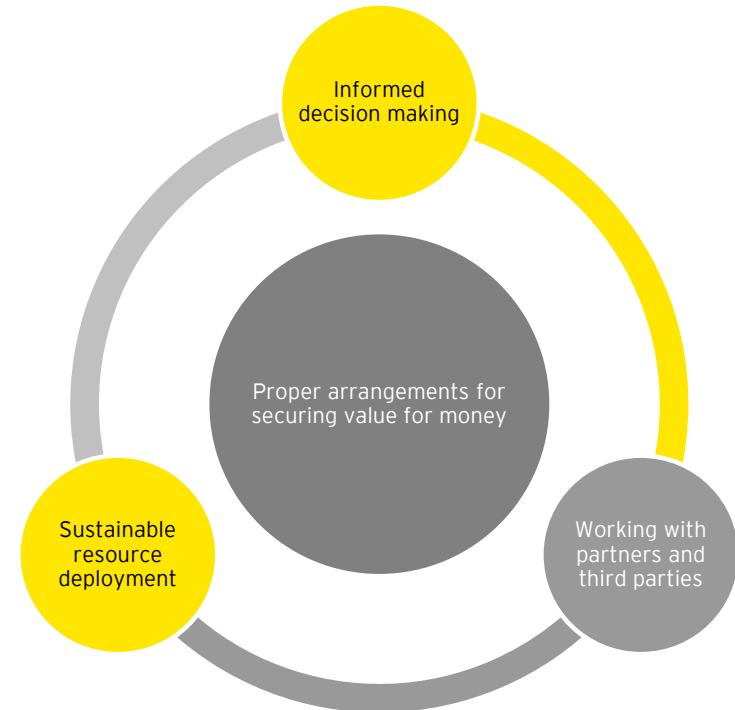
Value for Money

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.



Overall conclusion

In the Audit Plan we identified three significant risks in relation to these arrangements. The table below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, Staffordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Addressing the significant VFM risk

Significant Risk	Audit findings and issues arising
<p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p>	<p>In forming our view we noted;</p> <ul style="list-style-type: none"> ▶ At the outset of 2016/17, two critical events occurred: realisation of the shortfall from Better Care Fund funding (£15million) and overspending from the Staffordshire & Stoke-on-Trent Partnership NHS Trust (SSOTP) contract in Adult Social Care. A spending controls process was launched to bridge the gap, with the majority of savings falling to the following portfolios: Health and Care (£8.8million), Families and Communities (£2.6 million) Economy, Infrastructure and Skills portfolio (£2.3 million), Finance and Resources (£2.1 million) and Strategy, Governance and Change (£1.6 million).
<p>The Council's 2016/17 and the recently updated 2017/18 Medium Term Financial Strategy (MTFS) contains a number of significant assumptions and risks to the Council's overall financial resilience</p>	<ul style="list-style-type: none"> ▶ At the June 2017 Cabinet meeting, Members were informed that the final net revenue position for 2016/17 was overspent by £4.7million (1%) which is after the Council had capitalised £16.4million of transformational revenue expenditure in accordance with the Flexible Use of Capital Receipts direction. ▶ The Council set a balanced budget for 2017/18, however the Medium Term Financial strategy contained a £6.1million gap for 2018/19 and a gap of approximately £20million a year from 2019/20. Work has begun to address the gap. ▶ At the Spring Budget 2017, the Government announced an additional £2billion over the next 3 years for adult social care. Staffordshire Council's total allocation is £30.6million, with £15.6million in 2017/18; £10.1million in 2018/19 and £5million in 2019/20: <p>The future financial position remains challenging, and the Council's budget and the Medium Term Financial Strategy includes a £47.4million savings target for 2017/18, of which £14.9million was delivered by July 2017, increasing to £17.4million as at the Second Quarter Budget Monitoring Report. Delivery of these plans will be challenging for the Council. The Audit Committee should consider how it will seek assurance over the implementation and project management of major programmes.</p>
<p>Working with third parties effectively to deliver strategic priorities</p>	<p>In forming our view we noted:</p> <ul style="list-style-type: none"> ▶ The Staffordshire health and care economy has been increasingly challenged during 2016/17. Increasing financial pressures across partner bodies has challenged the effectiveness of working relationships between the Council and the relevant CCGs.
<p>For the purposes of our 2016/17 audit, there is a significant risk to the VFM conclusion that</p>	<ul style="list-style-type: none"> ▶ The Better Care Fund has faced substantial challenges during the year, including an unsigned agreement until January 2017. The reason for the late signing of the BCF was the escalation of disagreement between the Council and its CCG partners, resulting in escalation with NHS England and DCLG for resolution on the £15million funding position.

Significant Risk	Audit findings and issues arising
<p>the Council does not have effective arrangements in place to work effectively with the Staffordshire CCGs to deliver strategic priorities through the Better Care Fund (BCF).</p>	<ul style="list-style-type: none"> ▶ BCF funding has been monitored by Cabinet in quarterly financial updates and performance has been overseen by the Health and Well Being Board. ▶ For 2016/17, the £99.528million BCF has shown some improvements as set out in the quarter four return to NHS England, however delayed transfers in care show improvement, but still fall short of target: Actual per 100,000 population was, actual rate was 4,198, against a target of 3,993. ▶ In addition, the BCF Partners acknowledge that the BCF schemes were not implemented as planned in 2016/17 owing to the intervention, which in the submission to NHS England stated that this “presented difficulties in monitoring and implementing the 16/17 BCF; the local authority had to make in year cuts due to lack of financial agreements which has had a detrimental impact on the health economy in Staffordshire”. ▶ Integration and Better Care Fund planning requirements for the 2017-19 Better Care Fund were released in July 2017. The Council and partners are developing plans based on the latest guidance. The planned areas of spend for 2017-18 will need to align with the wider integration initiatives across the Staffordshire system, particularly the Sustainability and Transformation Plan (STP). ▶ NHS England has developed a dashboard gives an initial baseline view of STPs’ work, showing the starting point from which they will drive improvements in care. It rates the Staffordshire STP as needing the most improvement: The development and implementation of the Staffordshire STP and the improved Better Care Fund needs to be central to the work programme of the Health and Wellbeing Board, with clear performance management and progress reports being produced and challenged. ▶ Partnering with the local CCG’s through the Better Care Fund & STP is important for the Council, but in the context of our audit, the scale of the partnership and the matters arising during the year are not material to the value for money conclusion for 2016/17.
<p>Working with third parties effectively to deliver strategic priorities The Council’s provider of adult social care received an inadequate rating from CQC for community adult services. Combined with the financial pressures and risk share agreement, there</p>	<p>In forming our view we noted;</p> <ul style="list-style-type: none"> ▶ The Council and SSOTP have been working under a section 75 agreement since 2012, but more recently, SSOTP have been unable to deliver within the financial envelope, culminating in the Trust exercising its right, in February 2016, to notify the Council to terminate the contract. Cabinet agreed to negotiate with SSOTP to reach a new section 75, which was signed in April 2017. ▶ The Council commissioned external support to perform an open book review of the budget, costs and proposed savings for Adult Social Care provision that is contracted with SSOPT. The Report was issued in March 2016 and validated the cost pressures in place as well as set out opportunities for further savings. Our review of the document does not identify any indicators of significantly inadequate arrangements relevant to our VFM conclusion.

Significant Risk	Audit findings and issues arising
<p>is a significant risk to the VFM conclusion that the Council does not have adequate arrangements in place to oversee performance and enact change in a timely manner.</p>	<ul style="list-style-type: none"> ▶ The Council has calculated there to be an additional £19.9million pressure on Long Term Care placement budgets for Older People and People with Physical Disabilities when it retakes responsibility for the management of these from April 2017. ▶ In order to provide funding for this level of growth, the council is making use of the full 6% increase over three years of council tax which relates to Adult Social Care. ▶ Demographic changes and price inflation has been incorporated into the financial plan for Adult Social Care along with the savings identified by commissioners and from third party advisors. Savings to be made on Adult Social Care focus on re-ablement, reducing the variability of care packages, single handed care, assistive technology, day care, direct payments, income and provider overpayments. The MTFS expects the Council to deliver service transformation. There is a reduction in the annual contract values to SSOTP over the 3 year contract term as part of a new way of working through implementation of a revised pathway of care. The return of the brokerage service from SSOTP to the Council is expected to deliver price efficiencies with the wider care provider market. The Council continues to use BCF funding (previous s256 funding from NHS England now passed to LA's from CCGs via the BCF mechanisms) to support activities in Social Care where there is a health benefit e.g. reablement service with SSOTP. Activities within the BCF are recognised within the wider STP programme.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. There were some delays during the process of compilation and completion of the review, which resulted in the return being submitted after the national deadline.

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 2016/17 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 25 September 2017. 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

We adopted a fully substantive approach and therefore did not test the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit and Standards Committee.

Appendix A

Audit Fees



Appendix A Audit Fees

The table below sets out the planned fee set by PSAA Ltd and our final proposed audit fees.

Description	Planned Fee 2016/17 £	Actual fee 2016/17 £
Total Audit Fee - Code work	109,755	122,067*

* Final variations to scale fees are subject to PSAA approval before being billed to the Council.

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

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Staffordshire County Council
Annual Report on Health, Safety and Wellbeing Performance 2016/17

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 2017/18 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 2016 to 31st March 2017. 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 2016/17 and identifies key priorities for 2017/18.

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 2016/17 to improve Health, Safety and Wellbeing Management Arrangements**
- 4.1 Key Successes**
- 4.1.1 Embedded the new health and safety auditing arrangements across the organisation.
- 4.1.2 Supported health and safety aspects of the implementation of smart working across business areas and revised display screen equipment management arrangements and assessment process to work effectively with new agile working arrangements.
- 4.1.3 Developed improved fire safety management arrangements and new fire risk assessment documentation to PAS 79 standards. Updated the fire risk assessment training to new standard and held implemented briefings on new arrangements.
- 4.1.4 The Health, Safety and Wellbeing Service maintained its diverse training programme to meet the organisation's statutory training needs. Participant feedback remains very positive confirming that the training assists them to understand and fulfil their health and safety responsibilities. Increased availability of personal resilience training due to high levels of demand experienced.
- 4.1.5 Completed two wellbeing events one in June focussing on physical health and the importance of exercise and daily activity levels. In October launched a mental wellbeing focussed newsletter based around the importance of good conversations on improving our mental health and wellbeing. High levels of engagement continue to be experienced with all wellbeing interventions and activities undertaken.
- 4.1.6 The Health, Safety and Wellbeing Service continued to deliver effective wellbeing interventions. 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. ThinkWell has seen increased referrals with 52% of the referrals being preventative and supporting the employee to remain 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. 20% of employees have accessed the CALM online self-help toolkit.

- 4.1.7 Completed 83 School and 10 Core Council audits of services to review their health and safety management arrangements and develop improvement plans.
- 4.1.8 Completed 84 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.
- 4.1.9 Supported Strategic Property to review its approach to client compliance in line with Construction Design and Management Regulation changes and developed a new process for implementation from May 2017.
- 4.1.10 Health, Safety and Wellbeing Service has also responded to and managed several emergency situations and serious incidents during 2016/17.

4.2 Service Level Agreements (SLA)

- 4.2.1 99% of maintained schools purchased the health and safety service during 2016/17 with just 2 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.

4.3 Improving the Health of the Workforce

- 4.3.1 Absence within the county council is now at **7.65 days** per employee, which is an increase from last year. This level of absence is below the public sector benchmark of 9.9 days. Prevention and early intervention activities continue to help reduce absence levels.
- 4.3.2 Between 1st April 2016 – 31st March 2017, 432 employees had been referred to the physiotherapy service resulting in the maintenance of the reduction in musculoskeletal absence achieved since implementation in 2012.
- 4.3.3 There has been a significant increase (29%) in absence due to psychological disorders. ThinkWell has received an increase in referrals for support and counselling. The clinical assessment scores clearly show that colleagues have benefited from the services they received. Manager and colleague feedback remains extremely positive. Calm self-help tools have also remained popular with over 20% of the workforce having accessed this tool kit.
- 4.3.4 Colleagues supported by ThinkWell showed after treatment a 99% improvement/recovery. 94% of colleagues accessing the service described the support as helpful or extremely helpful. 97% of Managers felt the service helped them support employees. 95% of referrals were contacted within 48 hours and the average time to first session was 6 days

- 4.3.5 Occupational Health received 1239 management referrals which is an increase from last year reflecting the push for schools to be more proactive in managing absences. 84% of core county council long term absence 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.
- 4.3.6 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.
- 4.3.7 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. More than 500 vouchers were supplied to schools and core council 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 2016/17 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	5	1	0	0	0	0
Level 2 - Managing	50	4	0	3	0	4
Level 3 - Established	72	9	4	3	0	2
Level 4 - Performing	96	2	3	1	0	8
Level 5 – Continuous Improvement	30	4	5	0	1	2

The Health, Safety and Wellbeing Service are working with all services that have achieved levels 1 & 2 to support them to make improvements. Corporately 79% of Schools and 78% of core council services audited in the revised process are operating at level 3 and above which demonstrates continuous improvement. The Health, Safety and Wellbeing Service continue to focus additional support to services at level 1 and 2.

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 and violence to employees have decreased. Reportable incidents to the HSE have also decreased. The council's AIR (Accident Incident Rate) indicator also shows a decrease 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 in 2016/17 to £2,056,250 compared with £2,111,250 in 2015/16 (saving of £55,000). Costs of violence to employees for 2016/17 has fallen to £735,000 compared to £831,250 in 2015/16 (decrease of £78,250).

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 2016/17

- 7.2.1 There have 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.
- 7.2.2 Participated in the investigation of the causes and working practices following a small fire at Stafford Waste Recycling Centre.
- 7.2.3 Supported the organisation in the multi-agency response to the fire at the illegal waste site at Slitting Mills.
- 7.2.4 Investigated issues resulting from building work completed at The Richard Heathcote Primary Schools
- 7.2.5 Flashley Primary School returned to their school site in January 2017 following successful removal of the material in the ducts, completion of the site clean-up activities and air testing levels returning to below the world health organisation levels.

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 As a result of issues with condensation in the ceilings following roofing works conducted at The Richard Heathcote Community Primary during the summer an issue with the exhaust from the school boilers was identified. No health impacts were identified and the incident was reported to the HSE in line with RIDDOR regulations. The HSE are undertaking an investigation into the facts of this incident. The council is taking forward the learning from our own internal investigation to ensure improved management and monitoring of contractors.
- 7.3.2 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 2017/18. 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)

	2014/15	2015/16	2016/17
Ill Health Referrals	1342	1133	1239
Ill Health Retirement Requests	30	21	25
Ill Health Retirements Approved	14	10	10

- 9.1 Occupational Health management referrals have increased compared to last year reflecting a move from schools to manage absence in a more proactive manner.
- 9.2 On average 84% of all absences over 21 days are being referred to Occupational Health for advice and support, however only 64% 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.
- 9.3 The number of ill-health retirements being granted (meeting the qualifying criteria) remains similar to the previous years.

10. Liability Claims

- 10.1 There have been no significant developments in terms of claim numbers, although early indication is that claim frequency for policy year 2016 is declining. It should be noted that claimants have up to 3 years after the accident within which to claim

	2012	2013	2014	2015	2016
No. of Claims Occurred	85	64	61	48	28
Estimated Cost of payments	£1,344,451.28	£257,328.68	£394,994.63	£208,690.75	£178,653.77

10.2 Background Information on Claims / Legal Developments

Estimated Cost of Payments includes reserves. This represents insurers "best estimate" of final settlement.

- 10.3 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.
- 10.4 A recent announcement from the Lord Chancellor regarding the personal injury discount rate (discount applied to lump sum compensation payments) from 2.5% to minus 0.75% has resulted in insurers amending reserves to higher levels.

11. New Legislation & Key Topics for 2017/18

- 11.1 During 2017/18 the Government will continue review the role and function of the Health and Safety Executive to ensure it remains fit for purpose.
- 11.2 Following the incident at Grenfell Towers there will be a review of regulations and other regulatory material associated with fire safety management in 2017/18. Additionally the following areas will be topics that remain high on the agenda for enforcement authorities.
- Stress in the Workplace
 - Asbestos Management

These topics when relevant will form part of the Health, Safety & Wellbeing Services 2017/18 audit programme.

12. Key Actions for 2017/18

- 12.1 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 are 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 organisation through change to identify its health and safety obligation and implement effective management arrangements.
- Review and revise organisational health and safety policies and procedures to ensure that they remain in line with best practice standards.

Fire Safety Management

- The incident at Grenfell Tower has created concerns around fire safety standards when buildings have cladding applied and in general. The Health, Safety and Wellbeing Service will review and report on current fire safety standards to senior Leadership Team, along with key recommendations for improvement.
- Remind and encourage all Premise Managers, commissioned providers to review and update their fire risk assessments and fire safety inspections.
- During 2016/17 revised fire safety arrangements were launched and the Health, Safety and Wellbeing Service were providing support to premises managers to improve understanding and quality of fire risk assessments.

- Fire Safety inspections will be completed of all county council 3 and 4 story premises and those housing vulnerable people as matter of priority.
- Liaise with Staffordshire Fire Service to ensure that the councils approach incorporates key learning into its management standards.
- As information becomes available following the investigation into the Grenfell Tower incident this will be reviewed and considered against our fire safety management standards.

People Process

- Use management information and insight to develop targeted solutions to maintain current standards and support prevention and early intervention outcomes.
- Continue to deliver wide ranging annual health and safety training offer to meet the council's statutory obligations and support colleagues to understand and deliver upon their health and safety responsibilities.
- To support Strategic Property to embed updated Client CDM responsibilities and processes into working practices.
- Improve Premise Mangers skills and knowledge on and around fire evacuation and site security and the government's terrorism stay safe guidance.
- Improve self-learning support on Go for colleagues on health, safety and wellbeing matters.

Line Manger Capability

- Provide managers with information and feedback on how they are managing health, safety and wellbeing.
- Inspire managers and leaders to develop effective leadership skills applied to health, safety and wellbeing
- Develop and update tool kits to support managers and improve knowledge and skills.

Colleague Wellbeing

- Undertake workforce wellbeing initiatives that promote colleagues to take personal responsibility for their physical health, psychological health and to make healthy choices.
- Review how mediation services could be embedded into current ThinkWell support.
- Assess the options to further improve mental wellbeing management and improve prevention given increasing psychological absence levels. Consideration to be given to mental health awareness campaigns and adopting Mental Health First Aid approach into organisation to improve management and response to mental health in the workplace.
- Develop self-learning tools on personal resilience for the workplace.

Standardisation

- Following the closing of SAP, a new health and safety incident reporting system will be introduced. The system has a number of benefits to the organisation including speedier reporting of incidents and improved monitoring of incident investigation. Greater real time access to incident records for managers will improve local governance of safety.
- User briefings will be provided to colleagues who have higher numbers of incidents to report. It is to be expected that easier reporting of incidents will result in an increase in incident reporting rates.

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. The 2017/18 action plan will assist the council to make further improvements and further develop its positive health and safety culture.

14. Contacts

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Appendix 1 - Key Performance Indicators

	Indicator	Measure	2014/15	2015/16	2016/17
1.	Number of accidents	Quarterly SAP Report	2413	1689	1645
2.	Number of violent incidents to employees	Quarterly SAP Report	653	665	588
3.	Number of RIDDOR reportable incidents	Quarterly SAP report	Excluding School Sports Incidents 112 Total 123	Excluding School Sports Incidents 71 Total 73	Excluding school sports incidents 51 Total 60
4.	Number of Civil Claims occurred (excluding highways claims)	Quarterly	61	48	28
5.	Cost of Liability Claims	Quarterly	£394,994.63	£208,690.75	£178,653.77
6.	% of Premises with a Fire Risk Assessment completed/reviewed within last 12 months.	Annually	Schools 83% Core Council 100%	Schools 76% Core Council 95%	Schools 100% Core Council 100%
7.	% of Management Standards surveys returned by corporate services and Self Audits completed by schools	Annually	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	Schools 73% Families & Communities 94% Economy, Infrastructure & Skills 100% Strategy, Governance & Change 100% Finance and Resources 100% Health & Care 100%
8.	% of Internal Health and Safety Audits completed to programme	Annually	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%	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	£3,016,250	£2,111,250	£2,056,250
10.	Cost of violence to employees Number incidents x HSE average cost of incidents (£1,250 per incident)	Annually	£816,250	£831,250	£735,000

Appendix 2 * Data as of 25th June 2017

Table 1 Accident and Violent Incident data for 2016/17

	Employee Accidents	AIR Figure Employee Accidents**	Non-Employee Accidents	Total Accidents	Violence Incidents towards employees	Total Violence	RIDDOR Reportable Accident & Incidents*
SCC Overall	389	24	1256	1645	588	644	60
Schools	240	20	1002	1242	120	142	47
Families & Communities	121	57	205	326	380	385	10
Economy, Infrastructure & Skills	11	20	4	15	1	2	1
Strategy, Governance & Change	6	15	0	6	0	0	1
Finance & Resources	3	5	3	6	1	1	1
Health & Care	8	14	42	50	86	114	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	0	29	30
Schools	0	1	0	0	25	21
Families & Communities	0	0	0	0	4	6
Economy, Infrastructure & Skills	0	0	0	0	0	1
Strategy, Governance & Change	0	0	0	0	0	1
Finance & Resources	0	0	0	0	0	1
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)

Audit and Standards Committee – 12 December 2017

Internal Audit – External Quality Assessment

Recommendation

1. To note the terms of reference for the external quality assessment review for Internal Audit scheduled to take place during January 2018.

Report of the Director of Finance & Resources

2. The Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013, contain the requirement for an external assessment of the internal audit function once every five years. The County Council needs to ensure that the assessment is undertaken by 31 March 2018. The report outlines the approach that the assessment will follow.
3. The PSIAS define the nature of internal auditing, set out the basic principles for carrying out internal audit in the public sector and provide a framework for the service. These add value to the County Council leading to improved organisational processes and operations. The PSIAS also establish a basis for the evaluation of internal audit performance to drive planning. Within Local Government further guidance as to how these standards are to be applied is provided within the Local Government Application Note (LGAN).
4. Standard 1300 outlines the requirements for a Quality Assurance and Improvement programme (QAIP) for the Internal Audit Service. By way of background key aspects of a QAIP include:-
 - Conformance with the definition of Internal Audit, the code of ethics and the PSIAS;
 - The adequacy of the internal audit activities, charter, goals, objectives, policies and procedures;
 - Contribution to the organisations governance, risk management and control processes;
 - Completeness of coverage of the entire audit universe;
 - The risks affecting the operation of the internal audit activity itself;
 - The effectiveness of continuous improvement activities and adoption of best practices
 - Whether the internal audit activity adds value, improves the organisations operations and contributes to the attainment of objectives
5. In addition to the above standard, 1310 sets out the requirement for the QAIP to include both internal and external assessments of the Internal Audit activity. Standard 1311 states that these assessments should comprise two interrelated parts; ongoing monitoring and periodic self-assessment.

Standard 1312 states that an external assessment must be conducted at least once every five years.

6. Following a joint EU procurement exercise with other public bodies within Staffordshire, CIPFA were appointed as the external quality assessor. It is anticipated that in January 2018 the first external quality assessment (EQA) will be performed and will involve assessing compliance against the PSIAS and the Local Government Application Note (LGAN) which will also include provision of internal audit services to third parties.
7. The review will be undertaken through a process of interviews with key stakeholders including members within the Council, the main external clients and document review. A number of key documents will be reviewed including the self-assessment quality assurance and improvement plan (QAIP), the audit manual, individual audit files and reports together with a range of reports and communications that demonstrate the flow of information from Internal Audit to the Audit & Standards Committee and the main clients.
8. Whilst all of the above documents contribute to the review, certain documents are regarded as fundamental to the review process. These documents include:
 - The audit charter and audit committee terms of reference
 - Progress reports to the Audit & Standards Committee and the main external clients
 - Head of Internal Audit annual report and opinion to the Audit & Standards Committee
 - Audit plans and the covering report to the Audit & Standards Committee
 - Audit manual
 - Staff declarations of interests
 - Staff training and development strategy
9. An independent external assessment will demonstrate to the Audit & Standards Committee compliance with PSIAS and any resultant action plan will provide areas for improvement. A report will be produced by the Assessor at the conclusion of the exercise and will be shared with Members.

Equalities and Legal and Climate Change Implications

10. There are no specific Equalities, Legal or Climate Change Implications presented by this report.

Resource and Value for Money Implications

11. It is anticipated that the cost of the assessment will be approximately £6,900.

Risk Implications

12. There are no specific Risk Implications presented by this report.

Health Impact Assessment

13. There are no specific Health Impact Assessment implications presented by this report.

Report author

Author's Name: Lisa Andrews

List of Background Documents:

Public Sector Internal Audit Standards – April 2017

Local Government Application Note

Local Members Interest
N/A

Audit and Standards Committee – 12 December 2017

Internal Audit Plan 2017/18 - Update

Recommendations

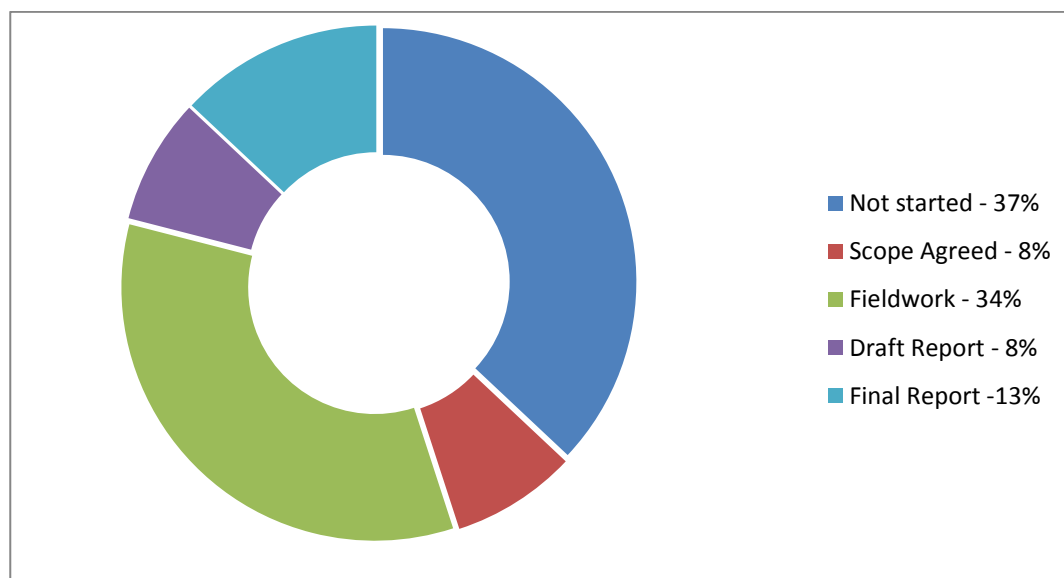
1. To note progress against the 2017/18 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval in June 2017.
2. To note progress on the implementation of high level recommendations made during 2017/18.

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 2017 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 proactive advisory role within the implementation of the new financial systems project and have expanded work where requested in order to help assist in the determination of the new control environment. Ongoing liaison has also taken place with the External Auditor to ensure that where possible the work of internal audit can provide additional assurance over the new financial management system. 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 data transfer and interface testing reviews. 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:
4. At this stage in the year the section remains on schedule to meet its key performance targets. The response rates from the Customer Satisfaction Surveys has continued to rise during the year, together with the number of positive comments. In addition work has concluded to re procure the Staffordshire External Support Contract which became operational with effect from 1st November 2017. A number of audits have now been allocated to providers and it is anticipated that the reviews will commence shortly.
5. Overall, delivery against the 2017/18 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	105	47	6	18	10	16	(8)	97
Additional Work	6	0	0	3	0	3	0	6
Total	111	47	6	21	10	19	(8)	103
Compliance Audits								
Schools incl themed	41	24	0	5	9	3	0	41
Educational Endowment Funds	3	0	0	3	0	0	0	3
Other compliance – Adults	12	0	0	0	0	12	0	12
Total Compliance	56	24	0	8	9	15	0	56
Pro-active Counter fraud Work	26	15	0	7	2	2	0	26
Special Investigations/ Exercises	n/a	n/a	n/a	6	1	10	n/a	17
Overall Totals	193	86	6	42	22	46	(8)	202

6. Since the last meeting of the Audit & Standards Committee, there has been no limited assurance opinion reports finalised requiring Members consideration.
7. 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.



8. 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 £34,000

9. Through the introduction of the 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.
10. 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. Additional information has been included within the table regarding the number of outstanding medium and low level recommendations for those reports with an outstanding high level recommendation. The details are attached as Appendix 2 to the report and include a commentary regarding action taken to date by the respective manager, where appropriate. Internal Audit will continue to monitor their implementation and will include the results of this exercise within the annual outturn report.

Equalities Implications

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

Legal Implications

12. 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

13. The net budget of the Internal Audit Section is estimated at £640,450.

Risk Implications

14. 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:

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

Report Author

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List of Background Papers:

2017/18 Internal Audit Strategy & Plan
2017/18 Internal Audit Charter

Details of Audits Contained in the Audit Plan approved in June 2017 which have been cancelled.

Local Sustainable Transport Fund
Centralisation of Archive Services
Rural Enterprise Programme
Developers Contributions s106
Deprivation of Liberty Safeguards
Banking Services Contract – Deputyships
Brokerage Performance Monitoring

Deferred into 2018/19 – Strategic Property Asset Management & Governance

HIGH LEVEL AUDIT RECOMMENDATIONS NOT IMPLEMENTED BY THE AGREED DUE DATE

APPENDIX 2

No.	Audit Subject	High Level Recommendation Details	Target Date for Implementation	Current Status	Remaining outstanding recommendations	
					Medium	Low
1	Concessionary Fares Travel Scheme (Elderly Persons)	The ability to obtain live data from the HOPS back office system to assist in the monitoring of the operators prior to payment should be investigated and implemented.	31/03/2017	Reminders have been sent but responses remain outstanding from responsible officers.	2	3
2	A50	The position with Highways England should be clarified in writing as to what the Funding Agreement means to the Council.	31/07/2017	Reminders have been sent but responses remain outstanding from responsible officers.	4	2
3.	Capital Programme in Schools	It is important that the Staffordshire Learning Infrastructure Framework (SLIF) is finalised and formally adopted.	31/07/16 revised date 26/09/17	Discussions have been held with the Lead Member and the revised SLIF was due to be submitted to the Staffordshire Learning Infrastructure Board scheduled for the end of September 2017. Confirmation that this action occurred is outstanding.	1	0
4.	Fairer Charging & Welfare Benefits	To improve the regularity of invoicing and prevent incidents of large debt occurring due to poor information being recorded on Care Director. Instances should be referred to management for review.	31/10/17	It is considered that the timeliness and accuracy of service provision set up should be improved via the newly created centralised brokerage team.	0	0
5.	Accounts Receivable	On occasions when a customer care package is reviewed, the previous care package should not be closed on Care Director until the new package has been created and can be invoiced against.	30/09/17	Reminders have been sent but responses remain outstanding from responsible officers.	3	5
6.	Accounts Receivable	Credit notes are raised within ACFS where the income recorded is valid but the debt is deemed not to be retrievable.	30/09/17	Reminders have been sent but responses remain outstanding from responsible officers.	As per 5 above	As per 5 above

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Local Members Interest

N/A

Audit & Standards Committee – 12 December 2017

National Fraud Initiative (NFI) 2016/17 - Update

Recommendation

1. To note the progress made to date on investigating the data matches received from the Cabinet Office in January and May 2017 as part of the 2016 National Fraud Initiative ('NFI') exercise.

Report of the Director of Finance & Resources

Background

2. The NFI is a data matching exercise, designed to help participating bodies to detect and deter fraudulent and erroneous payments. It began in 1996, and is run every two years. It compares information held by and between around 1,300 organisations including councils, police forces, NHS establishments and almost 100 private companies. The core of the NFI is the matching of data to help reduce levels of housing benefit fraud, occupational pension fraud and tenancy fraud. Thus far, the Cabinet Office has deemed the NFI a great success, and the most recently completed exercise (2014-15) resulted in the detection (nationally) of £198 million of fraud and overpayments, bringing a total to date over two decades of £1.39 billion.
3. The NFI data matching exercise involves Staffordshire County Council (the 'Council') submitting the following data sets to the cabinet office for matching against relevant data from other participating organisations, including the Department for Work and Pensions (the 'DWP').
4. Data sets submitted by the Council are:
 - a. Payroll
 - b. Pensions
 - c. Creditors & creditor payments
 - d. Blue badge holders
 - e. Concessionary travel passes
 - f. Council funded private residential care home residents
 - g. Personal budget recipients
5. The data collection period for the 2016 exercise was 1st April 2016 to 30th September 2016 which was extracted from Council systems in October 2016. Potential matches

were then identified by the Cabinet Officer and referred back to the Council for investigation in January 2017¹.

6. It should be noted that individuals whose data was to be included in the exercise were notified prior to the commencement of the 2016 exercise. This was in line with NFI guidance to ensure compliance with the Data Protection Act (1998).
7. Further details of the types of data matches carried out as part of the NFI and the number of potential data matches returned, together with the progress made to date in investigating these are included at Appendix 1.
8. The exercise to date has identified total overpayments, across all types of matches, of £51,062, further detail is provided in Appendix 1. A further £85,766 has been provisionally identified as potential fraud or error and action to recover the overpayments has commenced. This includes £70,714 for six instances where invoices may have been paid multiple times and internal enquiries are ongoing to confirm this. Recovery action is in progress in respect of £370 of pensions overpayments identified, and £14,682 in respect of further payments to private residential care homes.
9. A summary of recovered funds and anticipated recoveries is detailed below.

Match Type	Recovered to date	No. of Cases	Overpayments identified and recovery ongoing	No. of Cases
Pensions and Pension Gratuity to Benefits Agency Deceased Persons	£2,844	3	£370	3
Private Residential Care Homes to Benefits agency deceased persons	£39,418	9	£14,682	2
Personal Budgets to benefits agency deceased persons within bodies	£6,195	2	0	0
Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference	£2,604	2	£3,202 (Suspected duplicate payments, tbc)	3
Duplicate records by supplier invoice number and invoice amount but different credit reference and name	0	0	£67,512 (Suspected duplicate payments, tbc)	3
Total	£51,061	16	£85,766	11

All outstanding overpayments continue to be actively pursued by the Council.

9. The final results of the NFI must be sent to the Cabinet Office by 31st March 2018, and will be reported to a future meeting of the Audit and Standards Committee.

¹ Supplementary matches were released in May 2017 and September 2017.

Equalities Implications

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

Legal Implications

11. Participation in the 2016 data matching exercise was mandatory under part 6 of the Local Audit and Accountability Act 2014.

Resource and Value for Money Implications

12. 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 is invoiced in two equal annual instalments. Internal Audit has also allocated 35 days within the internal audit plan 2017-18 to carry out the investigations in relation to the potential data matches.

Risk Implications

13. Work supports the strategic risks identified by the Authority.

Climate Change Implications

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

Report Authors

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List of Background Papers

National Fraud Initiative Guidance Handbook.
National Fraud Initiative Protocol.

Appendix 1.

NATIONAL FRAUD INITIATIVE 2016-17 - SUMMARY OF MATCHES BY GROUP TYPE (as of 17 November 2017)

The Cabinet Office provides suggested approaches to dealing with the match types and for certain match types provides recommended filter values. The Council has in many instances sought to expand the sample sizes beyond the recommended filter value where it is considered desirable. The method of selecting matches to investigate falls into 3 categories:

- A Full check – where risk of erroneous payment is high or previous problems identified;
- B By Tranche – Volume of matches necessitates filtering by value of individual match. Where problems encountered a lower filter level is then used; and
- C By category of match – some types of matches have unique elements which make them a specialist search.

Further detailed information relating to the types of data matches along with progress to date on investigating potential matches arising from the 2016-17 NFI exercise is given below:

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Pensions and Pension Gratuity to Benefits Agency Deceased Persons (52)	295	A	295	282	3	10	£2,844	£370	<p>The Pension Payroll to Deceased Persons match identifies instances where an occupational pensioner has died, but the pension is still being paid as a result of the Pensions Section not being informed of their death. Data is matched between pension records maintained by the Council and those held by the Department for Work and Pensions (DWP) of deaths.</p> <p>Six overpayments have been identified to date, and payments have been recovered in respect of three of these. Repayment is being sought in respect of the final three.</p> <p>In seven instances we are awaiting return of life certificates, however further payments have been suspended to these individuals.</p>
Deferred Pensions to Benefits agency deceased persons (53)	108	A	0	0	0	108	-	-	<p>This match identifies where members of the Local Government Pension Scheme have left employment prior to reaching pensionable age, have passed away but payment of any widow or dependant entitlement has not commenced due to the Authority not being notified by the family.</p> <p>The Pensions Section has been notified of these matches, however these are treated as a lower priority as there is no financial loss to the Council.</p>
Pensions to payroll within The Council (54)	316	A	316	314	0	2	-	-	<p>The pension's payroll to payroll data match identifies pensioners who may have gone back into employment within the Council, which could result in an abatement of their pension. These investigations have to take account of the changes to the pension regulations affecting abatement agreed by the Pensions Committee in September 2006. These matches also include employees who take flexible retirement and therefore can receive a salary and pension benefits.</p> <p>314 of the 316 sixteen matches have been reviewed with no further action required. In two instances adjustments to pensions will be required; however this is routinely done on retirement.</p>

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Pensions to other bodies Payroll (55)	453	A	143	141	0	2	-	-	<p>The pension's payroll to payroll data match identifies pensioners who may have gone back into employment within external organisations, which could result in an abatement of their pension. These investigations have to take account of the changes to the pension regulations affecting abatement agreed by the Pensions Committee in September 2006. These matches also include employees who take flexible retirement and therefore can receive a salary and pension benefits.</p> <p>141 of 143 recommended matches have been reviewed with no further action required. One of these matches was previously identified as a concern in the 2014/15 NFI exercise and recovery is ongoing. Of an overpayment of £20,242, £13,968 is currently outstanding and being recovered at a rate of £190 per month.</p> <p>Enquiries are ongoing in two cases.</p>
Pensions to injury benefits within bodies (58)	28	A	28	0	0	28	-	-	<p>This report identifies individuals in receipt of pensions and also personal injury benefits. While none of the matches meet the recommended filter set by the Cabinet Office, the report will be reviewed fully on completion of the other pension's related matches.</p>
Payroll to payroll between bodies (66)	200	A	200	157	0	43	-	-	<p>The payroll to payroll matches identify:</p> <ul style="list-style-type: none"> i) Individuals who may be contravening their conditions of service by taking a second paid post; and / or ii) Staff who are failing to work their contracted hours because they are employed elsewhere. <p>157 of the matches have been reviewed and closed, with no adverse issues being identified. The remaining 43 matches are open while we await responses from outside organisations. Only three of these matches relate to individuals with over three days of sickness at SCC in the period April to December 2016. The remainder either work part time hours (and so a second employer is not unreasonable) or appear to have changed employer during the sample period.</p>

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Payroll to pensions between bodies (78) Page 63	3	A	3	1	0	2	-	-	<p>The pension's payroll to payroll data match identifies pensioners who may have gone back into employment, either with another local government body, which could result in an abatement of their pension. These investigations have to take account of the changes to the pension regulations affecting abatement agreed by the Pensions Committee in September 2006. These matches also include employees who take flexible retirement and therefore can receive a salary and pension benefits.</p> <p>One match has been resolved. We are awaiting responses from other Authorities regarding the remaining matches.</p> <p>In all these instances SCC is the employer, not the pension provider, and so the responsibility for clearing the match resides with the outside organisation.</p>
Payroll to creditors same bank account, within bodies (80)	77	B	77	67	0	10	-	-	<p>The payroll to creditors matches highlight those employees whose home address or bank account is shared with a business used by the Council. The results have so far produced a list of 268 matches. Work on these matches has commenced and so far no issues have arisen from the 112 matches cleared.</p> <p>The 10 outstanding matches regarding bank accounts all relate school employees, none of whom hold positions of responsibility and from the data available appear to be part time employees of schools who may have worked as a contractor at other schools in the area.</p>
Payroll to creditors address quality, within bodies (81)	191	B	60	46	0	145	-	-	<p>Work is ongoing to investigate the remaining 155 matches, the outcome of which will be reported to a future meeting of the Audit Committee.</p>

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Blue badge parking permit to blue badge parking permit between bodies (170)	17	C	17	12	5	0	-	-	This report identifies individuals potentially holding two blue badges with different Authorities. All of the matches have been reviewed, and five Council issued blue badges have been cancelled. Typically matches identified individuals who have moved to another area and failed to cancel their Council issue blue badge. The 12 matches where no issue was found relate to either erroneous matches or when one of the badges identified had expired prior to NFI results being released.
Blue badge parking permit to blue badge parking permit between bodies (170.1)	15	C	6	3	1	2	-	-	Responsibility for processing matches lies with the Council who issued the earliest badge. This report identifies the same issues as those identified by report 170, above, however the NFI places responsibility for investigating these matches lies with the other badge issuing Council. Results to date are stated for information, and reflect activity by the investigating Council.
Blue badge parking permit to benefits agency deceased persons within bodies (172.1)	3,296	C	63	12	17	34	-	-	This report identifies blue badge holders recorded as deceased by the DWP. As the matches are processed they are cancelled on our systems. This allows traffic wardens to seize such passes if their use is detected. Applications for renewal of cancelled passes will be declined. Work is ongoing to process these matches.
Concessionary travel passes to benefits agency deceased persons within bodies (172.2)	1,758	C	1742	1742	0	0	-	-	This report identifies holders of concessionary travel passes who are recorded as deceased by the Department for Work and Pensions. All recommended matches have been resolved, and relevant passes have been cancelled. Additional work has been undertaken on the higher quality non recommended matches, with no issues being identified.

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Private Residential Care Homes to Benefits agency deceased persons (173) Page 6	177	A	177	166	9	2	£39,418	£14,682	The above data match identified 177 cases where individuals were shown on the Social Care and Health Database as having their accommodation funded by the Council but were shown as deceased on the DWP records. Following investigation of the 177 matches, nine matches were identified where an overpayment had arisen as a result of the Council not being notified of the resident's death, each of which was from a different care home. As at the time of preparing this report £39,418 has been recovered and £14,682 is being actively pursued by the Council for the two remaining open matches. We had either been notified of the remaining deaths prior to the NFI report being published/reviewed, or the match was identified as a false match (i.e. the resident and the death related to different people.
Personal Budgets to benefits agency deceased persons within bodies (400.1)	10	A	10	8	2	0	£6,195	-	This report identified where recipients of personal budgets were recorded as deceased by the Department of Work and Pensions. Eight of the ten identified matches related to individuals where the Council had been notified of their death prior to the review of the NFI results. £6,195 has been recovered from estates of two individuals.
Personal Budgets to personal budgets between bodies (401)	1	A	1	1	0	0	-	-	This report identified individuals potentially in receipt of personal budgets from two different local authorities. The single identified match was identified as relating to two different people.
Personal budgets to pensions between bodies (413)	57	A	57	38	0	19	-	-	This report identifies variances between pensions paid by outside bodies and financial declarations made in the application for personal budgets. 38 of the matches have been cleared following review of financial assessments, however for 19 individuals we have not been able to locate a financial assessment, or the value of income reported in the NFI is not consistent with financial assessments. These matches have been passed to the Adult Social Care Team who are currently running a project to update missing/out of date financial assessments.

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Personal budgets to pensions between bodies (414)	5	A	5	5	0	0	-	-	This report is identical to the above; however the matches are of a reduced quality. Review of the matches did not identify any areas of concern.
Personal budgets to pensions within bodies (415)	40	A	40	34	0	6	-	-	This report identifies variances between pensions paid by the Council and financial declarations made in the application for personal budgets paid by the Council. 34 of the matches have been cleared following review of financial assessments, however for 6 individuals we have not been able to locate a financial assessment, or the value of income reported in the NFI is not consistent with financial assessments. These matches have been passed to the Adult Social Care team who are currently running a project to update missing/out of date financial assessments.
Personal budgets to pensions within bodies (416)	3	A	3	2	0	1	-	-	This report is identical to the above; however the matches are of a lower quality. Review of the matches has identified one missing or out of date financial assessment. This match has also been referred to the Adult Social Care Team.
Duplicate creditor by creditor name (701)	941	C	0	0	0	941	-	-	Due to implementation of new finance system Integra, the Accounts Payable team will have to create new creditors in the new system. Therefore this report has not been reviewed. The Integra system is being implemented in late 2017.
Duplicate creditors by address detail (702)	659	C	0	0	0	659	-	-	Our wider counter fraud proactive work will reconsider the risk of duplicate suppliers being on the system following implementation of Integra.
Duplicate creditors by bank account number (703)	297	C	297	297	0	0	-	-	All creditors recorded as sharing a bank account have been reviewed. A valid reason for the duplicate bank account was identified in all cases where one of the creditors was not marked blocked.

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Duplicate records by invoice reference, invoice amount and creditor reference (707)	826	C	76	76	0	0	-	-	This report identifies potential duplicate invoices from suppliers. All of these matches relating to payments of £20,000 have been reviewed to date, and it has been confirmed that no duplicate payments have been made.
Duplicate records by invoice amount and creditor reference (708)	5,679	C	121	121	0	0	-	-	This report identifies potential duplicate invoices from suppliers. All of these matches relating to payments of £5,000 have been reviewed to date, and it has been confirmed that no duplicate payments have been made.
VAT overpaid (709)	1,359	C	1,359	1,359	0	0	-	-	This report compares invoice amounts and VAT values recorded in SAP. All matches have been subject to review, and valid reasons for VAT not being equal to 20% of the invoice value have been identified. A common example was for school lunch providers, where pupil contributions are deducted from the invoice value.
Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference (710)	14	C	14	9	2	3	£2,604	£3,202	This report identified potential duplicate payments. Review of the 14 identified matches identified no concerns with nine. Two matches have resulted in recoveries of £2,604 being made. A further three matches are currently being investigated which relate to payments made by schools, but have provisionally been identified as duplicate and recovery action will be perused if this is found to be correct.

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Duplicate records by supplier invoice number and invoice amount but different credit reference and name (711)	643	C	17	14	0	3	-	£67,512	This report identified potential duplicate payments. Review of the 17 identified matches identified no concerns with 14. Three matches are currently being investigated, but have provisionally been identified as duplicate, and recovery action regarding £67,512 will be perused if this is found to be correct.
Duplicate records by postcode invoice date and invoice amount but different creditor reference and supplier invoice number (712)	19	C	19	19	0	0	-	-	This report identified potential duplicate payments. Review of the 19 identified matches identified no concerns.
Duplicate records by postcode, invoice amount but different creditor reference and supplier invoice number and invoice date (713)	111	C	17	17	0	0	-	-	This report identified potential duplicate payments. Review of the 17 identified matches where the invoice value is over £5,000 identified no concerns.

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Procurement - payroll to companies house (Director) within bodies (750)	64	A	64	43	0	21	-	-	These reports identify employees who are Directors of Suppliers used by the Council, or who share an address with a Director of a Supplier used by the Council. To date 72 of the recommended 89 matches have been fully reviewed with no concerns identified. Work will continue to complete review of the recommended matches, and extend the sample as appropriate.
Procurement - Payroll to companies house (Director), address quality, within bodies (750)	134	A	23	19	0	115	-	-	
Totals	17,796		5,222	5,005	39	1,432	£51,061	£85,766²	

² Fraud/Error value, recovery ongoing figure may reduce should further information come to light regarding payments identified as being a potential duplicate, for example suppliers may provide further information to confirm payments related to different goods/services.

Audit and Standards Committee Forward Plan June 2017 – March 2019

If you would like to know more about our work programme, please get in touch with Carol Bloxham, Scrutiny and Support Officer, 01785 276155 or carol.bloxham@staffordshire.gov.uk

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Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
	26 June 2017			
External Audit Plan Ernst & Young			Progress Report	VfM work was well progressed but more work needed on BCF and integration with wider health economy. Members asked to be kept informed on developments re business rates
Internal Audit Report of the Director of Finance and Resources			<ul style="list-style-type: none"> • Outturn Report 2016-17 • Audit Charter 2017 • Strategy and Plan 2017-18 	Adequate assurance judgement received on governance, risk and control framework; minor revisions to Internal Audit Charter were agreed and internal audit strategy and plan agreed. Members agreed the need for flexibility to address unplanned business.
SAP Replacement update Report of Director of Finance and Resources				Programme Manager explained the background to, governance and risk management associated with the new system and how elements of change would be managed.

Agenda Item 9

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Code of Corporate Governance – 2017/18 Director of Strategy, Governance and Change <i>and</i> Director of Finance and Resources			Update on action plan	The new Code of Corporate Governance and resulting Action Plan were approved.
Procurement Regulations Report of the Director of Finance and Resources				The revised procurement regulations offered an enhanced level of robustness and were approved for inclusion in the constitution.
Induction training of the New Audit & Standards Committee				
Page 72	25 September 2017			
	Statement of Accounts 2016/17 Report of Director of Finance and Resources			<ul style="list-style-type: none"> • County Council • Pension Fund
Annual Governance Statement 2016/17 Director of Strategy, Governance & Change & Director of Finance & Resources				The governance statement explained how the CC followed the corporate code of governance and met the requirements of Accounts and Audit Regulations 2015 in preparing the statement of accounts. Members discussed the

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
				detail, understood that 2016-17 had been challenging in terms of MTFs and approved them.
Report to those charged with Governance Report of Ernst & Young				The report from External Auditors on how they conducted their audit and arrived at their conclusions was received.
Local Public Audit - Update Director of Finance & Resources				The Committee noted the sector led body procurement process for appointment of external auditors for the County Council from 2018-19. They asked to be advised of the level of audit fee over recent years.
Cyber Essentials Review Director of Finance and Resources			Exempt under paragraph 3 of LGA 1972	The Committee received a summary of the Internal Audit Review into the systems, controls and risks relating to the administration and control of processes for dealing with aspects deemed to have limited assurance. Members noted the progress against recommendations and asked for an update in March 2018.
	4 December 2017 meeting cancelled now 12 December			
Strategic Risk Register Director of Strategy Governance and Change and Director of Resources				Item deferred to 12 March 2018

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Health, Safety and Wellbeing Performance Annual Report Health, Safety and Wellbeing Manager			Presentation and annual report	
Annual Audit Letter 2016-17 Report of Ernst & Young				
Internal Audit Plan 2017-18 Annual Update Report of the Director of Finance and Resources				
New item: Internal Audit External Quality Assessment Report of Director of Finance and Resources				
New item: Limited Assurance Report Internal Audit Special Investigation Reports – High Risk Report of the Director of Finance and Resources				Item deferred to March 2018
New item: National Fraud Initiative (NFI) 2016/17 - Update				
	12 March 2018			
Strategic Risk Register Director of Strategy				Item deferred from 12 December 2017

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Governance and Change and Director of Resources				
Annual Information Governance Statement Head of Information Governance			Annual report	
Review of the effectiveness of the Audit & Standards Committee Head of Law & Democracy and Chief Internal Auditor			Members will receive a questionnaire from the Head of Audit and Financial Services. This item will take the form of a Workshop to be arranged in early February 2018 with feedback to the 12 March meeting.	
Members Standards Annual Report Director of Strategy, Governance and Change			Annual statement	
External Audit Plan Report of Ernst & Young			update	
Cyber Essentials - Limited Assurance Review – interim Head of ICT			Update against recommendations.	
2018/19 dates to be confirmed	13 June 2018			
	30 July 2018			
	24 September			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
	2018			
	3 December 2018			
	11 March 2019			
Work programme for the Audit and Standards Committee	All meetings			
Proposed changes to the Constitution	As required			
Internal Audit Special Investigation/limited/ Top Risk Areas reports	As required	26 June 2017	Accounts Receivable Client Contributions Property Cases	Committee to write to Cabinet Member, Finance and Corporate Matters requesting he adopts a greater sense of urgency in recovering outstanding debts.
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 • Financial Regulations - update 	A development day on Penda Property Partnership will be offered to all members

Membership

Derek Davis, OBE
Mike Davies
Michael Greatorex
Martyn Tittley (Chairman)
David Brookes
Colin Greatorex
Syed Hussain

Ian Lawson
Jeremy Oates
Carolyn Trowbridge
(Vice-Chairman)
Ross Ward
Bernard Williams
Victoria Wilson
Jill Hood

Calendar of Committee Meetings**(All meetings at 10.00 a.m. unless otherwise stated)**

26 June 2017
25 September 2017
4 December 2017 – meeting cancelled
12 December 2017
12 March 2018
13 June 2018 (additional meeting)
30 July 2018 (to be confirmed)
24 September 2018
3 December 2018 at 2.00 p.m.
11 March 2019

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

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

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