

Audit and Standards Committee

Monday, 12 March 2018

10.00 am

Oak Room, County Buildings, Stafford

John Tradewell
Director of Strategy, Governance and Change
2 March 2018

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 12 December 2017** (Pages 1 - 6)
4. **Annual Information Governance Statement** (Pages 7 - 34)
Report of the Head of Business Support
5. **Review of Effectiveness of Internal Audit and Audit and Standards Committee**
 - a) Internal Audit - External Quality Assessment (Pages 35 - 52)
Report of the Director of Finance and Resources
 - b) Review of the Effectiveness of the Audit and Standards Committee (Pages 53 - 64)
Report of the Director of Finance and Resources
6. **Annual Report of the Management of Complaints made under the Members' Code of Conduct** (Pages 65 - 68)
Report of the Director of Strategy, Governance and Change
7. **External Audit Plan 2017-18** (Pages 69 - 112)
Report of Ernst and Young
8. **Pension Fund External Audit Plan - 2017 -18** (Pages 113 - 144)

Report of Ernst & Young

9. **Local Government Sector Update Report** (Pages 145 - 156)

Report of Ernst and Young

10. **Work Programme 2017-18** (Pages 157 - 164)

11. **Exclusion of the Public**

The Chairman to move:-

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

PART TWO

(reports in this section are exempt)

12. **Cyber Essentials - Limited Assurance Review - Update (exemption paragraph 3)**

Presentation on update against recommendations by Interim Head of ICT

13. **Internal Audit Report - Limited Assurance Review - Fairer Charging and Welfare Benefits (exemption paragraph 3)** (Pages 165 - 186)

Report of the Head of Audit and Financial Management

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

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

Minutes of the Audit and Standards Committee Meeting held on 12 December 2017

Present: Martyn Tittley (Chairman)

Derek Davis, OBE
Mike Davies
Michael Greatorex
Syed Hussain
Ian Lawson

Carolyn Trowbridge (Vice-Chairman)
Ross Ward
Bernard Williams
Jill Hood
Paul Northcott

Apologies: David Brookes, Jeremy Oates and Victoria Wilson

PART ONE

90. Declarations of Interest

There were no declarations of interest.

91. Minutes of the Meeting held on 25 September 2017

RESOLVED: That the minutes of the meeting held on 25 September be approved and signed by the Chairman.

92. Annual Audit Letter for Year Ended 31 March 2017

Mr Jason Burgess from Ernst & Young informed the Committee that the external auditors were required to issue an annual audit letter to Staffordshire County Council following completion of their audit procedures for the year ended 31 March 2017. The letter was shared with Members. No questions were asked.

RESOLVED: The report was received.

93. Annual Report on Health, Safety and Wellbeing Performance 2016/17

Mrs Rebecca Lee introduced her report drawing Members' attention to some of the highlights in the report, progress against key action points for 2016/17 and identifying key priorities for 2017/18. The report detailed the key successes of the service; gave details of Service Level Agreements with schools and described what the Council was doing to improve the health of the workforce. The Council has agreed a range of key performance indicators, details of these were given in Appendix 1 to the report. She went on to describe the health and safety evaluation process; accident and incident data; costs of accidents and incidents; internal health and safety investigations; incidents during 2016/17; Health and Safety Executive's involvement; details of joint consultation; the work of the Occupational Health Unit and details of liability claims. New legislation and key topics for 2017/18 were described and key actions.

In summary she stated that it had been a successful year for the health, safety and wellbeing service, although there remains room for improvement. The number of

accidents, incidents and reportable incidents had declined and the risk management audit reported a 100 per cent return. There was also a good level of return for the Management Standards survey, although the response from schools could be improved. Planned audits were completed.

To add to the points made in her report, she stated that Personal Resilience Training had been in high demand and extra courses had been added to the training programme.

Members asked for the reason behind the 588 incidents toward employees and were told that the number related mainly to incidents in units with children with challenging behaviour and was not due to aggression towards staff by the public.

There had been a 29 per cent increase in the staff absence due to psychological disorders. Members asked details of the reasons behind this increase and were informed that the increase was spread across the organisation, but with more cases in Families First where staff were on the frontline. The significant increase had followed a period when the figure had been in decline. Mental health and wellbeing was being discussed in the organisation and her Service was now looking at what else they could do to raise awareness and encourage staff to get help at an early stage so that they could get well and return to work. One Member asked for caution in the use of terminology, specifically the use of the term 'psychological disorder'.

In regard to Fire Inspections, Members asked in the light of the Grenfell Tower fire, if anything significant had been found. Members were assured that the main findings were around fire doors showing signs of wear and tear and this had been reported for action to Strategic Property. There are few buildings in Staffordshire clad with AVM and these are low level buildings.

Members asked if the Council benchmarks itself against other authorities. Mrs Lee stated she met with colleagues in the West Midlands regularly but the difficulty she had was that all Councils used different reporting systems. She assured Members that Staffordshire was well below smaller authorities. However, Staffordshire was to introduce a new recording system and she anticipated that there would be an increase in accident and incident reports as the system will be easier to use. However, we will capture a wider range of data including near misses, road traffic accidents and environmental incidents and it will be easier for staff to oversee KPIs.

Members asked how effective the 'flu vaccination programme for staff was. Mrs Lee responded that its effectiveness could not be proven, but it was right for the Council to offer 'flu vaccination to staff working with vulnerable people.

Members asked if line managers would benefit from receiving wellbeing training at the same time. Mrs Lee responded that there was training that Managers should receive separately as it relates to their management responsibilities. However, the wellbeing programme was open to all staff.

A Member stated that an issue had been raised with him in his role as a school governor regarding whether vaccines were suitable for different faiths and cultures e.g. people who were Hindu or Muslim. The role of the Council is to encourage take up amongst its

workforce (not children), but the offer of the vaccine is voluntary. The Council support the national campaign.

Members asked what was happening to recover the debt associated with the successful removal of material in the ducts, completion of the site clean-up activities and air testing levels returning to below the World Health Organisation levels at Flash Ley Primary School. John Tradewell, Director of Strategy, Governance and Change replied stating that every effort was being made to recover the debt, but the matter was complicated by the number of parties involved. The Council were taking Counsel's advice on the matter.

Members went on to discuss what mental health and wellbeing support was offered to them. They also asked Mrs Lee if she could clarify their role in the case of a terrorist attack. The Health and Safety site on the intranet gives access to four CALM modules that can be accessed by Members. It was agreed to put together an update on mental health and wellbeing to share with Members in early 2018.

Members went on to ask if an update on local resilience could be given. There is also information, newsletters and a video on Run, Tell and Hide on the Health, Safety and Wellbeing website.

The Head of Law and Democracy stated that personal resilience training had been offered to Members as part of Induction training, tailored to meet the needs of Members. This could be offered again if required. Emergency planning and how Members will be supported will be the focus of the Members' Spring Event. Another member said that the training on emergency planning and civil contingencies had not focussed on how they should respond in the case of a major incident.

Mr Tradewell reassured Members that the Council has well-rehearsed arrangements in place with a variety of tried and tested scenarios. For many years central government had discouraged identification of terrorism on the risk register. The top risk identified on the Council's risk register is how we would respond in the case of a 'flu pandemic. In the case of a terrorist attack, the County Council is the second line of defence, becoming involved in the recovery phase. District/Borough Councils deal with major incidents in the area, and initially lead on them. It is only if the incident is very significant or lengthy that the County Council gets involved in the leading those incidents, and even then we take the lead in the recovery phase. The initial response is from the emergency services. The last major incident that the County Council was involved with was foot and mouth disease.

Member involvement in the resilience Plan is identified in the recovery phase, but is different for each local authority. Philip Atkins would lead on public communications in the recovery phase.

The Council has Directors on Call over the week-ends and dealing with emergency situations is ongoing. The arrangements to deal with major incidents are well-tested by officers and it should be effective in the event of a terrorist type incident.

Members asked if they could be updated on local resilience (Run, Tell, Hide) as part of the Members' Spring Event.

A Member raised an issue regarding an incident at Cheslyn Hay High School that Mrs Lee agreed to follow up outside the meeting.

Mrs Lee was thanked for her comprehensive report and its focus on prevention and it would be interesting to see next year what difference this had made.

RESOLVED: The report be noted and an update to be provided to Members on mental health and wellbeing support available to them.

94. Internal Audit External Quality Assessment

Lisa Andrews, Interim Head of Audit and Financial Services gave an overview of the internal audit external quality assessment and asked Members to note the terms of reference for the audit review scheduled to take place from 22 January 2018 for one week.

The report outlined the approach that the assessment will follow. Standard 1300 outlines the requirements for a Quality Assurance and Improvement Programme (QAIP) for the Internal Audit Service and details the key aspects.

In addition, Standard 1310 sets out the requirements for the QAIP to include both internal and external assessments. Following a Joint Procurement exercise with local government colleagues, Ray Gard, from CIPFA has been appointed as external quality assessor. The review will be undertaken through a process of interviews with key stakeholders, including Members of the Audit and Standards Committee, the main external clients and a document review.

The review will include a review of the number of documents that are considered fundamental to the exercise and these are listed in paragraph 8 of the report. The assessor would like to make a visit to the Audit and Standards Committee but unfortunately there was not a meeting scheduled at the point of this visit and may therefore send out a questionnaire to Members. A meeting will be scheduled with the Chairman of the Committee.

A final report will be produced and shared with the Committee in March 2018. There were no questions asked.

RESOLVED: The report was noted.

95. Internal Audit Plan 2017/18 - Annual Update

Lisa Andrews, Interim Head of Audit and Financial Services updated Members on the progress against the 2017/18 Internal Audit Plan and the amendments to the original Plan, including those audits that had been cancelled since its approval in June 2017, in Appendix 1 of the report. Members were asked to note that there had been a number of changes to the Plan as a result of the introduction of the new Financial and Payroll systems.

Members were asked to note the progress with the implementation of high level recommendations made during 2017/18 – Appendix 2 of the report. The response rate from Customer Satisfaction Surveys had continued to rise this year. Work has concluded to re-procure the Staffordshire External Support Contract. The Council will also use the NHS support contract in addition when procuring external support to deliver the annual plan.

With reference to the table on p50 of the report, there were no limited assurance opinion reports to report to Members since their last meeting. Details of external clients were given and the in-house team continues to deliver the Internal Audit function including the management of the existing in-house team for South Staffordshire Council.

Appendix 2 of the report detailed a number of high level recommendations that had not been implemented by the agreed date. Managers were actively pursued until a response was received. Following previous involvement of the Committee, arrangements were more robust.

No questions were asked.

RESOLVED: The report was noted.

96. National Fraud Initiative (NFI) 2016/17 - Update

Lisa Andrews, Interim Head of Audit and Financial Services outlined 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. The report outlined the data sets submitted by the Council and Appendix 1 to the report gave the amount recovered to date according to different match types. The Council was pursuing the recovering of a further £85,766. Any learning from this activity will be shared to prevent further problems going forward. Further details will be given in the Internal Audit Annual Outturn Report which is scheduled to be presented to the June 2018 meeting.

No questions were asked.

RESOLVED: The report was noted.

97. Audit and Standards Committee Forward Plan

Members were asked to consider the Forward Plan.

RESOLVED: Subject to an interim External Audit Plan being added to the March agenda and some minor amendments to clarify the wording, the Plan was approved.

98. Exclusion of the Public

The public were excluded by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

99. Exempt Minutes of the meeting held on 25 September 2017

RESOLVED: The Chairman drew Members' attention to the response that he had received from the Leader of the Council regarding Cyber Essentials.

That the exempt minutes of the meeting held on 25 September 2017 be approved and signed by the Chairman.

RESOLVED: The exempt Minutes be approved and signed by the Chairman.

Chairman

Documents referred to in these minutes as Schedules are not appended, but will be attached to the signed copy of the Minutes of the meeting. Copies, or specific information contained in them, may be available on request.

Audit and Standards Committee

12 March 2018

Annual Report on Information Governance

1. Recommendation:

That the Panel note the information contained in this report.

Report of the Director of Strategy, Governance and Change

2. Background

2.1 Information Governance is the term used to describe how the Council manages its information assets particularly with respect to legislative and regulatory requirements. This report seeks to provide assurance around the policies, processes and practices employed to ensure we meet those requirements.

2.2 There is a comprehensive and complex legal and regulatory information landscape within which the County Council must operate including compliance with the Data Protection Act 1998, Freedom of Information Act 2000, Environmental Information Regulations 2004 and other statutes. In addition to this, there are a number of further requirements contained within codes of practice and regulations dealing with a range of service provision. The compliance with this range of legislation is monitored and administered through various national commissioner roles including the Information Commissioner, Surveillance Commissioner and Interception of Communications Commissioner. These commissioners have powers to impose penalties, including monetary penalties and custodial sentences on organisations or individuals who breach these rules.

2.3 The County Council has adopted and promoted an Information Governance Framework which collates requirements, standards, policy and guidance on the Council intranet pages. This provides for a strategic direction in terms of managing information and provides detailed guidance and support for staff in using information, including sharing and working with partners. This is particularly important as we continue to provide and commission services in new and innovative ways across Staffordshire.

3. Transparency

3.1 The County Council has statutory obligations to publish data as required by the Inspire Directive and the Local Government Transparency Code 2014. Publishing under this code gives the public access to information about local authorities' assets, contracts and financial spend as well as providing detail on senior officers roles and salaries.

4. Freedom of Information

4.1 Published statistics have shown that nationally the number and complexity of Freedom of Information requests submitted to Local Authorities remains high and overall the amount of time consumed in administering the requests continues to increase. The Council continues to mirror the national picture with the volume of requests increasing. The Council has a robust system in place for dealing with FOI requests. However, as request numbers continue to increase this places a greater challenge to remain compliant within the statutory deadline of twenty days. Failure to meet statutory requirements in this area is monitored by the Information Commissioners Office (the ombudsman for information legislation).

4.2 Performance in SCC is monitored on a quarterly basis and published on the internet. The benchmark set by the Information Commissioner for an acceptable service is 85% of requests answered with 20 days. Freedom of Information statistics can be found at **Appendix A**.

4.3 We publish a selection of questions and answers under FOI, based on nature of requests and to potentially negate the need for duplicate requests. In doing this, we can simply refer requestors to the website rather than responding to a request we have already published, therefore saving staff time and resources.

5. Data Protection

5.1 Data protection is primarily concerned with personal data about individuals rather than general information. As a public body with a diverse range of people services this relates to a significant volume of data. As service delivery and commissioning evolve the way in which SCC is delivering its services has an impact on information governance arrangements. The Information Governance Unit is working together with all partners on projects and initiatives which require sharing personal information on a large scale.

5.2 Central to information sharing is the on-going use of the One Staffordshire Information Sharing Protocol. Information sharing protocols are agreements that establish mutually binding rules for the safe and appropriate sharing of personal information between different agencies. The County Council took the lead on establishing this single agreement signed by over 170 public sector bodies across Staffordshire who are committed to effective information sharing. The County Council lead on the management of Protocol to ensure that the protocol is up to date and fit for purpose.

5.3 The authority is committed to partnership in terms of safe and strong communities. Under section 29 of the Data Protection Act 1998, the police and HMRC, are able to request a data controller, to waive an individual's rights to have their personal data protected, for the purposes of prevention and detection of a crime and investigation of taxation. The County Council has signed up to a national protocol to expedite Police and CPS requests for information in child safeguarding

investigations known as Annexe C requests. We have committed that an Annex C request under the protocol will be answered within fourteen days, in practice this is often done within seven days. Although at times this can place a strain on resources, it is evidence of our commitment to give the highest priority to such matters.

5.4 Under the Data Protection Act 1998 individuals have a right to access their own information, known as a Subject Access Request. Ensuring compliance with Access to Information is the overall responsibility of the Information Governance Unit however Families First manage children's requests separately. Compliance statistics for Families First are included at **Appendix B**.

5.5 The General Data Protection Regulation (GDPR) was adopted into European law in April 2016. The GDPR aims to strengthen consumer protection and enhance trust and confidence in how personal data is used and managed, giving citizens more control over their own private information. In addition, the GDPR provides important new safeguards, including new fines of up to 4% of an organisation's annual global turnover, or €20 million, in the most serious cases of breaches of the regulation. As a regulation, it will directly apply to all European Union member states from 25 May 2018 and as the UK will still be in the EU at that time the UK Government has stated that the GDPR will be adopted directly into UK law, superseding the Data Protection Act.

5.6 Through 2017 and into 2018 a project has been in place to ensure the authority is ready to meet the changes the GDPR will bring in. This has involved conducting a gap analysis and project managing the changes. Please note most of these principles already exists within the current legislation, however the publicising of this by the media may increase volumes of requests.

6. Information Security

6.1 Local Authorities continue to face challenges to ensure that appropriate information security is in place therefore the County Council remains focussed on working towards ensuring that resilient procedures are employed across the Authority.

6.2 The authority continues to be subject to a high-level of cyber-attacks. It is not believed that the authority is being specifically targeted but more as an inevitable consequence for any organisation that has a high level of activity on the internet. In particular denial of service attacks have seen an increase both directly attacking the Authority's network but also that of our Internet Service Provider and this can lead to significant disruption to the network. An increase in malware email campaigns (software which is specifically designed to disrupt or damage a computer system) has led to limits being placed on downloading executable files. Blocked traffic is monitored and a breakdown of blocked malicious and threat emails are in **Appendix C**.

- 6.3 In April 2017 the council implemented a process for raising user awareness and for identifying and preventing users clicking on malicious links. Details are also included in **Appendix C**. All users can report suspicious, malicious and/or spam emails to a central email address.
- 6.4 The Council has developed a Cyber Security Incident Plan in case of a cyber-attack. Work is ongoing to review the plan due to the outcomes identified by the exercise.
- 6.5 The Council continues to invest in appropriate software and hardware to combat security threats and also works closely with its Internet Service Provider to improve its security and to ensure the earliest possible waning of cyber-attacks. The firewall hardware and software continues to provide protection to our network.
- 6.6 As an organisation we are committed to ensure that we only use legitimate software for which we hold a valid licence. Hosting unlicensed software is illegal and can lead to monetary penalties. A software auditing tool has been implemented to ensure that there are no instances of unauthorised software within the SCC network and that all instances are licensed.
- 6.7 The Information Governance Unit record all reported security incidents and investigate where necessary. Security incidents include both physical and electronic data. All incidents will be followed up with the appropriate manager to receive assurance from the service that recommendations have been implemented. The security incidents are also reported quarterly to the Senior Information Risk Officers. A total of 82 incidents were reported in 2017 which is the highest level of incidents since we began formally recording. This is an average of 7 per month. Details of Security Incidents are included at **Appendix D**.
- 6.8 All security policies are regularly reviewed to reflect changes in technology and knowledge of potential threats; this involves revision of policies and also technical improvements to software, hardware and networks on an ongoing basis.
- 6.9 Staffordshire County Council has successfully been granted Public Services Network (PSN) accreditation for 2018. PSN is a key part of Government ICT Strategy and accreditation means that the authority can continue access a secure network that facilitates the safe access of Government shared services. Accreditation is an annual requirement. The safety of PSN is paramount and to achieve accreditation the authority had to satisfy a Code of Connection containing over 60 different security controls. The security control responses were audited by means of independent ICT security health checks and an onsite assessment conducted by a government accredited third party auditor.

6.10 In 2017 a Cyber Security Strategy was introduced to ensure that the requirements of security are maintained whilst ensuring the authority is flexible to meet working requirements of a digital world. The strategy is included at **Appendix E**. Reporting against the outcomes of the strategy will be included in this report from 2018 onwards.

7. Governance

7.1 Governance of information requirements is provided through the Corporate Governance Working Group, Information Governance Unit and Senior Information Risk Owners (SIRO).

7.2 The role of a SIRO is to foster a culture of best practice in how the organisation uses, shares and keeps information, and to own the risk policies and procedures for managing information. In 2016 SIROs were appointed for Families and Communities and Economy, Infrastructure and Skills to ensure that there are representatives across the authority. Health and Care do not have a SIRO but a Caldicott Guardian fulfils that role.

7.3 An Information Asset Register (IAR) identifies information that enables the organisation to perform its business functions and all rules associated with the management of that information. The IAR is intended to be a resource for managers and to inform decision-making about the management of our information assets in order to mitigate information risks. It includes a comprehensive risk assessment framework to be applied to the assets that have been identified. In 2017 development work has taken place on the IAR to identify and record compliance with GDPR requirements.

7.4 Staffordshire County Council has a comprehensive retention schedule, which identifies the statutory and business requirements for how long a record should be kept.

7.5 The NHS IG Toolkit is an online system which allows organisations to assess themselves or be assessed against Information Governance policies and standards. The NHS require the County Council to be compliant with the toolkit to enable integrated working between the County Council and NHS bodies, including connection to systems and the transfer and sharing of sensitive personal data. In March 2017 Staffordshire County Council obtained compliance to the latest local authority version of the toolkit for the whole County Council.

8. Training and Guidance

8.1 All new starters are expected to complete the Privacy e-learning module as part of the induction process. All staff can complete a suite of Information Governance e-learning modules including Freedom of Information, Data Protection, Information Security, Records Management, Protective Marking and Privacy. The modules are reviewed at least annually to ensure information is current and reflects

regulations and procedures and the modules have been classified as 'essential'.

8.2 In June 2017 a mandatory Privacy e-learning module replaced the previous module. At 31 December 2017, only 54% of staff had undertaken the training.

8.3 In 2017 guidance has been reviewed to ensure that it complies with smart working and new cyber security guidance has been added to include how to create strong passwords and how to spot fake or scam emails. These are available to all staff on the intranet.

9. Regulation of Investigatory Powers Act

9.1 Staffordshire County Council is entitled to use the Regulation of Investigatory Powers Act for carrying out covert surveillance as part of our statutory duties. All applications for surveillance must be approved by a Magistrate. In 2016 no Directed Surveillance applications were made. No operations involving Covert Human Intelligence Sources were undertaken.

9.2 Access to Communications Data from communication are processed by the National Anti-Fraud Network (NAFN). No requests have been made or processed.

9.3 There is a regulatory obligation to report the outcome of any commissioner Inspections to members. In 2017 the Office of the Surveillance Commissioner completed a compulsory regulatory inspection. Some minor recommendations were made with regard to how we use social media in a RIPA context which we are considering further.

Appendix 1

1.0. Equalities Implications

1.1 None

2.0. Legal Implications

2.1 Failure to comply with legislation or legal requirements (i.e. Data Protection Act, Regulation of Investigatory Powers Act) can result in external censure, financial loss (including fines and compensation) and reputational damage.

2.2 Failure to comply with the Regulation of Investigatory Powers Act can result in censure by the Surveillance Commissioner, including reporting to Parliament, and judgement by the Investigatory Powers Tribunal.

3.0 Resource and Value for Money Implications

3.1. Continued adherence to good information assurance practice will help to ensure that the Council does not suffer financial loss through fine(s) for breaches.

4.0 Risk Implications

4.1. Any risks identified are subject to inclusion within the Authority's risk register and are dealt with as a matter of priority accordingly.

4.2 It is a key part of the Committee's role to give assurance to the Authority and the council tax payers that the public resources invested in the Authority are being properly managed. This report is one way by which that assurance can be given.

Report Author:

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List of Background Papers:

Appendix A: Information Requests

Appendix B: Families First Information Requests

Appendix C: Information Security Statistics

Appendix D: Incident Statistics

Appendix E: Cyber Security Strategy

Appendix A: Information Requests January 2016 – Dec 2016 – FOI & EIR

Statistic	January-March	April-June	July-September	October-December
Number of Freedom of Information (FOI) requests received	398	336	344	333
Number of Environmental Information (EIR) requests received	667	750	902	705
Total number of FOI and EIR requests received	1065	1086	1246	1038
Number of requests that took 20 working days or less	920	937	1167	936
Number of requests processed within 25 working days	987	1031	1190	986
Number of FOI requests not answered within 20 working days	145	149	79	102
Number of EIR requests not answered within 20 working days				
Number of requests where 20 working days deadline extended as permitted in legislation - Clarification	15	15	5	7
Number of requests where 20 working days deadline extended as permitted in legislation - Public Interest Test	7	2	1	3
Number of requests where a fee was charged	0	0	0	0
Number of requests refused in full because SCC does not hold information	89	75	88	59
Number of requests refused because requests considered vexatious	0	0	0	0
Number of request refused due to repeated requests	0	0	0	0
Number of requests refused as costs would exceed the 'appropriate' limit	9	10	9	11
Number of FOI requests refused under sections 22 - 44	8	3	1	40
Percentage of requests answered within 20 working days	86	86	94	90
Percentage of requests answered within 25 working days	93	95	96	95

Appendix B: Information Requests January 2016 – Dec 2016 – Data Protection

ACCESS TO INFORMATION PERFORMANCE STATISTICS



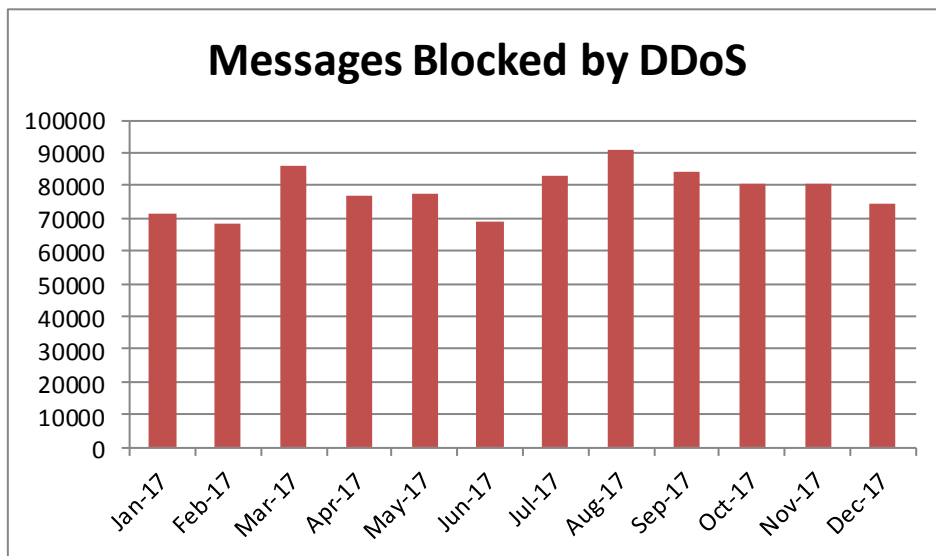
		January	February	March	April	May	June	July	August	September	October	November	December	Total
CLOSED SAR	Initial Requests													0
	SAR Requests	6	6	5	9	8	10	7	4	15	9	14	4	97
	SARs due for completion	3	4	8	5	5	10	8	11	2	14	7	13	90
	Completed in time	1	2	3	1	1	6	5	6	0	6	5	6	42
	Completed out of time	2	2	5	4	4	4	3	5	2	8	2	7	48
	% Completed in time	33%	50%	38%	20%	20%	60%	63%	55%	0%	43%	71%	46%	47%
OPEN SAR	Full SAR Requests	1	1	3	3	3	4	2	8	2	1	7	4	39
	SARs due	1	1	3	3	3	4	1	9	2	1	7	4	39
	Completed in time	0	0	0	0	0	0	0	0	2	0	0	2	4
	Completed out of time	0	1	0	3	4	3	3	1	6	3	1	4	35
% Completed in time	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	50%	10%	
S29	S29 & Annex C requests received	18	21	15	18	18	15	19	6	16	29	24	28	227
IS	Info Sharing requests received	12	26	25	24	28	24	35	28	25	38	43	21	329
SEND	SEND requests received	8	9	16	16	12	39	67	6	7	5	5	7	197
STAT	Stat Checks Received	7	12	7	7	8	6	10	18	20	13	9	7	124

Appendix C: Information Security Statistics

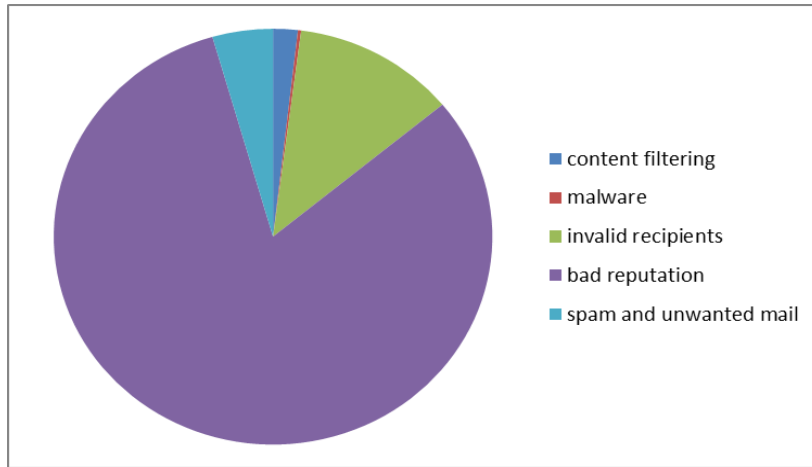
The County council has a layered approach to security protection. The first layer is provided by our internet service provider which will filter out a certain amount of threats and spam message, even before they reach our network.

The County Council defences start with our DDoS protection, which is designed to specifically stop Distributed Denial of Service attacks. These are attacks where a perpetrator will use a single source (DoS) or multiple sources (DDoS) will attempt to disrupt systems and services, usually by flooding the target with superfluous requests in an attempt to overload the systems.

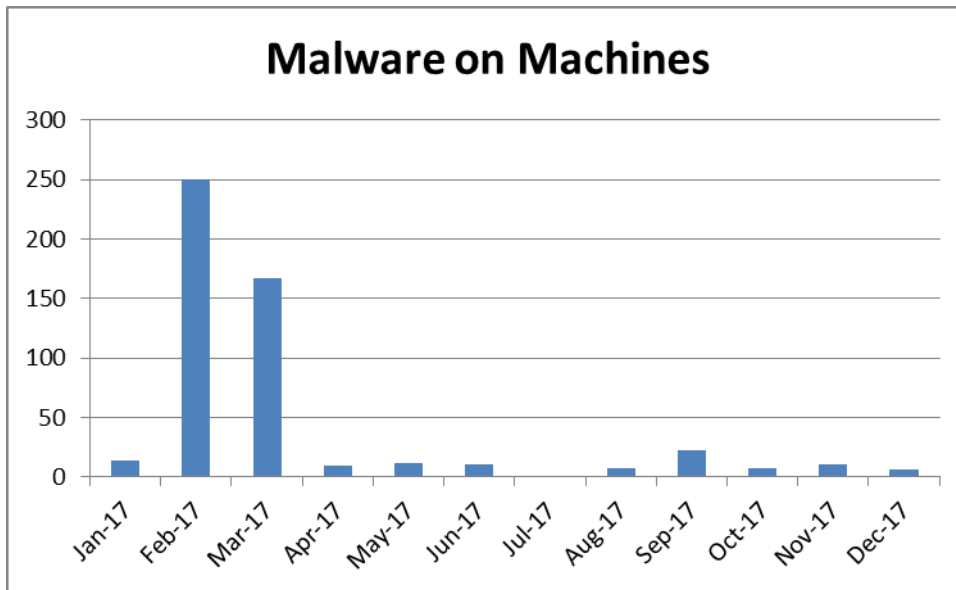
The chart below indicates the number of messages blocked by the DDoS protection each month.



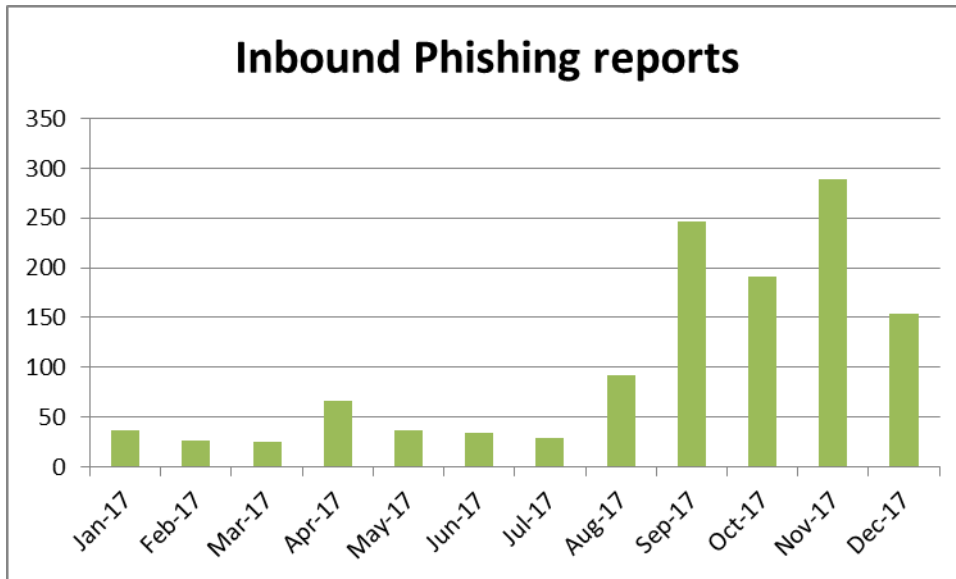
Our networks and systems are further protected by the Symantec Email Gateway. In 2017 the email gateway handled a total of 24,104,353 incoming messages. Of those messages a total of 10,816,188 messages contained single and multiple threats, an average of 55%. The types of threats are identified as followed:



End user machines also have local anti-virus protection and ICT have a managed process for malware found on machines. In general this is a very low amount (between 10 – 20 machines per month out) however we did see a spike in February and March. After investigation it is believed that this was a virus that got through our first layers of protection however it was dealt with by the local AV which illustrates the benefit of a multi-layered approach.



Finally, user awareness is key to maintaining the security of our systems. There is an email address where users can report spam and other suspicious emails. The below table shows the amount of reports we have received in 2017 by month.



We believe that the increase in the reporting is in line with the IronPort spam filter no longer available.

Malicious Links Process

It is identified that one of the major threats to organisational security is user behaviour. This particularly applies to the use of emails and recognising those that are spam, or contain scam and malicious content. Global communications have been sent sporadically to users, via global emails and standard SCC communication channels such as Team Talk or the intranet, both in response to individual incidents or as general awareness-raising.

There are technical preventions in place, including filtering and blocking software, and measures such as the limitation on downloading executable files. However these are not guaranteed in blocking all potentially malicious emails and these measures have to be balanced against the ability to carry out business with minimal disruption in a digital environment. As the volume and sophistication of malicious emails increases, users need to be more aware about recognising the threats posed including malicious links or attachments containing malicious software.

It is accepted that in nearly all cases users will not be taking these actions deliberately, however the consequences of these actions can be potentially highly damaging in terms of system downtime, data loss and reputational damage. Global communications will still be used to raise general awareness but individual, targeted communications and further action will be focussed on individual users who have clicked on suspected malicious links or opened attachments containing malicious software.

In April 2017 IGU and ICT implemented a joint process which compared logs identifying potentially malicious actions and user behaviour. From this data the group are able to identify specific sites and trends that are then blocked. There is also a process whereby individual users who have clicked on a malicious link are sent an email with advice and guidance on how to spot malicious emails. From 1 April 2017 to 31 December 2017 we have seen 171 unique users clicking on suspicious or malicious links. There were 6 users who have clicked on links on two or more occasions.

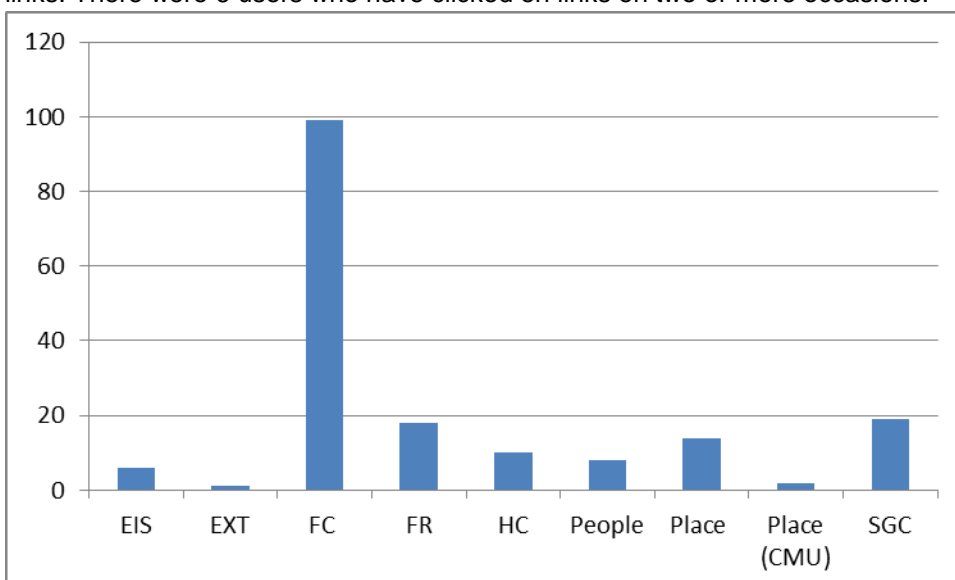


Figure 1: Number of Clicks per Directorate

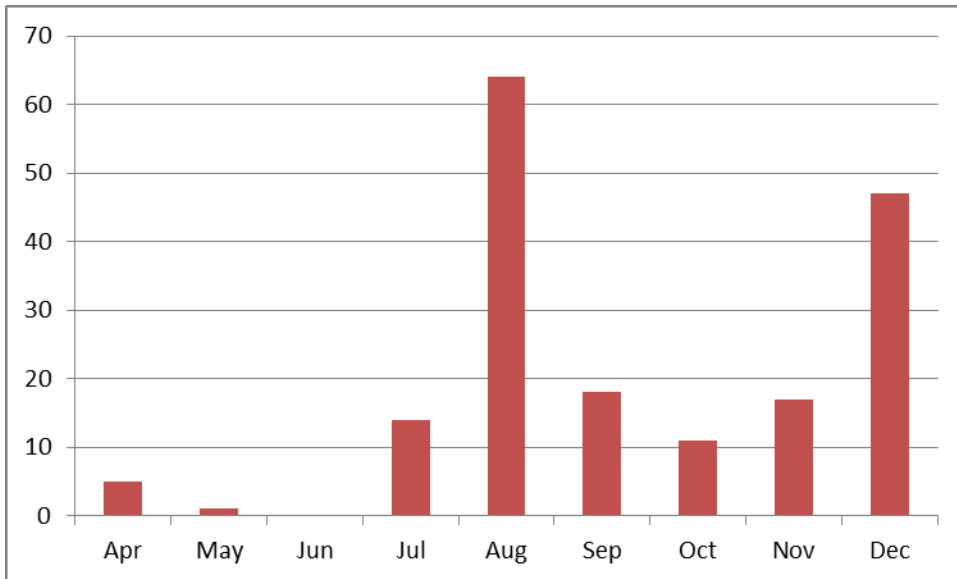
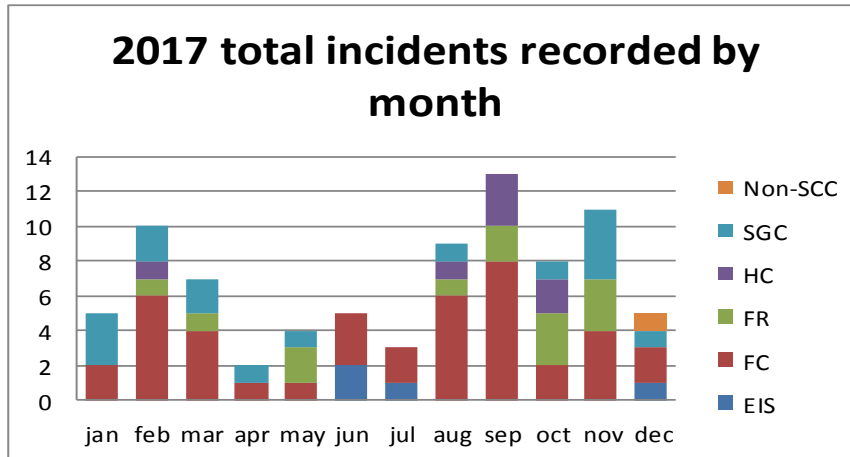


Figure 2 Number of clicks per month

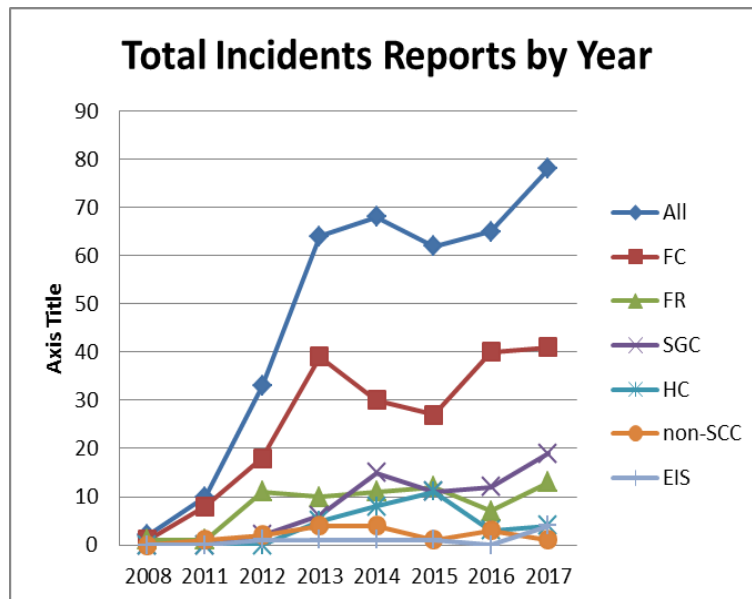
Appendix D: Incident Statistics 2017

A total of 82 incidents were reported in 2017 which is the highest level of incidents since we began formally recording. This is an average of 7 per month.

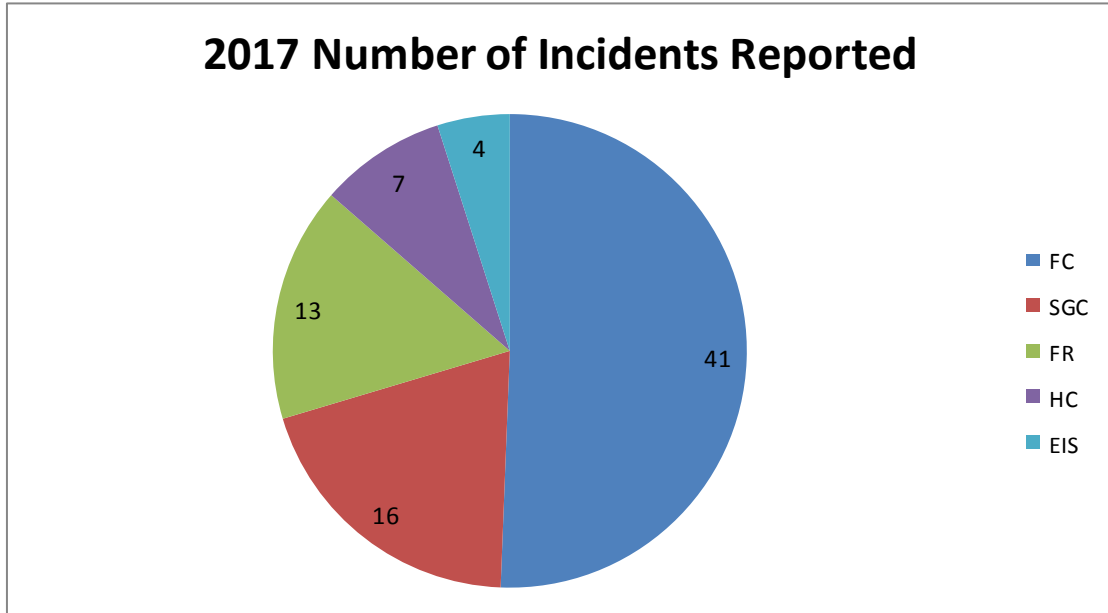


There may be two reasons for this increase:

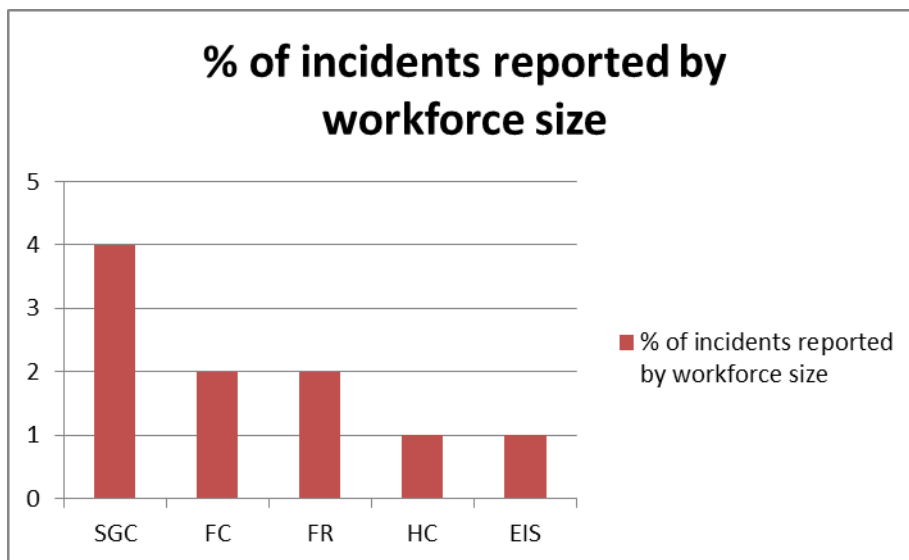
1. Increased staff awareness of the reporting procedure and increased awareness in general as a result of the mandatory privacy training. In terms of the latter we see more incidents reported in the second half of the year after the training was introduced.
2. An amendment to the recording process to include IT incidents as a result of an internal audit.



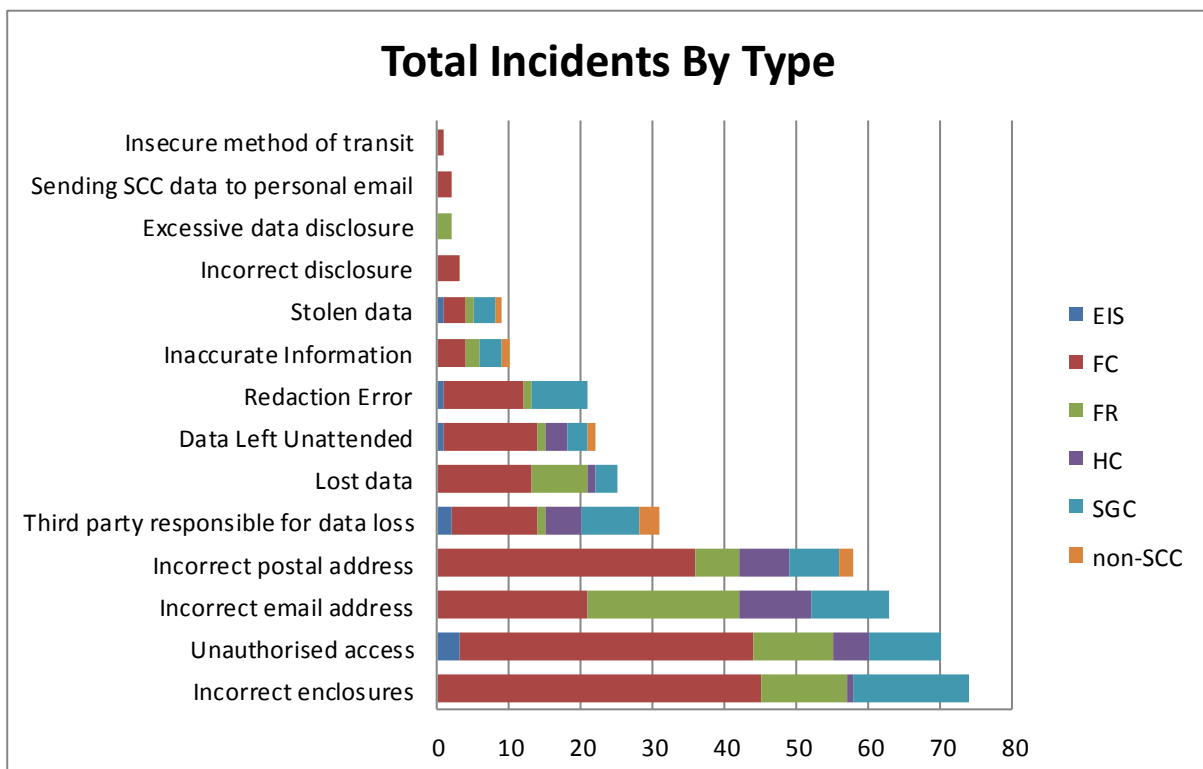
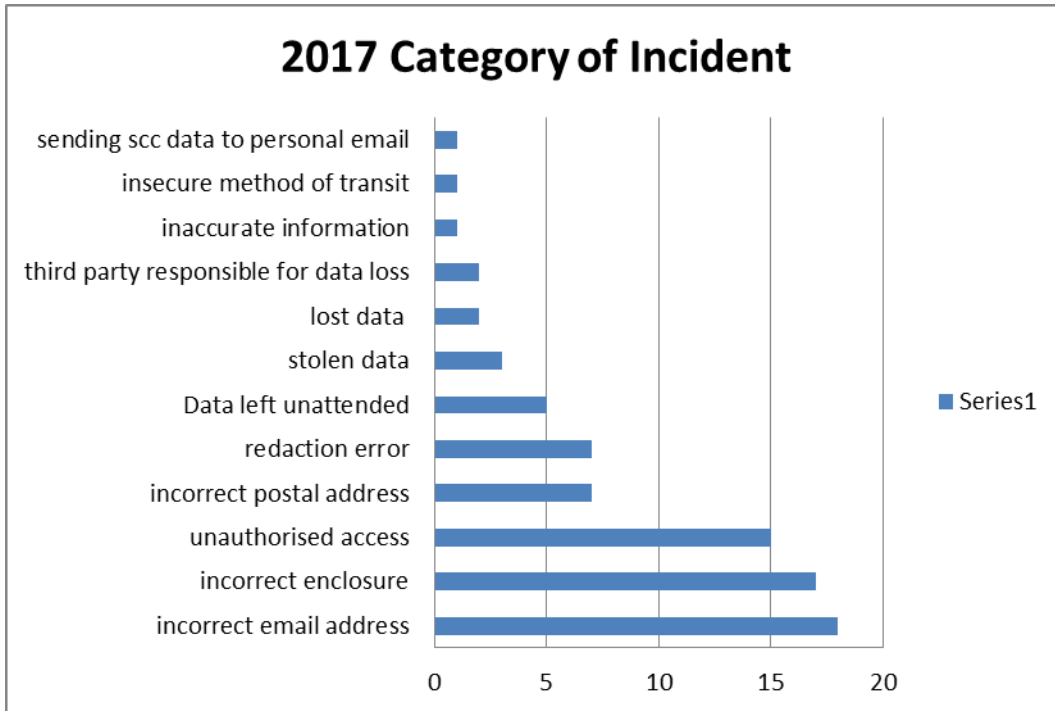
With the service areas F & C have the most reported incidents.



However when taking into account the size of the workforce S,G & C has the highest ratio of incidents per head.



In terms of the type of incident 50% of all incidents were either postal or email correspondence errors (incorrect address and incorrect enclosures).



Appendix E: Cyber Security Strategy

Background

The future of the UK's security and prosperity rests on digital foundations. The challenge of our generation is to build a flourishing digital society that is both resilient to cyber threats, and equipped with the knowledge and capabilities required to maximise opportunities and manage risks. National Cyber Security Strategy 2016 – 2021

This strategy outlines what measures the Council is taking in order to preserve the confidentiality, integrity and availability of its information and systems and to ensure that SCC can operate and prosper in a digital world.

Aims of the strategy

To ensure that Staffordshire County Council

- takes a corporate 'one council' approach to protecting information
- adopts the principle of 'privacy by design'
- assures the appropriate security of the data it collects and creates
- takes a proactive role in making information available for customers and partners in secure formats
- manages its information in a secure, efficient and coordinated way with respect for the privacy and confidentiality of customers and partners
- shares sensitive information in a controlled and secure manner only with those to whom it is appropriate to share ensuring bureaucracy is kept to a minimum

Framework for Strategy

Vision

To ensure SCC systems and the information we hold are kept securely and are available when needed. Citizens and organisations that provide and share information with us can be confident that we provide adequate protection for that information.

Legislative Framework

There is a comprehensive and complex legal landscape within which the Council must operate governed by many acts and regulations including, but not limited to:

Freedom of Information Act 2000

Requires us to make information available to the public, we have an obligation to proactively publish what is available. It also applies rules on how we manage records and information.

Data Protection Act 1998

We have a legal duty to manage personal data in a way that is fair and lawful, not excessive, secure and not hold personal data any longer than is required. We have an obligation to answer requests about personal data from those whose data it is. This is further refined by requirements under the Caldicott principles and NHS information governance toolkit.

Local Government Act 1972

We have an implied authority to share certain kinds of information with partners for the economic, social and environmental well-being Staffordshire.

There are also many information requirements in a whole range of legislation relating to Children & Adult Services and the general provision of council services.

Re-use of Public Sector Information Regulations 2015

The legislation allows the public to apply for a licence to re-use information held by Staffordshire County Council.

Failure to manage information appropriate can lead to considerable financial penalties.

Security Principles

Principle 1

Information is an asset and needs to be available to legitimate users – see Annex A.

Principle 2

Information needs to be kept securely and appropriate safeguards need to be employed to ensure that information is protected – see Annex B.

Principle 3

Our systems for managing information need to be accessible to everyone who is authorised to use them but must be protected from accidental or deliberate harm – see Annex C.

Principle 4

Good information security requires that we create and maintain a culture where staff can confidently navigate the balance between privacy and transparency – see Annex D.

Governance

The Cyber Security Strategy is owned by the Corporate Governance Working Group (CGWG) who will collectively and individually be the champion(s) of this strategy across SCC.

The Corporate Governance Working Group will ensure that the environment in which this strategy can be enabled is maintained and will provide an assurance role against performance.

Corporate Governance Working Group will set the agenda for the Cyber Security Strategy and the Senior Information Risk Owners will take responsibility for ensuring that the agenda is achieved.

All employees of the Council are responsible to ensure they adopt the appropriate behaviours for managing information and work towards the aims and objectives of this policy in a one-council approach to the management of information.

Our Behaviours

As an organisation we will adopt appropriate behaviours in the way we hold, obtain, receive, use and record information. To allow SCC to:

- Ensure we secure and protect sensitive information
- Promote a culture of appropriate sharing with partners
- Encourage openness and transparency
- Dispose of redundant information quickly and effectively
- Ensure information that colleagues and partners are authorised to use is available when needed
- Apply corporate and national security standards where appropriate

Measuring Performance

All of the projects and activities that deliver this strategy will have both governance and performance measures in place to ensure the delivery meets quality requirements and targets.

This strategy is also about some things which are less tangible to measure such as culture and behaviours found in delivering the strategy.

Outcomes

By 2020 we will have:

- A clear understanding of what information we hold, how it is used and its security requirements through use of an accurate and up to date Information Asset Register
- Appropriate security in place for all sensitive information and a targeted 25% reduction in information security incidents every year
- Improved information security skills and competencies across the organisation with all staff having completed the Information Security e-learning module
- Earlier identification of privacy risks for projects involving personal data by embedding the use of Privacy Impact Assessments into project methodology

- Improved access to inter-departmental data by having a robust Information Governance process for resolving internal sharing differences
- Better and formal monitoring of SCC data where large quantities are being processed by partners through clear contractual requirements and annual auditing
- Increased protection of the Council's network where staff will not be provided with access to the network until appropriate training has been completed

Scope

This strategy applies to all SCC data, regardless of media

Annex A

Principle 1

Information is an asset and needs to be available to legitimate users.

Key Tools

- Information Asset Register
- Protective Marking Scheme
- Corporate Classification Scheme
- Password Policy
- Retention Schedules
- Privileged Access Policy
- Business Continuity Plans

How we meet these requirements:

- Availability of shared filing/Records Manager/SharePoint/service specific databases
- Process to provide/manage access to information/systems to ensure relevant authorisation is given, i.e. starters and leavers process
- Third Party Access Agreements/signing of the Acceptable Use Policy for external users
- Ability to restrict/enable access on filing systems and databases
- Holding records for appropriate periods of time and destroying them accordingly once reached their retention
- Storage and retrieval of manual documents at the Corporate Records Centre
- Processes to handle request for information from staff, service users, members of the public and other organisations
- Senior Information Risk Owner to take decisions on use of data
- Information Asset Owner to identify and classify data sets

Annex B

Principle 2

Information needs to be kept securely and appropriate safeguards need to be employed to ensure that information is protected.

Key Tools

- Password Policy
- Privacy Training & guidance
- Information Security Policy
- Acceptable Use Policy
- Clear desk and screen policy
- Mobile device and removable media guidance
- One Staffordshire Information Sharing Protocol
- Penetration Testing

How we meet these requirements:

- Automatic screen locks after a period of time
- Process to provide/manage access to information/systems to ensure relevant authorisation is given, i.e. starters and leavers process
- Third Party Access Agreements/signing of the Acceptable Use Policy for external users
- Ability to restrict/enable access on filing systems and databases
- Limited manual filing available and lockable drawers/cabinets
- Availability of secure logon facilities when remote working – OWA/Citrix Access Gateway
- Secure storage and retrieval of records from the Corporate Records Centre
- Protective Marking Scheme to identify what security should be afforded to data and who should be able to access it
- Encryption on devices and documents sent outside of the Council's domain
- Secure File Transfer facility for sending data frequently outside of the Council's domain

- Information sharing agreements have provision for audits and checks to be carried out
- Confidential waste service to manage the secure disposal of confidential data
- Mandatory training on induction – Information Security, Privacy, Data Protection and Protective Marking Scheme e-learning
- Penetration Testing takes place annually as part of the Council's PSN compliance accreditation

Annex C

Principle 3

Our systems for managing information need to be accessible to everyone who is authorised to use them but must be protected from accidental or deliberate harm.

Key Tools

- Anti-Virus
- Patching
- Password Policy
- Encryption
- Mobile Device and Removable Media Guidance
- Information Asset Register
- Penetration Testing

How we meet these requirements:

- Encryption for removable media (laptop/USB stick)
- Secure File Transfer facility for sending data frequently outside of the Council's domain
- Third Party Access Agreements/signing of the Acceptable Use Policy for external users
- Public Services Network compliance provides confidence of a secure connection to internet content and allows shared services to be controlled
- Anti-malware defences are in place to scan for malware across the Council's domain
- Network security is in place to protect against external and internal attack
- Vulnerability scan are ran and both desktops and servers are patched when updates are made available
- Availability of secure logon facilities when remote working – OWA/Citrix Access Gateway
- System backups are carried out every night
- Disaster recovery and contingency plans are in place

Annex D

Principle 4

Good information security requires that we create and maintain a culture where staff can confidently navigate the balance between privacy and transparency.

Key Tools

- Security Incident Procedures
- Protective Marking Scheme
- E-learning
- Policy & Guidance
- Penetration Testing

How we meet these requirements:

- Corporate Governance Working Group
- Senior Information Risk Owner to take decisions on use of data
- Information Asset Owner to identify and classify data sets
- Mandatory training on induction – Information Security, Privacy, Data Protection and Protective Marking Scheme e-learning
- Privacy Impact Assessments are completed at the beginning of projects to consider what risks are likely to occur and how those risks can be managed
- A security incident process is in place to allow for formal investigation of incidents involving information. Reports are provided to the relevant SIRO
- A cyber resilience exercise has been completed to assess the effectiveness of dealing with certain unforeseen circumstances

Audit and Standards Committee – 12 March 2018**Internal Audit – External Quality Assessment****Recommendation**

1. To note the results of the external quality assessment review undertaken in January 2018 of Staffordshire County Council's Internal Audit function.

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.
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. The report attached details the results of the independent assessment. Paragraph 4 of the report outlines the overall conclusion and opinion of the assessor. The key highlights are that 'the review established that there were no areas of non-compliance or partial compliance with the standards identified'. Based on the work undertaken the overall conclusion is – 'it is our opinion that Staffordshire County Council's Internal Audit Service Generally Conforms to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note.' This is the highest category level that can be awarded via the CIPFA assessment process. One recommendation was made, together with three suggestions for improvement. The details together with the agreed action to address the recommendations have been included within the action plan at section 7 of the report.

Equalities and Legal and Climate Change Implications

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

Resource and Value for Money Implications

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

Risk Implications

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

Health Impact Assessment

8. 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 – CIPFA 2013

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

Staffordshire County Council

Draft Report

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

Internal QA: Policy & Technical Section, CIPFA

14 February 2018

Review of Staffordshire County Council's Internal Audit Service – 21st to 25th January 2018

1. Introduction

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). The standards require periodic self-assessments and an assessment by an external person at least every five years.

2. Background

Staffordshire County Council's (SSC) Internal Audit Service is based at Staffordshire Place and provides internal audit services to the County Council, Staffordshire County Pension Fund, Staffordshire Fire and Rescue Service, Staffordshire Police Force, South Staffordshire District Council, and a number of educational academies. .

The current structure of the Internal Audit Service comprises 14.5 full time equivalent (FTE) posts. These are made up of a Chief Internal Auditor; four Audit Managers; two Senior Auditors, five Auditors; two Audit Assistants; and a Senior Accounting Technician (0.5 FTE). However, a recent restructure has seen the Chief Internal Auditor promoted to the Interim Head of Financial Services (but retaining the Chief Audit Executive role for the duration of this review), and one of the Audit Managers promoted into the Interim Chief Internal Auditor role. Some of the posts in the current structure are vacant and being covered by resources bought in through a framework contract. The Service uses external specialists, such as computer auditors, to supplement the in-house team as and when needed.

The Service has carried out self-assessments on an annual basis to see how they compare to the requirements of both the PSIAS and the CIPFA local government application note (LAGN), and used the outcome of these reviews to inform the quality assurance and improvement plan. Notwithstanding these, the Chief Internal Auditor felt that the time was right to have a full external quality assessment of the Internal Audit Service and commissioned CIPFA to undertake this review.

3. Review Process

The review was carried out between the 21st and 25th January 2018 through a process of interviews and document review. Interviews were carried out with the members of the Internal Audit Service, key stakeholders including members of the Council's Corporate Management Team and two external clients, and the Chair of the Audit and Standards Committee.

The document review phase of the process involved a detailed review of the documents used and produced by the Internal Audit Service. The Service provided a comprehensive range of documents that were available for examination prior to and during this review. These included the audit manual; the Service's self-assessment against the PSIAS; individual audit files and working papers held in the Audit Management System; and a range of reports and communications that demonstrated the flow of information between the Service, senior managers and the Audit and Standards Committee. Whilst all of the documents contributed to the external quality assessment, the following are regarded as fundamental and a major contributor to the review process:

- the audit charter, covering reports and the Audit and Standards Committee terms of reference;
- progress reports to the Council's Audit and Standards Committee and senior management;
- the Internal Chief Internal Auditor's annual report and opinion to the Audit and Standards Committee;

- audit plans and covering reports to the Audit and Standards Committee;
- the audit manual, the audit management system and the audit working papers application;
- individual audit reports and working papers;
- staff declarations of interest and objectivity; and
- staff training and development records.

4. Conclusion and Opinion

From the evidence reviewed as part of the external quality assessment, it is apparent that the Council's Internal Audit Service is a competent, professional, well-qualified, and respected Service that is continually looking for ways to improve its overall efficiency and effectiveness. The Service follows best practice wherever it can, and is willing to adapt to the changing needs of their clients. They are providing an objective risk based internal audit service to the Council and their other clients, but nonetheless there are opportunities to enhance and develop their operations that they should embrace if they are to maintain their status with their clients and enhance their conformity to the PSIAS and the LGAN.

During this review, no areas of non-compliance or partial compliance with the standards were identified. We have however identified some minor observations that should be addressed.

On this basis, it is our opinion that Staffordshire County Council's Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note.

The minor observations identified during the review are set out in section five of the report, together with some recommendations (R) and suggestions (S) to address these issues. These recommendations and suggestions are included in the action plans at section seven of this report.

The process also identified some opportunities (O) for the Service to enhance its operations although these do not have an effect on the Service's compliance with the PSIAS or the LGAN. These opportunities have been included for information in section six of the report.

An internal audit service's conformance with the PSIAS and the LGAN falls into one of the three categories below. Further details on each of these categories can be found in section nine of this report.

Generally Conforms	Partially Conforms	Does Not Conform
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A list of the individuals interviewed during the review is included as section eight of this report.

The Chief Internal Auditor has been provided with details of the areas where there is scope to enhance conformity with the PSIAS and the LGAN and incorporate further good practice into Internal Audit's operations.

The co-operation of the Internal Audit Service in providing the information requested during this review, as well as those stakeholders that made themselves available for interview, was much appreciated and has made it possible to obtain a thorough view of Internal Audit's business and the contribution it makes to its client's organisational objectives.

DRAFT REPORT

5. Summary of observations, recommendations and suggestions

Standard	Compliance	Observations	Recommendations & Suggestions	No.
Mission	Generally Conforms	The audit charter includes the mission statement as required by the revised (2016) PSIAS		
Core principles of internal audit	Generally Conforms	Overall, the Internal Audit Service generally conforms to the core principles of internal audit. This is stated in the audit charter and is embedded in the audit management system that underpins the way the Service operates.		
Code of Ethics	Generally Conforms	Overall, the Internal Audit Service generally conforms to the Code of Ethics for Internal Auditors and the Seven Principles of Public Life. This is stated in the audit charter and is embedded in the audit management system that underpins the way the Service operates.		

Standard	Compliance	Observations	Recommendations & Suggestions	No.
Attribute standards				
1000 Purpose, authority and responsibility	Generally Conforms	<p>The Internal Audit Service generally conforms to this standard. There is one minor observation, which is set out below.</p> <p>The minor observation relates to the definitions for the 'Board and Senior Management', where the PSIAS requires both definitions to be set out in the audit charter. The term 'Board' is clearly defined as the Council's Audit and Standards Committee. Section 9 of the audit charter sets out the role of the Council's Senior Leadership Team (SLT), and although it is apparent that this body is fulfilling the role of 'Senior Management', the term is not actually attributed to SLT.</p>	<p>It is suggested that a sentence is added to section nine of the audit charter clearly attributing the term 'Senior Management' to the Council's Senior Leadership Team. An example of such a sentence could be 'For the purposes of the UK Public Sector Internal Audit Standards, the Council's Senior Leadership Team performs the role of the 'senior management'.</p>	S1
1100 Independence and objectivity	Generally Conforms	<p>The Internal Audit Service generally conforms to all elements of this standard. The Service has robust and comprehensive processes and procedures in place that ensure the individual members of the Internal Audit Service maintain their independence and objectivity.</p>		
1200 Proficiency and due professional care	Generally Conforms	<p>The Internal Audit Service generally conforms to this standard. The well qualified and experienced staff deliver professional internal audit services and are highly regarded by their internal and external clients.</p> <p>The Service is currently carrying some vacant posts but is managing the delivery of the audit plan by obtaining resources from external providers, through the internal audit framework</p>		

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		contracts that operate in the Midlands, to ensure that this does not have an adverse effect on the Service's ability to deliver the audit plan.		
1300 Quality assurance and improvement programme	Generally Conforms	The Internal Audit Service generally conforms to this standard. There is a robust quality assurance process embedded in the audit management system, and the Service undertakes annual self-assessments of their conformity to the public sector internal audit standards and the local government application note, and reports the outcome of these reviews to the Audit and Standards Committee.		
Performance standards				
2000 Managing the internal audit activity	Generally Conforms	<p>The Internal Audit Service generally conforms to this standard. There are two minor observations, which are set out below.</p> <p>The first minor observations relates to the Service coordinating its audits with the work of the external auditor, primarily to avoid clients being audited by two different auditors in a relatively short space of time, and to avoid duplication of effort where possible. As the external auditor no longer places reliance on the testing carried out by the Service they could move their audits of the key financial systems to a period in the year when the external auditors are not at the Council auditing these systems.</p> <p>The second minor observation relates to the</p>	<p>It is suggested the Internal Audit liaises with external audit over the timing of the audits of the key financial systems for the Council and the external clients to ensure clients are not audited by both teams in a relatively short space of time, usually in the last quarter of the financial year.</p> <p>Alternatively, the Service should consider shifting their audits of the key financial systems away from quarter to four to an earlier part of the financial year, say quarter two or three.</p> <p>The Chief Internal Auditor should</p>	<p>S2</p> <p>R1</p>

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		reporting of Internal Audit's progress on delivering the annual audit plan. The Chief Internal Auditor meets regularly with the Section 151 Officer and the Monitoring Officer to discuss progress on delivering the audit plan, and reporting to the Audit and Standards Committee is good. However, the Chief Internal Auditor does not currently update the Senior Management Team or the Chief Executive on the progress being made on delivering the audit plan.	update the Senior Management Team and the Chief Executive on a regular basis on Internal Audit's progress on delivering the annual audit plan	
2100 Nature of work	Generally Conforms	The Internal Audit Service generally conforms to all elements of this standard. The Service operates an effective audit management system and an audit working papers application that are designed to enable internal auditors to conform to all elements of this standard. There is a comprehensive audit manual in place to guide the auditors through the audit process. Conformance with this standard was confirmed through a review of a sample of completed audits.		
2200 Engagement planning	Generally Conforms	The Internal Audit Service generally conforms to all elements of this standard. Engagement planning is a fundamental part of the audit management system and audit working papers application and is effective. The process is set out clearly in the audit manual. Conformance with this standard was confirmed through a review of a sample of completed audits.		

Standard	Compliance	Observations	Recommendations & Suggestions	No.
2300 Performing the engagement	Generally Conforms	<p>The Internal Audit Service generally conforms to all elements of this standard. The methodologies for performing engagements is set out clearly in the audit manual, with all working papers and management reviews being carried out within the audit management system and the audit working papers application. Conformance with this standard was confirmed through a review of a sample of completed audits.</p>		
2400 Communicating the results	Generally Conforms	<p>The Internal Audit Service generally conforms to this standard with one minor observation that is set out below.</p> <p>The audit reports are informative, easy to read and laid out well. The Service carries out its audits in conformance with the PSIAS but this is not mentioned in the individual audit reports.</p> <p>Standard 2430 allows internal audit services to include such a statement in their audit reports, or alternatively standard 2431 suggests using a statement of non-conformance where this is more appropriate, together with the reasons that resulted in the non-conformance. Either statement could be added to the audit report template embedded in the audit working papers application, perhaps on the last page where the disclaimer statement is placed.</p>	<p>Consider adding a statement to the individual audit reports stating that the audit has been conducted in accordance with the public sector internal audit standards. Where this is not the case, an alternative statement of non-conformance should be used instead.</p>	S3
2500 Monitoring progress	Generally Conforms	<p>The Internal Audit Service generally conforms to this standard. Management's progress on implementing agreed actions from internal audit reviews is monitored by Internal Audit.</p>		

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		Should managers fail to implement agreed actions within the timescales that they have set without a valid reason, there is an effective escalation process in place. This is to the Section 151 Officer in the first instance and then if necessary on to the Audit and Standards Committee where managers are required to attend and explain their lack of progress.		
2600 Communicating the acceptance of risks	Generally Conforms	The Internal Audit Service generally conforms to this standard. There is a robust process in place to report significant issues regarding the acceptance of risks that exceed the Council's risk appetite should the need arise.		

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6. Opportunities to Enhance Services

Senior Management within the Internal Audit Service at Staffordshire County Council are keen to develop the way the Service operates and to enhance the quality and range of services that they provide to their existing and potential clients. With this in mind, the following opportunities have been identified, together with some suggested actions for consideration.

No.	Observation	Suggested Action
O1	<p>Although the Service delivers an effective internal audit service, there is scope to enhance the range of services provided to clients by supplementing the knowledge of the in-house team with professionals from a non-audit background.</p> <p>For example, the overall effectiveness of an audit of the looked after children's process could be enhanced if a social care professional was added to the team for the review. This would enable the Service to give an opinion on the adequacy and quality of the decision making process and the care package that was put in place, as well as the governance, risk management and control environment for the client. A similar approach could be used for other specialist areas, such as pensions, insurance, property development, and engineering to name but a few.</p>	<p>This can be achieved in a number of ways, for example by seconding Council employees to the team for specific reviews, such as social care experts.</p> <p>Alternatively, for one off reviews such as a review of the pensions or treasury management investment strategy, or the insurance strategy, resources could be obtained from external sources, such as pensions, investments, or insurance brokers.</p> <p>For larger or longer term assignments, such as construction or engineering projects, consideration should be given to obtaining temporary staff, such as engineers, clerks of works etc, from specialist employment agencies.</p>
O2	<p>As the Council moves further towards digitalising the services it delivers, there will be an increased need for auditors with a sound understanding of digital systems and how these can be audited. At present, the Service has an able experienced and qualified ICT Audit Manager within the team who undertakes many of the ICT audits. The Service is supplementing the Audit Manager's work by using an external provider to deliver some additional ICT audits. However, whilst this arrangement is effective and the Service currently has the budget available to buy</p>	<p>The Service should consider developing and training other members of the existing team in ICT audit skills to a level where they can undertake more in depth and complex ICT audits.</p>

	<p>in the additional resources it needs, this may not always be the case, and limits the opportunities to develop and expand the ICT audit services that could be sold to other clients to generate income for the Service.</p>	
O3	<p>The Service currently has a number of vacancies, which it is filling through the use of experienced and skilled auditors that are seconded into the Service from external providers. Although this is proving to be an effective way of covering vacant posts, it comes at a cost to the Service. There are alternative solutions that could be considered, for example establishing a pool of 'associate' auditors that can be called upon when needed, or for a longer-term solution, employing apprentices or trainees and developing these to the point where they are able to fill the vacant posts.</p>	<p>The Service should consider the viability of establishing a small pool of associates that it can call on for specific audit reviews or when demand for audit resources is high, such as in quarter four when there may be a backlog of audits to be completed.</p> <p>The strategic solution to consider is to employ a number of audit apprentices or trainees and develop them through the new IIA apprenticeship scheme. The long-term objective here is to move these trainees into permanent positions within the Service as and when the opportunities arise. Consideration should be given to employing a number of apprentices or trainees and bring them into the organisation in a phased way over a period of time, say six to twelve months apart. This will reduce pressure on the staff charged with managing and developing the trainees, but would also mean that the Service should have a steady flow of newly qualified auditors that could be used to fill vacant posts in managed way.</p>
O4	<p>The Service is already using computer assisted audit techniques (CAATs) however they acknowledges that there is probably scope to expand this area of activity. The team currently has an IDEA V8 licence but to make best use of the application needs to upgrade to IDEA V10, and supplement this with the SmartAnalyser add on application. Together these two applications will enable the Service to increase the level of assurance provided to service managers and the Section 151 officer by carrying out the continuous audit of the Council's key systems, such as the core financial and HR systems, where all of the transactions in the applications can be audited on a regular basis. The use of CAATS may also free up auditor days that could be used to audit other areas of the organisation that cannot be audited by electronic means.</p>	<p>Internal Audit should consider obtaining the latest version of IDEA and supplement this with the SmartAnalyser add on application, to enable them to undertake regularly audit the key financial and HR systems of the Council and their other clients.</p>

7. Action Plan

Recommendations

No	Recommendation	Response	Responsible Person	Action date
R1	The Chief Internal Auditor should update the Senior Management Team and the Chief Executive on a regular basis on Internal Audit's progress on delivering the annual audit plan	The Interim Chief Internal Auditor will present the Outturn Report for 2017/18 and the 2018/19 Draft Internal Audit Plan to SLT prior to submission to the June Audit & Standards Committee	Debbie Harris – Interim Chief Internal Auditor	By 31 st May 2018

Suggestions

No	Suggestion	Response	Responsible Person	Action date
S1	It is suggested that a sentence is added to section nine of the audit charter clearly attributing the term 'Senior Management' to the Council's Senior Leadership Team. An example of such a sentence could be 'For the purposes of the UK Public Sector Internal Audit Standards, the Council's Senior Leadership Team performs the role of the 'senior management'.	The details will be incorporated into the Audit Charter at its next update scheduled for June 2018.	Debbie Harris – Interim Chief Internal Auditor	2 nd June 2018
S2	It is suggested the Internal Audit liaises with external audit over the timing of the audits of the key financial systems for the Council and the external clients to ensure clients are not audited by both teams in a relatively short space of time, usually in the last quarter of the financial year. Alternatively, the Service should consider shifting	Ongoing discussions will be held with External Audit to ensure that the timings of key financial audits are co-ordinated moving forwards.	Debbie Harris – Interim Chief Internal Auditor	30 th June 2018

No	Suggestion	Response	Responsible Person	Action date
	their audits of the key financial systems away from quarter to four to an earlier part of the financial year, say quarter two or three.			
S3	Consider adding a statement to the individual audit reports stating that the audit has been conducted in accordance with the public sector internal audit standards. Where this is not the case, an alternative statement of non-conformance should be used instead.	This information will be added into the proforma template.	Alex Cannon – ICT Audit Manager	31 st May 2018

DRAFT REPORT

8. Interviewees

Person	Position	Organisation
Lisa Andrews	Interim Head of Financial Services (previous Chief Internal Auditor)	Staffordshire County Council
Debbie Harris	Interim Chief Internal Auditor (previous Audit Manager)	Staffordshire County Council
Lynn Buxton	Audit Manager	Staffordshire County Council
David Fletcher	Audit Manager – Counter Fraud	Staffordshire County Council
Alex Cannon	Audit Manager - ICT	Staffordshire County Council
Susan Bluck	Auditor	Staffordshire County Council
Sharon Longson	Auditor	Staffordshire County Council
Leanne Teece	Auditor	Staffordshire County Council
Heather Wooley	Auditor	Staffordshire County Council
Susan Bachelor	Audit Assistant	Staffordshire County Council
Sophie Mammarella	Auditor	PWC seconded to Staffordshire County Council
David GreenSmith	Director of Finance and Section 151 Officer (Telephone Interview)	Staffordshire Fire and Rescue Service
John Henderson	Chief Executive	Staffordshire County Council
Andy Burns	Director of Finance and Section 151 Officer	Staffordshire County Council
Melanie Stokes	Head of Pensions and Treasury Management	Staffordshire County Council
Bev Jocelyn	Lead Commissioner – Adult’s Health and Care	Staffordshire County Council
Vonni Gordon	Lead Commissioner – Safeguarding – Families and Communities	Staffordshire County Council
John Tradewell	Monitoring Officer	Staffordshire County Council
Rob Salmon	Deputy Director of Finance (Telephone interview)	Staffordshire County Council
Martyn Tittley	Chair of the Audit and Standards Committee	Staffordshire County Council
Steve Broughton	Practice Manager – Legal and Democratic Services	Staffordshire County Council
Jason Burgess	Engagement Manager (Telephone interview)	Ernst & Young (External Auditors)

9. Definitions of Conformance with the Standards

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

Ray Gard, CPFA, FCCA, FCIIA, DMS

Audit and Standards Committee – 12 March 2018

Review of the Effectiveness of the Audit & Standards Committee

Recommendations

1. To receive and consider the self-assessment results following the review of the effectiveness of the Audit & Standards Committee against recommended practice contained within CIPFA's Publication – Practical Guidance for Local Authorities and Police 2013 Edition.
2. To perform a further self-assessment exercise in March 2019 and to ensure that the actions identified from the 2018 workshop have been implemented.

Report of the Director of Finance & Resources

Background Information

- 3 CIPFA's Publication - Practical Guidance for Local Authorities and Police 2013 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The guidance incorporates CIPFA's 2013 Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an audit committee.
4. Audit committees are a key component of an authority's governance framework and provide an independent and high level resource to support good governance and strong public financial management.
5. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.
6. As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where they operate effectively, audit committees can add value by supporting improvement across a range of objectives including:-
 - promoting the principle of good governance and their application to decision making;
 - contributing to the development of an effective control environment;

- supporting the establishment of arrangements for the governance and the management of risk;
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- supporting the quality of the internal audit activity;
- supporting the development of robust arrangements for ensuring value for money; and
- helping the authority to implement the values of ethical governance including effective arrangements for countering risks of fraud and corruption.

Self-Assessment of Good Practice

7. An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on the authority's business. However, as audit committees are an advisory body, it can be more difficult to identify how audit committees have made a difference.
8. CIPFA states that a good standard of performance against recommended practice together with a knowledgeable and experienced membership are essential requirements for delivering effectiveness. To this effect, CIPFA has provided a high level review checklist that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police as well the 2013 CIPFA publication which can be used to undertake a regular self-assessment to support the planning of the audit committee work programme and training plans.
9. Members of the Audit & Standards Committee attended a workshop on the 12 February 2018 to consider the key requirements of the CIPFA checklists. **Appendix 1**, attached to this report, sets out the draft evaluation results of the self-assessment of the audit committee's current practice against the recommended practice contained within CIPFA's publication. The actions arising from this self-assessment are included within Appendix 1.

Evaluation of the Effectiveness of the Audit Committee

10. The CIPFA publication also includes an assessment tool to help audit committee members consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee should be able to identify evidence of its impact or influence linked to specific improvements.
11. **Appendix 2** attached to this report sets out the draft evaluation of the effectiveness of the audit committee. The actions arising from this self-assessment are included within Appendix 2.
12. The key actions highlighted related to the requirement for a detailed review of the terms of reference for the Audit & Standards Committee to be performed to ensure that they included the role of the Committee in relation to Counter Fraud & Corruption. In addition oversight of the risk management arrangements is to be strengthened. A detailed briefing regarding the risk

management process will be included on a future agenda of the Committee. The exercise would be conducted annually and progress on implementing the action agreed would be reported to future meetings of the Audit & Standards Committee.

Equalities and Legal and Climate Change Implications

13. There are no specific Equalities, Legal or Climate Change implications presented by this report.

Resource and Value for Money Implications

14. There are no specific Resource or Value for Money implications presented by this report.

Risk Implications

15. There are no specific Risk implications presented by this report.

Health Impact Assessment

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

Report author

Author's Name: Lisa Andrews

List of Background Documents:

CIPFA – Practical Guidance for Local Authorities and Police 2013 Edition.

Self-assessment of Good Practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police and this publication. Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No	Action
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	√			
2	Does the audit committee report directly to full council? (Applicable to local government only.)			√	Details of sub Committees are already shared with Members – no further action required.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	√			
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√			
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
	■ good governance	√			
	■ assurance framework	√			
	■ internal audit	√			
	■ external audit	√			
	■ financial reporting	√			
	■ risk management		√		Oversight of the risk management arrangements is to be strengthened. A

				detailed briefing regarding the risk management process should be included on a future agenda.
<ul style="list-style-type: none"> ■ value for money or best value 	√			
<ul style="list-style-type: none"> ■ counter-fraud and corruption 		√		Terms of Reference to be updated to specifically include Counter Fraud.
Good practice questions	Yes	Partly	No	Action
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			√	
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?		√		Terms of Reference to be updated to specifically include Counter Fraud.
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	√			A detailed action plan arising from the self - assessment process has been produced.
11 Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√			
Membership and support				
12 Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> ■ separation from the executive ■ an appropriate mix of knowledge and skills among the membership ■ a size of committee that is not unwieldy ■ where independent members are used, that they have been appointed using an appropriate process. 	√			
13 Does the chair of the committee have appropriate knowledge and skills?	√			
14 Are arrangements in place to support the committee with briefings and training?	√			
15 Has the membership of the committee been assessed against the core knowledge and skills		√		

	framework and found to be satisfactory?			
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√		
17	Is adequate secretariat and administrative support to the committee provided?	√		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	√		
19	Has the committee evaluated whether and how it is adding value to the organisation?		√	Achieved through the self-evaluation of its effectiveness and considered to be satisfactory.
20	Does the committee have an action plan to improve any areas of weakness?			√ A detailed action plan arising from the self - assessment process has been produced.

Evaluating the Effectiveness of the Audit Committee

Assessment key

- | | |
|---|--|
| 5 | Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable. |
| 4 | Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area. |
| 3 | The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps. |
| 2 | There is some evidence that the committee has supported improvements, but the impact of this support is limited. |
| 1 | No evidence can be found that the audit committee has supported improvements in this area. |

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment : 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	<p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>A robust review of the AGS is performed annually.</p> <p>Review & approve the Code of Corporate Governance annually.</p> <p>Governance Audits and partnership arrangements together with contract monitoring reviews are undertaken within the annual internal Audit plans.</p>	5
Contributing to the development of an effective control environment.	<p>Monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>Regular progress regarding the implementation of high level recommendations is reported. Managers have the ability to raise concerns direct with the Committee should they wish to do so.</p> <p>Following receipt of limited assurance reports the Committee has written to Officers and Elected Members to raise any concerns they may have had regarding the control environment.</p>	5
Supporting the establishment	Reviewing risk management arrangements and their	Oversight of the risk	3

of arrangements for the governance of risk and for effective arrangements to manage risks.	effectiveness, eg risk managing benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	management arrangements is to be strengthened. A detailed briefing regarding the risk management process should be included on a future agenda.	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.	The Committee is aware of the key sources of assurance and who they are provided by.	5
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	The reporting lines for Internal Audit are included within the Audit Charter which is approved annually by the Committee.	5
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	The Audit Committee requested greater oversight of the reports that are produced regarding the high risk reviews that have a positive opinion. This will be addressed as part of the Outturn Report.	2
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	The Committee focuses on Value for Money arrangements through the assurances that it receives on going throughout the year. A key source is the External Auditors Value for Money opinion.	4
Helping the authority to implement the values of good governance, including effective	Reviewing arrangements against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2). Reviewing fraud risks and the effectiveness of the	The Committee consider fraud related risks as part of the annual audit plan. The results of the	5

<p>arrangements for countering fraud and corruption risks.</p>	<p>organisation’s strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.</p>	<p>proactive fraud work together with the details regarding any special investigations performed are reported as part of the annual Outturn Report. Members have received a briefing regarding the arrangements in place to meet the CIPFA Code of Practice.</p>	<p>5</p>
<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</p>	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Review whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p>	<p>All reports are requested to be written in plain English and are accessible</p>	
<p>Areas where the audit committee can add value by supporting improvement</p>	<p>Examples of how the audit committee can add value and provide evidence of effectiveness</p>	<p>Self-evaluation, examples, areas of strength and weakness</p>	<p>Overall assessment: 5 – 1 See key above</p>

Audit and Standards Committee

12 March 2018

**Annual Report on the Management of Complaints made under the
Members' Code of Conduct**

1. Recommendation:

That the Panel note the information contained in this report.

Report of the Director of Strategy, Governance and Change

2. Background

Members of the Staffordshire County Council pride themselves in their high standards of behaviour. The County Council has its own Code of Conduct for members prepared in accordance with the requirements of the Localism Act 2011 and adopted in 2012. It is based upon the seven principles of public life namely: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

The Code also specifically requires members to publically register and declare as necessary any disclosable pecuniary interest that they may have and any gifts and hospitality that they offer, are offered or refuse.

Comprehensive training on the Code of Conduct was provided to all newly elected members soon after the May 2017 County Council elections. Demonstrating the importance placed on adherence to the Code, the training is listed in the first tranche of events for new members. Over the past year we have unfortunately had to call two by-elections and the successful candidates at each have received Code of Conduct training as part of their Induction days.

There may, however, be occasions when members of the public are unhappy about the way a member of the County Council has behaved. The Localism Act 2011 requires local authorities to have arrangements in place to deal with formal complaints against members. Those arrangements have to include the appointment of an 'Independent Person' whose views must be sought by the authority.

Members of the public wishing to lodge a complaint about a member can do so either on-line or in writing to the Monitoring Officer. At an early stage the Monitoring Officer assesses the allegation and consults one of the Independent Persons on whether the allegation, if proved, involves a breach of the Code. If this is the case a further assessment is made on whether the issue can be dealt with by the Monitoring Officer under delegated authority, or, in serious cases, by a Panel of members.

Complaints considered by the Monitoring Officer

These are complaints for which the Monitoring Officer in consultation with the Independent Person, feels that appropriate remedy would be:

- a formal apology by the member concerned to the complainant
- training, or both.

Complaints considered by a Panel of the Audit and Standards Committee

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

For many years the County was supported by two Independent Persons: Mr C Mitchell CBE and Mr A Goldstraw. It is with sadness that I have to report that Mr Mitchell died in early December 2017. Mr Mitchell also served as a Deputy Lieutenant and his commitment to public duty was admirable. We place on record our appreciation of his support for the Authority.

Last year, due to changes in Employment Rules for certain Statutory Officers the Authority needed to increase its 'pool' of Independent Persons. Accordingly, last Autumn, the County Council approved the appointment of Mr Tom Roach and Mrs Christina Robotham as Independent Persons. Both were interviewed and recommended for appointment by a Selection Panel comprising members of this Committee.

3. Issues dealt with during 2017

In the period January 2017 to December 2017 there were no complaints formally dealt with under the 'Standards Regime'. We have however received:

- a small number of enquiries about the timescale within which members can be expected to respond to contact from constituents. These have highlighted the importance of members keeping constituents informed of any action being taken /pursued on their behalf.
- representations about 2 members' decisions in relation to schemes funded from their Divisional Highway Programme budget. Both cases were raised under highway related complaints. They were considered by the Monitoring Officer with Independent Persons' views sought in order to demonstrate openness and transparency to the complainants. These representations highlighted the sometimes fine lines/public perception which members need to be aware of when considering Divisional issues in the immediate locality of their own homes.

Appendix 1

1.0. Equalities Implications

1.1 None

2.0. Legal Implications

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

3.0 Resource and Value for Money Implications

3.1. There are no significant resource or value for money implications from this report.

4.0 Risk Implications

4.1. Compliance with the arrangements addresses the risk of challenge to the governance arrangements of the Council.

Report Author:

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Staffordshire County Council Audit planning report Year ended 31 March 2018

12 March 2018

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Agenda Item 7



Building a better
working world



Private and Confidential
Staffordshire County Council,
No 1 & 2 Staffordshire Place,
Tipping Street,
Stafford, ST16 2DH

12 March 2018

Dear Audit & Standards Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit & Standards Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit & Standards Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 13 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Stephen Clark

For and on behalf of Ernst & Young LLP

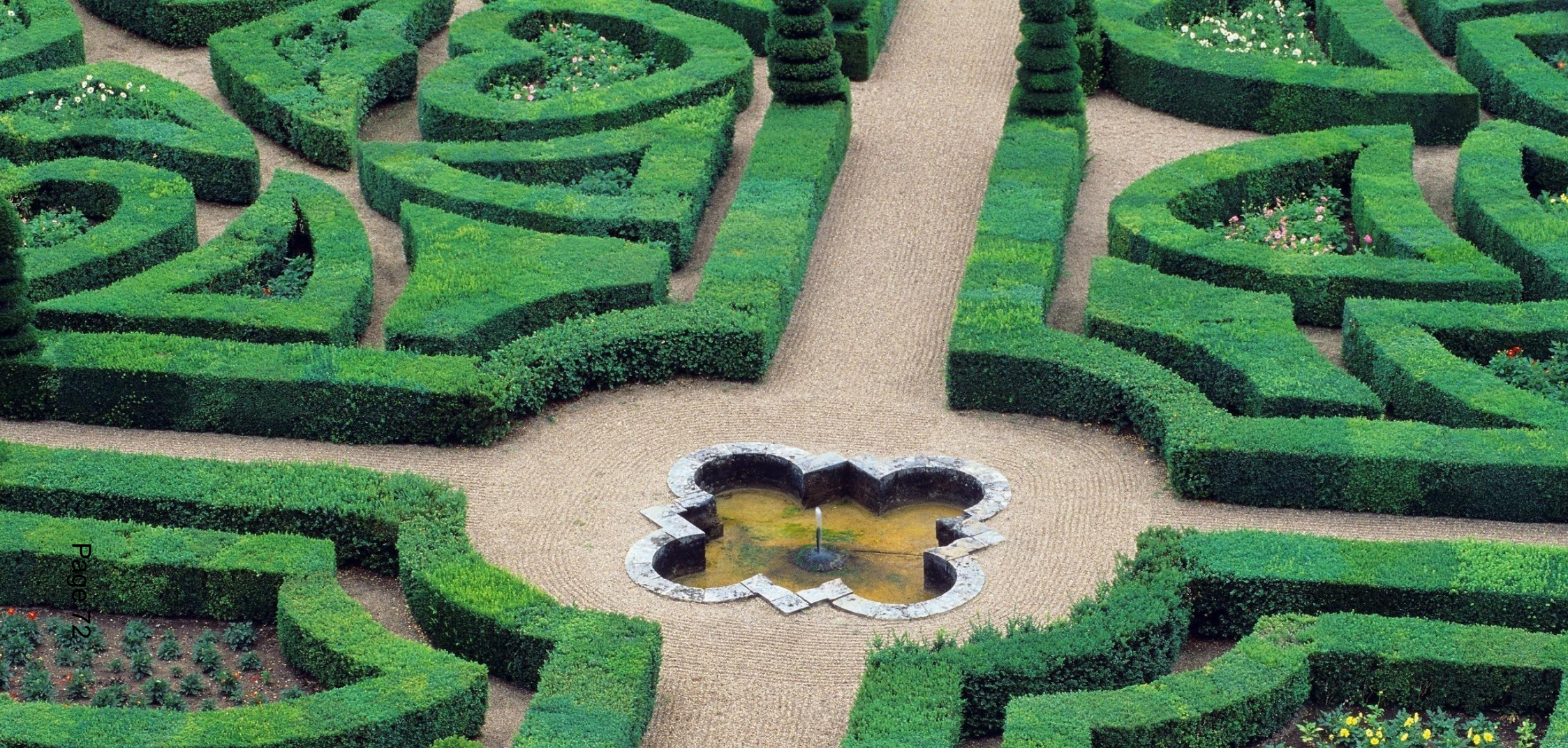
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Standards Committee and management of Staffordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, and management of Staffordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee and management of Staffordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

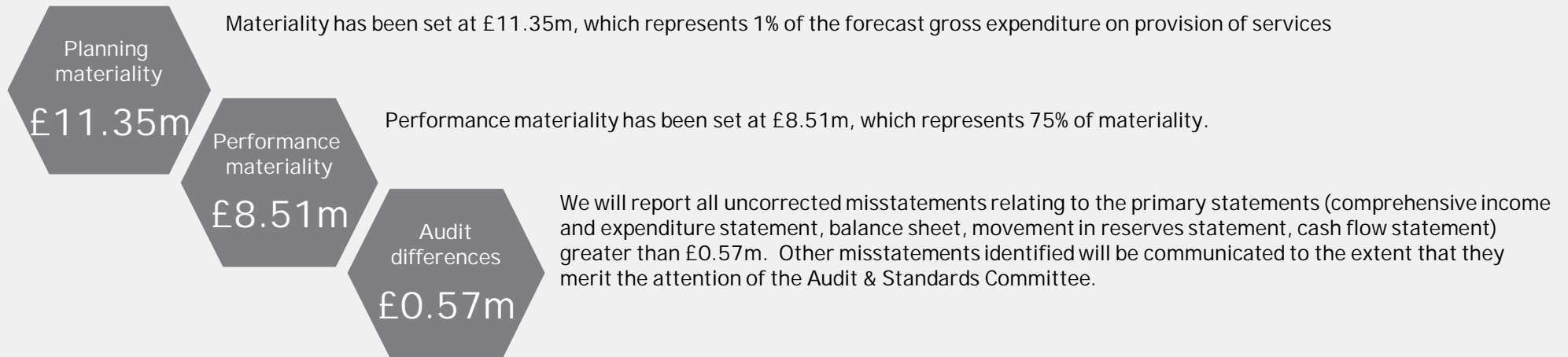
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Standards Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk level	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud/Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Misstatements due to fraud or error	Fraud/Significant risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
New General Ledger system	Significant Risk	New risk	The council has implemented a new General Ledger system in year (Integra). Any significant system change creates risks associated with data migration and integrity which could result in a material misstatement.
Valuation of Land & Buildings	Significant Risk	No change in risk or focus	Property, Plant and Equipment accounts for a significant proportion of the Council's total assets and the rolling valuation process incorporates significant judgements, which if inappropriate could result in a material misstatement. There was a material adjustment in the 2016/17 financial statements and with a change in valuer for 2017/18, this account continues to be a significant audit risk.
New Payroll System	Other financial statement risk	New Risk	The council has implemented a new Payroll system in year (iTrent). Any significant system change creates risks associated with data migration and integrity which could result in a material misstatement.
Valuation of Investment in Entrust	Other financial statement risk	New Risk	The 2016 financial statements audit of Entrust Support Services Ltd resulted in a £44m impairment of goodwill. As the information was not available in time, the Council was unable to reflect it's share in the 2016/17 statements. In our view a prior period adjustment is now required to be made in the 2017/18 financial statements.
Valuation of LGPS Liability	Other financial statement risk	No change in risk or focus	The Council is a member of the Local Government Pension Scheme (LGPS), administered by Staffordshire Pension Fund. The net pension liability was £979.8million as at 31 March 2017. The estimation of the defined benefit obligations is sensitive to a range of assumptions. The extent of judgement required, and resulting significant impact this has on the value in the balance sheet, means it continues to be an area of audit focus.

Overview of our 2017/18 audit strategy

Materiality



Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- § Our audit opinion on whether the financial statements of Staffordshire County Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- § Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- § Strategic, operational and financial risks relevant to the financial statements;
- § Developments in financial reporting and auditing standards;
- § The quality of systems and processes;
- § Changes in the business and regulatory environment; and,
- § Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council (FRC), which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What will we do?

Having considered the factors for expenditure recognition, we believe the risk is focused on the year-end balance sheet and in particular the completeness and valuation of payables and the existence and valuation of receivables. We also believe the risk is linked to the existence of capital expenditure arising from the potential to incorrectly capitalise revenue expenditure.

We will:

- Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding
- Review and test expenditure recognition policies.
- Review and discuss with management any accounting estimates on expenditure recognition for evidence of bias.
- Sample testing material revenue streams and operating expenditure
- Test the valuation of any provisions recorded in the financial statements and perform appropriate tests to consider whether all material provisions have been recognised.
- Develop a testing strategy to test material receivables and payables.
- Review and test cut-off at the period end date; and
- Perform a search for unrecorded trade payables at period year.

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

We consider that the risk impacts on the following account balances:

- Year-end trade payables and the calculation of estimates, accruals and provisions which impact on the completeness and valuation assertions.
- Year-end trade receivables and accruals which impacts on the existence and valuation assertions.
- Operating expenditure transactions during the financial year which impacts on both the occurrence and completeness assertions.

Due to the nature and value of income which comprises of Government Grants, income from Council Tax and Business Rates, it is our view is that the risk is not significant in this area, but is relevant to other income and operating expenditure.

Our response to significant risks (continued)

Risk of management override	What is the risk?	Our audit approach
<p data-bbox="118 592 472 619">Financial statement impact</p> <p data-bbox="103 651 517 743">We consider that the risk impacts the following balances in the financial statements:</p> <p data-bbox="103 762 539 919">Year-end trade payables and the calculation of estimates, accruals and provisions which impacts on the completeness and valuation assertions.</p> <ul data-bbox="103 938 517 1206" style="list-style-type: none"> • The appropriateness of capital expenditure which impacts on the classification assertion. • The accounting adjustments processed and disclosed in the movement in reserves statements and supporting notes. 	<p data-bbox="566 392 1167 485">The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p data-bbox="566 520 1167 807">As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p data-bbox="566 842 1167 999">We consider the risk most focussed around items of expenditure that are non-routine and involve management’s judgement and estimation to determine items such as year-end accruals and provisions.</p>	<p data-bbox="1193 392 1301 408">We will</p> <ul data-bbox="1193 424 2107 1046" style="list-style-type: none"> • Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding. • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Review the calculation of management’s material accruals, estimates and provisions for evidence of management bias; • Evaluate the business rationale for any significant unusual transactions; • Understand the oversight given by those charged with governance of management process over fraud; • Sample test income and expenditure accruals and provisions based on established testing thresholds; • Review capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. • Review the accounting adjustments processed in the movement in reserves statement to ensure consistency with other supporting disclosure notes.

Our response to significant risks (continued)

Valuation of Land & Buildings

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our audit approach

We will

- Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding
- Review each class of asset and the valuation approach adopted to assess where the risk of material misstatement is higher. We will share this risk assessment with management.
- Evaluate the competence, capabilities and objectivity of management's specialist.
- Review any terms of engagement or instructions issued to the valuer to ensure these are consistent with accounting standards.
- Engage our valuation specialists to support our testing strategy and help evaluate the work of the Council's valuer.
- Perform appropriate tests over the completeness and appropriateness of information provided to the valuer.
- Review the classification of assets and ensure the correct valuation methodology has been applied.
- Ensure the valuer's conclusions have been appropriately recorded in the accounts.

Our response to significant risks (continued)

<p>New General Ledger System</p>	<p>What is the risk?</p>	<p>Our audit approach</p>
	<p>The council has implemented a new General Ledger system in year (Integra). Any significant system change creates risks associated with data migration and integrity which could result in a material misstatement.</p>	<p>We will</p> <ul style="list-style-type: none"> • Carry out a review of Internal Audit’s planned work on the system migration to inform our risk assessment and planned audit response. • In conjunction with IT Risk Assurance (ITRA) specialists within EY, review the Council’s approach and execution of the transfer of data to the new system. Perform tests on data migration to gain assurance on the opening balances in Integra. • Document and walk through the IT general control, assessing the design of those controls.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Our audit approach

New Payroll System

The Council has implemented a new Payroll system during the financial year (iTrent). Any significant system change creates risks associated with data integrity which could result in a material misstatement.

We will;

- Make inquiries of management about risks of fraud and the controls put in place to address those risks
- Walkthrough of the new payroll system, including documentation of process and key controls
- Targeted testing of processes based on the output of our analytical procedures

What is the risk/area of focus?

Our audit approach

Valuation of Investment in Entrust Support Services Ltd

Entrust Support Services Ltd reported in its financial statements for 2016 that its business plans and forecasts regarding potential revenue from digital platforms had been revised. Consequently, this resulted in a £44m impairment of goodwill.

This will have an impact on the Council's financial statements in 2017/18 through a prior year period adjustment. Initial calculations provided indicate that the Council's investment will reduce by £22.2m from £23.3m to £1.1m and there will be other adjustments to the comprehensive income and expenditure statement and the movement in reserves statement (unusable reserves).

We will;

- Review the accuracy and completeness of the accounting treatment of the prior period adjustment.
- Review the Council's group accounts test to determine if the Council's share of the investment is material require the production of group accounts.
- If group accounts are required we will;
 - § Communicate with the entity's external auditor to obtain confirmation of audit plan, risks identified and audit results
 - § Obtaining the audited financial statements of Entrust
 - § Overall analytical procedures on the in year profit/loss attributed to the Council
 - § Reviewing related party disclosures
 - § Recalculate the investment value

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Staffordshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £979.8 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

- Perform appropriate tests to obtain assurance over the information provided to the actuary.
- Write to the Pension Fund auditor to ascertain whether there are material concerns we need to be aware of for our audit.
- Ensure accounting entries and disclosures are consistent with the actuaries report.
- Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial 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 accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will need to be notified at the earliest opportunity in order that we can review and discuss with you the timing of the audit.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

We will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Council to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on-demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

03

Value for Money Risks





Background

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.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

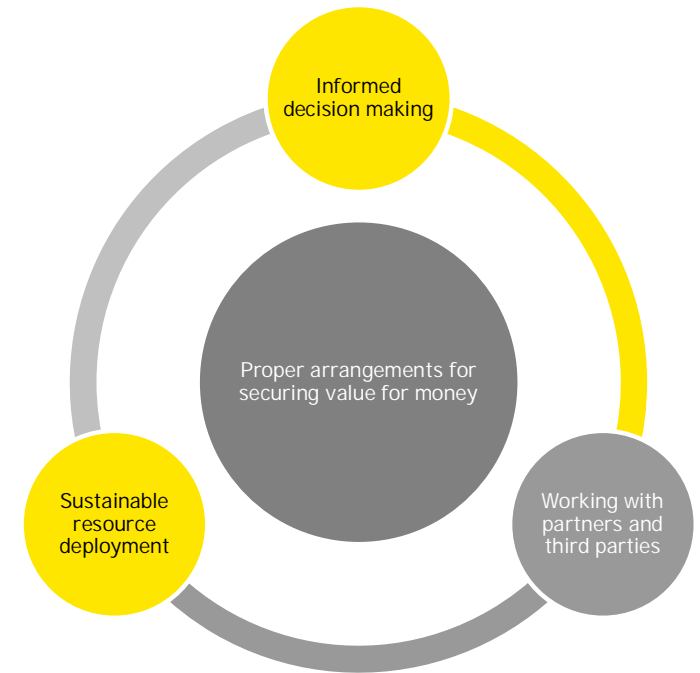
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risks noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risk

What is the significant value for money risk?	What arrangements does the risk affect?	Our audit approach
<p>Sustainable resource deployment</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p>	<p>From the medium term financial strategy (MTFS), updated in February 2018, the Council has identified it will experience budget gaps of £35.4m in 2019/20 increasing to £37.5m in 2020/21.</p> <p>Going forward the Council will need to continue to scrutinise its financial plans to achieve budget savings and maintain adequate level of useable reserves.</p>	<p>We will focus on:</p> <ul style="list-style-type: none"> § Monitoring the financial position for the remainder of 2017/18, including delivery against both revenue and capital challenges. § Reviewing the MTFS including the adequacy of major assumptions § Reviewing the Council's arrangements to develop a robust savings plan to address the future financial challenges.
<p>Working with partners and third parties</p>	<p>The health economy across Staffordshire remains significantly challenged, with substantial deficits across the County.</p>	<p>We will focus on;</p> <ul style="list-style-type: none"> § Reviewing the Councils arrangements to monitor progress and plans to take corrective action to achieve the NHSE target.
<p>Working with third parties effectively to deliver strategic priorities</p>	<p>Although NHS England approved the 2017-19 improved better care fund plan in November 2017, it is noted that the transfer of £19.5m is conditional on the delayed transfer of care target of 3.5% of occupied bed days being achieved.</p> <p>If the target is not achieved the risk to the Council is that NHS England may require all or part of the £19.5m to be repaid and that funding from the improved better care fund of £15m in 2017/18 and a further allocation of £15m across 2018/19 and 2019/20, could also be at risk.</p>	<ul style="list-style-type: none"> § Review the robustness of the MTFS and whether it includes contingency arrangements should the NHSE target not be achieved and funding is withdrawn.



Value for Money Risk

What is the significant value for money risk?	What arrangements does the risk affect?	Our audit approach
<p>Working with partners and third parties</p> <p>Working with third parties effectively to deliver strategic priorities</p>	<p>The Council has a 49% stake in Entrust.</p> <p>The Council commissions Entrust to provide a number of services and the 2016/17 financial statements disclosed that that the totalled £51.7m.</p> <p>The 2016 audit of Entrust’s financial statements resulted in a £44m impairment of goodwill and consequently reduced the value of the Council’s investment in this business from £23.2m to £1,1m.</p> <p>Given the size and timing of the impairment, the action triggers a VFM risk.</p>	<p>We will;</p> <ul style="list-style-type: none"> § Review if there is an up to date signed service level agreement/contract in place. § Review the Council’s governance arrangements to include: <ul style="list-style-type: none"> ○ monitoring whether Entrust are delivering against the service specification; ○ the effectiveness of arrangements if performance is below expectations; and ○ reporting the outcomes of the contract to senior management and elected members



04

Audit materiality

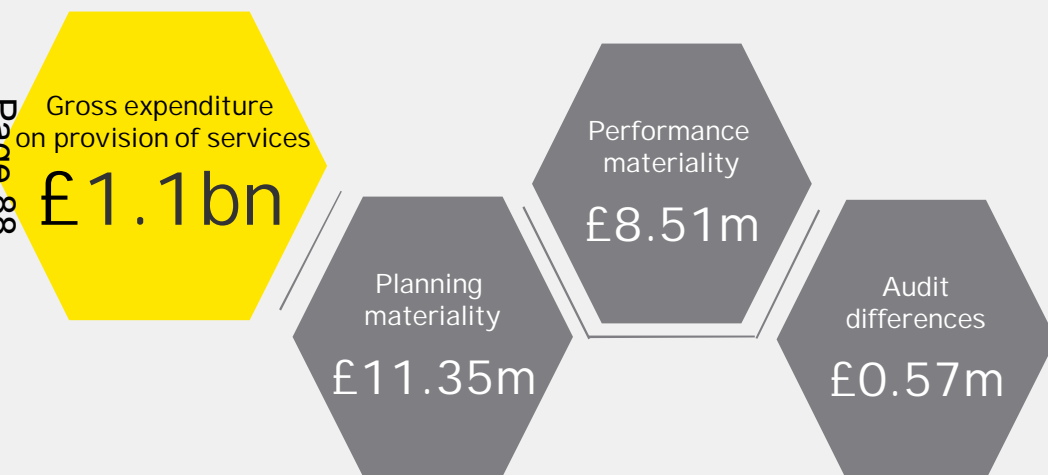


Audit materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £11.3m. This represents 1% of the Council's forecast gross expenditure on provision of services, based on the risk profile. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.

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We request that the Audit & Standards Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £8.51m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit & Standards committee, or are important from a qualitative perspective.

Specific materiality – We have also identified the following areas where misstatement at a lower level than our overall materiality level might influence the reader of the financial statements. The areas identified in our audit strategy applied include:

- We assess 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 financial statements.
- Related party transactions. For any errors identified in related parties we considered the concept of the materiality of transactions and balances as would relevant to the related individual or organisation.
- External audit fees: we set a materiality of £1k being the rounding number in the accounts.
- Members' allowances; a figure of £50k was judged appropriate.
- Cash and bank balances: given the inherent risk we have set a materiality level of £0

05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

- We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:
- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
 - Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Standards Committee.

Internal audit:

We will regularly meet with the Chief Internal Auditor, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

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0	A	Full scope audits
0	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
3	E	Other procedures; Entrust Support Services Ltd (SCC owns 49% of the joint venture). Penda Limited (a joint venture company with Kier and the County Council); and Nexus Ltd (a wholly owned subsidiary)

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, these components do not exceed more than 1% of the Group's Deficit on provision of services.



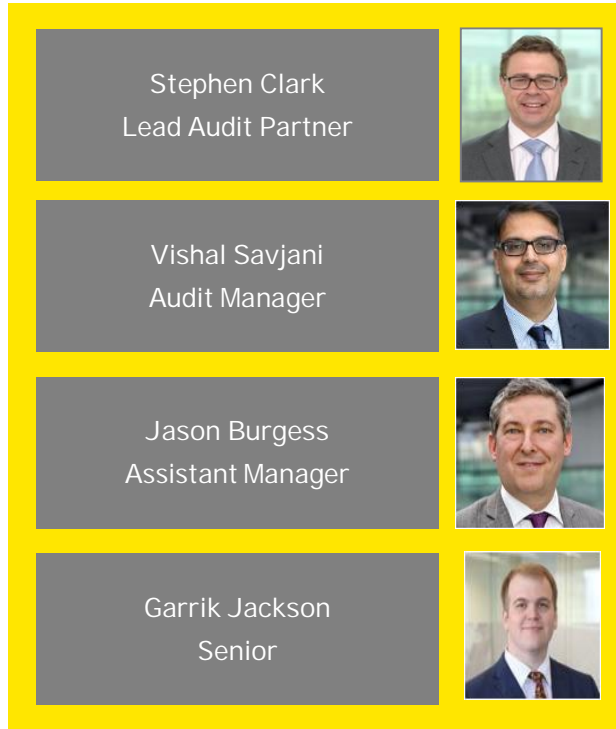
06

Audit team



Audit team

Audit team structure:



EY Valuations
Team

EY Actuaries

EY FAAS/PFI
specialist

EY IT Risk
Assurance
(ITRA)

PPD

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Property Valuations Team. Management specialist – external valuer.
Pensions disclosure	PSAA consulting actuary, the actuary of the Staffordshire Pension Fund and EY Pension Team.
Waste PFI	EY FAAS / PFI specialist
Implementation of new General Ledger	EY IT Risk Assurance (ITRA)
Prior year period adjustment – valuation of Entrust Support Services Ltd	Professional Practice Directorate (PPD)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





Audit timeline

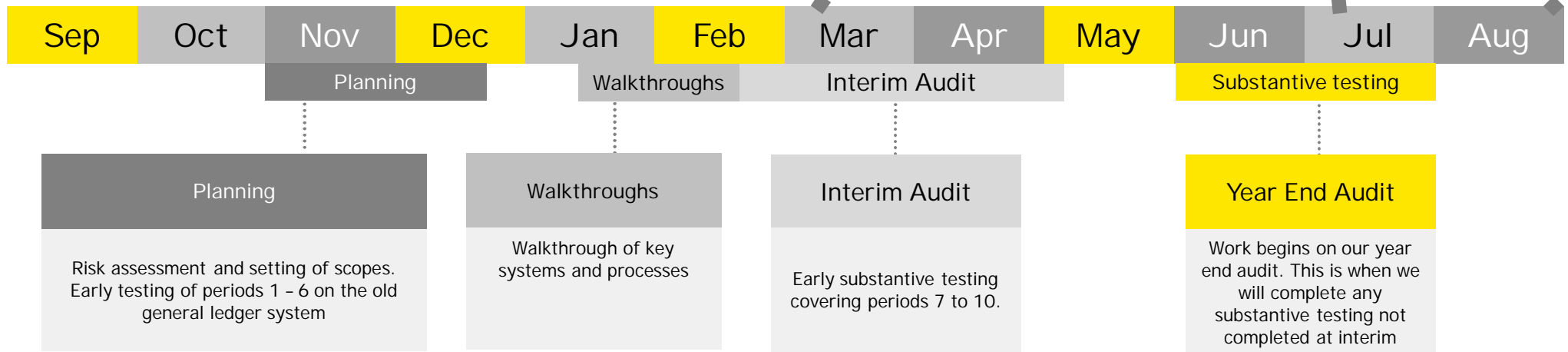
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit & Standards Committee and we will discuss them with the Audit & Standards Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Clark, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately NIL. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-20167>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	109,755	109,755	109,755
Other - valuation work	TBC *	0	12,312
Other - IT risk assessment	TBC *	0	0
Total audit	TBC	109,755	122,067
Other non-audit services not covered above	0	0	0
Total other non-audit services	0	0	0
Total fees	TBC	109,755	122,067

All fees exclude VAT

* We have discussed with management that additional work by EY specialists will be required to address the risks of valuation of land and buildings and the review of the implementation of the new general ledger. The fees will be finalised on completion of the work.

All fee variations are subject to approval by PSAA.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Regulatory update

In previous reports to the Audit and Standards Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	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.
Impact on Staffordshire County Council	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>We held a faster close workshop for clients on in November 2017 to facilitate early discussion and sharing of ideas and good practice.</p> <p>We are now working with the Council on ideas coming from the workshop, for example:</p> <ul style="list-style-type: none"> • Streamlining the Statement of Accounts removing all non-material disclosure notes; • Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; • Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with the auditors.




Appendix C

Required communications with the Audit and Standards Committee



We have detailed the communications that we must provide to the Audit & Standards Committee.






Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Page 105 Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report (March 2018)
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report (July 2018)




Required communications with the Audit and Standards Committee (continued)

Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit & Standards Committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Actual or suspected non-compliance with laws and regulations identified relevant to the Audit & Standards Committee • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	Audit planning report (March 2018) and Audit results report (July 2018)

Required communications with the Audit and Standards Committee (continued)




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Page 107	Going concern	Audit results report (July 2018)
	Financial statements	Audit results report (July 2018)
	Fraud	Audit results report (July 2018)
	Related parties	Audit results report (July 2018)

Required communications with the Audit and Standards Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> • Relationships between EY, the Council and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Audit and Standards Committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Audit planning report (March 2018) and Audit results report (July 2018)</p>




Appendix C

Required communications with the Audit and Standards Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report (July 2018)
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit & Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Standards Committee may be aware of 	Audit results report (July 2018)
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report (July 2018)
Group audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit planning report (March 2018) and Audit results report (July 2018)

Appendix C

Required communications with the Audit and Standards Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report (July 2018)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report (July 2018)
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report (July 2018)
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report (March 2018) and Audit results report (July 2018)

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit & Standards Committee reporting appropriately addresses matters communicated by us to the Audit & Standards Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Staffordshire Pension Fund Audit planning report

Year ended 31 March 2018

March 2018

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Agenda Item 8



Building a better
working world

A nighttime photograph of a street scene. In the foreground, a white truck with a red and white body is parked or moving slowly. The street has white lane markings and a green arrow pointing right. In the background, there is a building with a sign that says '海苔の館' (Seaweed Museum) and '2017'. The scene is illuminated by streetlights and building lights.

12 March 2018

Audit and Standards
Committee/Pensions Committee
Staffordshire Pension Fund
No 1 & 2 Staffordshire Place,
Tipping Street,
Stafford, ST16 2DH

Dear Audit and Standards Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Standards Committee and the Pensions Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Fund, and outlines our planned audit strategy in response to those risks. This report is intended solely for the information and use of the Audit and Standards Committee, Pensions Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 12 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel, Associate Partner
For and on behalf of Ernst & Young LLP
Enc

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Appendices



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

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

The "Terms of Appointment (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Standards Committee and management of Staffordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee and management of Staffordshire Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee and management of Staffordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Standards Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of unquoted investments	Significant risk	Increased risk	The Fund's investments include unquoted pooled investment vehicles and private equity funds (approximately 9% of total Fund assets). Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.
New General Ledger System	Significant risk	New risk	The Council and Pension Fund have implemented a new General Ledger system in year (Integra). Any significant system change creates risks associated with data migration and integrity which could result in a material misstatement.
Valuation of directly held properties	Other financial statement risk	Decreased risk	The Fund has a significant portfolio of directly held property investments. The valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements.

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Audit team changes

Key changes to our team:

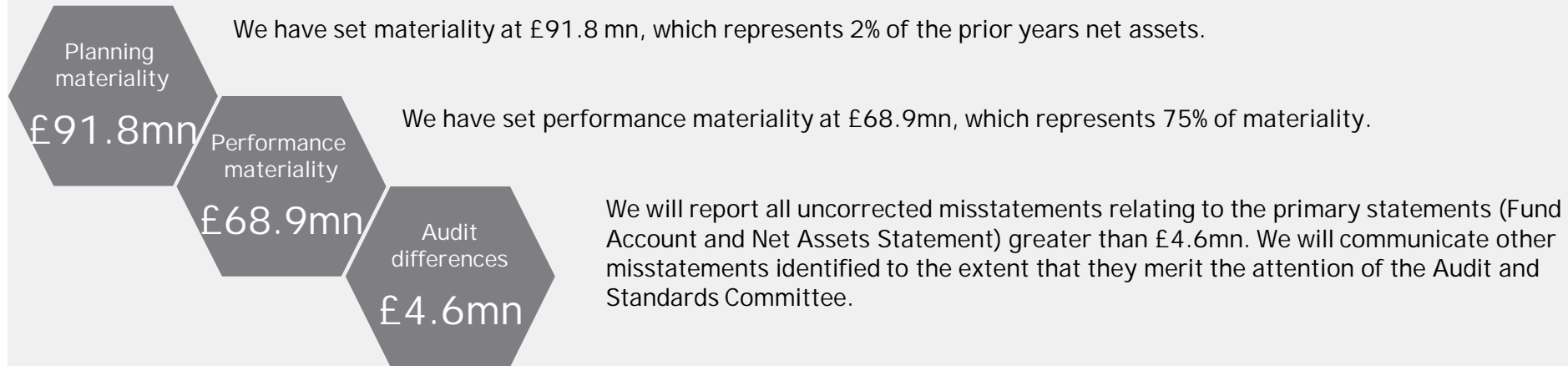


Associate Partner – Suresh Patel

- Suresh takes over from Richard Page as the Engagement Lead
- Suresh has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds
- He is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA)

Overview of our 2017/18 audit strategy

Materiality



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Audit scope

The Audit Plan covers the work that we plan to perform to provide you with:

- § Our audit opinion on whether the financial statements of Staffordshire Pension Fund give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- § Our opinion on the consistency of the Fund's financial statements, which are included in the Fund's Annual Report, with the published financial statements of Staffordshire County Council (Administering Authority).

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- § Strategic, operational and financial risks relevant to the financial statements;
- § Developments in financial reporting and auditing standards;
- § The quality of systems and processes;
- § Changes in the business and regulatory environment; and,
- § Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Fund.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identify fraud risks during the planning stages.
- Inquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

New General Ledger System

What is the risk?

The administering authority has implemented a new General Ledger system in year (Integra). Any significant system change creates risks associated with data migration and integrity which could result in a material misstatement.

What will we do?

- Carry out a review of Internal Audits planned work on the system migration to inform our risk assessment and planned audit response.
- In conjunction with IT Risk Assurance (ITRA) specialists within EY, review the Council's approach and execution of the transfer of data to the new system. Perform tests on data migration to gain assurance on the opening balances in Integra.
- Document and walkthrough the IT general controls, assessing the design of those controls.
- Documentation and walkthrough of both the General ledger systems in use in the financial year.

Our response to significant risks (continued)

<p>Valuation of unquoted investments</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Page 121</p> <p>Financial statement impact</p> <p>Misstatements that occur in relation to the valuation of unquoted investments could affect the net assets of the Fund. The value of investments categorised as level 3 in 2016/17 was:</p> <p>Private Equity: £146mn Private Debt: £75mn Hedge Funds: £87mn</p>	<p>The Fund's investments include unquoted pooled investment vehicles and limited partnerships (approximately 9% of fund assets). Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of investments means that any error in judgement could result in a material valuation error.</p> <p>Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the Fund year end. Such variations could have a material impact on the financial statements.</p> <p>Additionally, for 2017/18 the fund is required to close their accounts within a shortened time frame to previous years. As such the pension fund will be taking the latest valuation available from the fund managers and making adjustments for capital calls and distributions, and other material fluctuations to year end to enable them to meet the shorter deadline of 1 June 2018 for submission of the financial statements to audit. As such there is a greater risk that the year end valuation could be materially misstated.</p>	<ul style="list-style-type: none"> • Document and walk through the process and design of the controls over the valuation process • Review the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk. • Review the basis of valuation for unquoted investments and ensure it is in line with the accounting policy. • Perform tests of valuation by obtaining the latest available audited accounts and agreeing the net asset value per the confirmation received to the audited accounts provided • Where the audited accounts do not have the same year end as the Fund we will perform other procedures to obtain assurance that the movement to 31 March 2018 is reasonable.



03

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £91.8mn. This represents 2% of the Fund's prior year net assets value. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.

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We request that the Audit and Standards Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £68.9mn which represents 75% of planning materiality. We have used a threshold of 75% as our experience from prior year audits means that we do not anticipate identifying a significant number of audit adjustments.

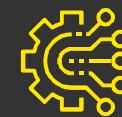
Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications and misstatements in disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Standards Committee or are important from a qualitative perspective.



04

Scope of our audit



Scope of our audit

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Fund's financial statements and the consistency of these financial statements with those disclosed in the Fund's Annual Report. We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error; Significant disclosures included in the financial statements; Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and Auditor independence.

Consistency opinion

We are required to consider the consistency of the Fund's financial statements, which are included in the Fund's Annual Report, with the published financial statements of Staffordshire County Council (Administering Authority).

Audit Process Overview

Our audit involves identifying and understanding the key processes and internal controls and substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Standards Committee.

Internal audit

We will meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



05

Audit team



Audit team

Suresh Patel is the Associate Partner responsible for the overall quality and delivery of the audit service. He will be supported by Caroline Davies as Senior Manager on the audit who will be the main point of contact for the audit team. This will be the first year that Suresh has worked on the audit of Staffordshire Pension Fund and the third year that Caroline has worked on the audit of Staffordshire Pension Fund.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists may provide input for the current year audit are:

Area	Specialists
Valuation of directly held properties	EY Valuations Team
Pensions liability disclosure	EY Actuaries
Valuation of quoted and unquoted investments	EY Derivatives Valuation Centre

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



06 Audit timeline





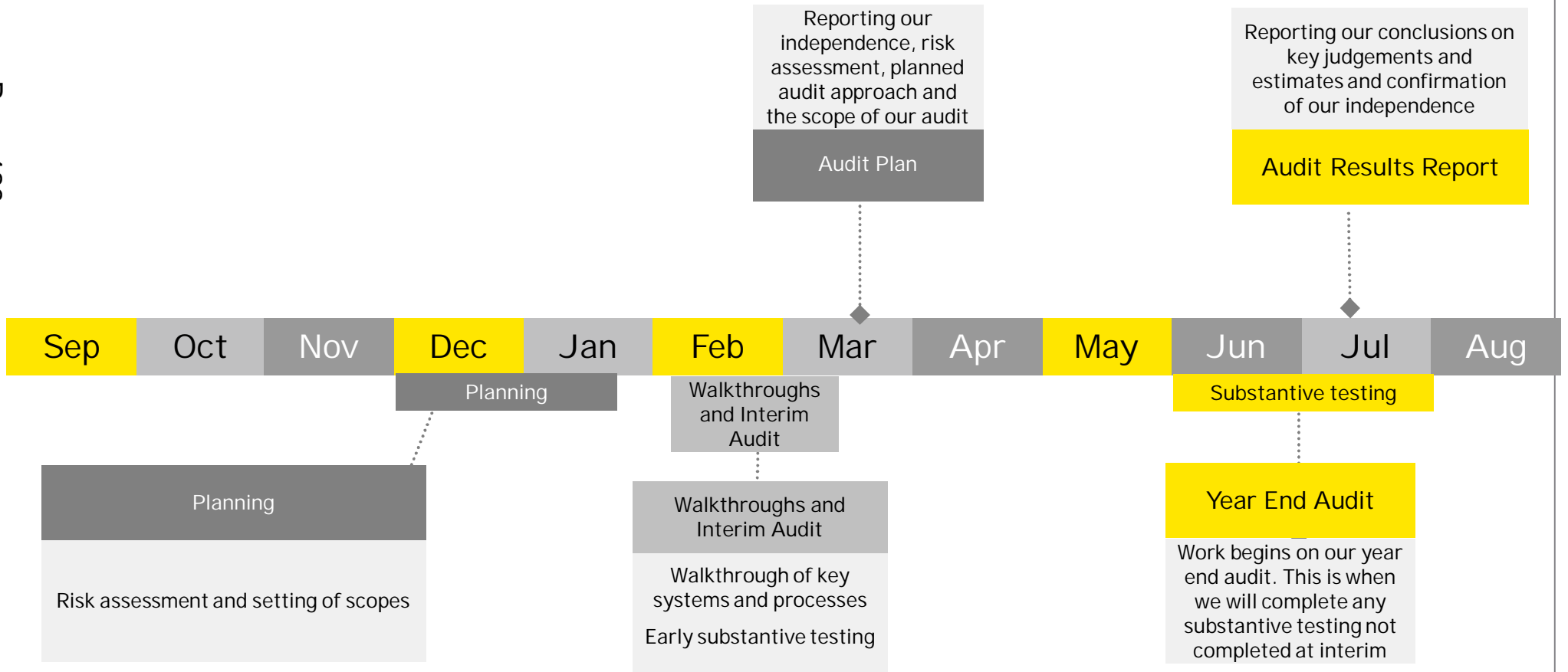
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18. From time to time matters may arise that require immediate communication with the Audit and Standards Committee and we will discuss them with the Audit and Standards Committee Chair as appropriate.

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Audit timeline

Faster Close – Key Messages

What is the issue

Earlier accounts deadline

For 2017/18 the Pension Fund needs to prepare draft accounts by 31 May and the publish audited accounts by 31 July a challenge and risk for both preparers and auditors.

There are risks to the Pension Fund including the ability to prepare good quality working papers and obtaining relevant information from third parties.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft accounts and supporting working papers by the agreed deadline;
- Appropriate Pension Fund staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If the Pension Fund is unable to meet key dates within our agreed timetable, we will notify the Director of Finance and Resources of the impact on the timing of your audit, which may be that we postpone the audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where we require additional work to complete your audit, due to new risks, scope changes, or poor audit evidence, we will notify the Director of Finance and Resources of the impact on the timing of the audit and fees. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

To support the Pension Fund we will:

- Work with the Pension Fund to engage early to facilitate early substantive testing where appropriate, specially our IAS19 protocol testing
- Provide an early review on the Pension Fund's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Pension Fund to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on -demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.



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07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p data-bbox="91 758 134 917">Page 132</p> <ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards we have adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel as your audit engagement partner and the audit have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Fund. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you.

At the time of writing, there are no long outstanding fees and there are no non-audit fees and therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

EY Transparency Report 2017

We have policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here: <http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-20167>



08

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	28,637	28,637	28,637
IAS 19 assurances *	5,500	NA	5,500
Significant risk - New general ledger **	TBC	TBC	TBC
Total fees	34,137	28,637	34,137

All fees exclude VAT

* As in previous years we anticipate that an extra fee of £5,500 will be charged to take into account the additional work required to respond to IAS19 assurances from scheduled bodies. In 2016/17 we received and responded to 14 requests. This additional fee is subject to approval by the PSAA.

** We anticipate there will be a further fee for additional work required as a result of the new general ledger system, as set out on page 10. We are in the process of scoping this work and will discuss and agree any additional fee with management.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and consistency opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Fund; and
- ▶ The Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Regulatory update

In previous reports to the Audit and Standards Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	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.
Impact on Staffordshire Pension Fund	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>We are discussing with the Fund their progress in working towards closing the accounts in the shortened time scales. This includes:</p> <ul style="list-style-type: none"> • Streamlining the Statement of Accounts removing all non-material disclosure notes; • Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with the auditors.



Appendix C

Required communications with the Audit and Standards Committee

We have detailed the communications that we must provide to the Audit and Standards Committee.



Our Reporting to you



Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report

Appendix C

Required communications with the Audit and Standards Committee







Our Reporting to you

Required communications	 What is reported?	 When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report

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Appendix C

Required communications with the Audit and Standards Committee

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Page 139	Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report
	External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
	Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of 	Audit results report
	Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report
	Representations	<ul style="list-style-type: none"> • Written representations we are requesting from management and/or those charged with governance 	Audit results report

Appendix C

Required communications with the Audit and Standards Committee

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	
Auditors report	<ul style="list-style-type: none"> • Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report 	Audit results report	
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	Audit planning report/Audit results report	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Standards Committee reporting appropriately addresses matters communicated by us to the Audit and Standards Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Local Government Audit Committee Briefing





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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



Government and economic news

Will the UK economy hold up as Brexit nears?

The latest forecast from the EY Item Club highlights that UK GDP growth in 2017 was 1.8%, which was better than expected. However, it does compare unfavourably with 2017 GDP growth of 2.5% for the Eurozone, 2.3% for the US and an estimated 3.0% globally.

The momentum from 2017, an improving outlook for consumer spending, and the increased likelihood of a near-term Brexit transition arrangements are expected to support UK growth this year. With this, we have nudged up our UK GDP forecast for 2018 to 1.7%, up from the 1.4% we predicted in our Autumn forecast in October last year.

However, further out, the UK's limited productivity performance and ongoing Brexit and political uncertainties will see the UK achieve only mid-range growth. With this, we have slightly reduced our GDP growth projections for 2019 to 1.7% (down from 1.8%), 1.9% for 2020 (down from 2.0%), and 2.0% for 2021 (down from 2.2%). Although we have modestly downgraded our expectation of the UK's productivity performance, it remains more optimistic than the Office for Budget Responsibility's latest forecast. Specifically, we forecast output per hour to rise 0.9% in 2018 and then 1.3% annually during 2019-2021.

Much depends on how the Brexit negotiations develop.

The expectation is that the UK and EU will make sufficient progress to agree a transition arrangement lasting at least two years, from late March 2019. Since this will have to be ratified across the EU, agreement essentially needs to be reached by October 2018. Progress towards a transition deal in late 2018 should support business confidence and a gradual pick-up in investment, helping GDP growth accelerate.

Provisional 2018-19 Local Government Finance Settlement

On 19th December 2017 the Government set out the provisional funding plan for the 2018-19 financial year, which will be the third year of the four year multi-year settlement that was accepted by 97% of local authorities. The main themes of the provisional settlement were:

Council tax referendum principles – as a result of the financial settlement consultation process the government has decided to set the core referendum principle at 3% in 2018-19 and 2019-20, to match the higher than expected inflation. This change will give local authorities more flexibility in deciding how money will be raised to offset the increasing financial pressures and demand on services. Shire district councils will be allowed an increase of 3% or £5 whichever is higher.

Continuation of the adult social care precept principle of a 2% increase, with the additional flexibility in 2018-19 to increase the precept by an additional 1%, from 2% to 3%, provided that the total increase across the three years 2017-18 to 2019-20 does not exceed 6%.

Analysis by the Local Government Association has estimated that the impact of increased flexibility in council tax precepts could be worth up to £540mn to local authorities by 2019-20. However local services are facing a total funding gap of £5.8bn in 2019-20. Therefore, the increased powers to raise council tax are not sufficient to meet the future funding gap.

Business rate retention – the Government's continued intention to reform local government financing in the future by allowing authorities to retain a greater percentage of business rates instead of receiving certain grants (including RSG, public health grant) direct from central government. By 2020-21 it is estimated that the business rate retention across the local government system would be 75%, compared to the current level of 50% retention. It was also announced that the 100% business rates retention pilot schemes were going to be expanded to include a further 10 local authorities.

New homes bonus – since inception the new home bonus has allocated £7bn to local authorities to encourage the building of over 1.2 million new homes. The Government has decided to continue to set the national baseline (below which no bonus will be paid) at 0.4% for 2018/19. The national baseline represents the annual growth of Band D properties within a local authority above which the new homes bonus will be awarded. Government retained the option to adjust the baseline in future years based on housing statistics as reported through council tax base figures. This stability will provide some security for district authorities who have based their growth strategy on the New Homes Bonus.

Carillion liquidation

Major public sector building and support services contractor Carillion plc went into compulsory liquidation on 15 January 2018. Carillion's sudden collapse is being felt across the country as a range of public services, from road building to school meals, have been unexpectedly terminated in a number of local authorities.

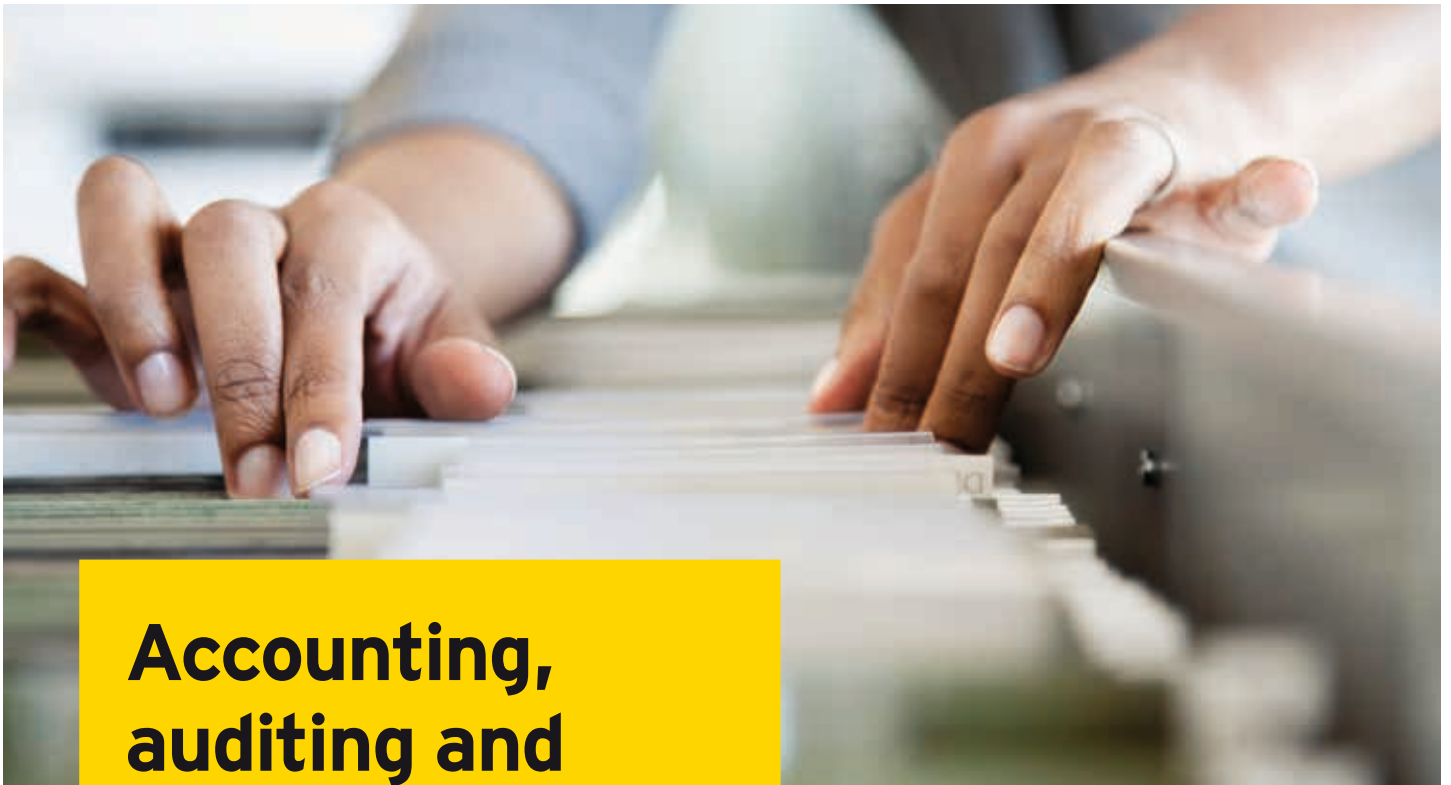
The full extent of the affected services is yet to be determined as local authorities discuss existing contracts with the Official Receiver. Local authorities are implementing contingency plans where possible, including either finding alternative contractors or taking services back in house. For example the response from Oxfordshire County Council in relation to the provision of school meals at 90 schools supplied by Carillion was to guarantee Carillion staff who worked in schools that the county council would ensure that they were paid.

Although the Government has pledged that public services 'will be protected' after Carillion's collapse, it is unclear how or when funding from central Government will be made available to the affected local authorities.

Public sector pay

Since 2013, the Government has implemented a policy of a 1% annual pay increase cap for public sector workers; which was estimated to have saved approximately £5bn by 2019-20. In the Autumn Budget 2017 the Government confirmed the end of the 1% pay increase policy. Therefore from 2018-19, pay review bodies will be able to award pay increases of greater than 1% as they determine to be appropriate. After the long freeze in real terms of public sector pay future increases above 1% have been welcomed; and it is thought that this has been needed to retain talent within the public domain. However, this will be an additional cost pressure for local authorities that will require financing.

The national employers, who negotiate pay on behalf of 350 local authorities, suggested that most employees with salaries over £19,430 should receive a 2% increase for 2018-19 and a further 2% for 2019-20. Lower salaried workers will receive higher increases based on hourly pay; from £7.78 to £9.00 in April 2019 and increase equivalent to 15.65%. National employers have said this would add another 5.6% to the national pay bill over the two years to 2020.



Accounting, auditing and governance

IFRS 15 – revenue from contracts with customers

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.

IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

The 2018/19 Code of practice on Local Authority Accounting in the United Kingdom (the Code) will determine how IFRS 15 revenue from customers with contracts will be adopted by local government bodies. The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The CIPFA/LASAAC Local Authority Accounting Code

Board met on 6 June 2017 and discussed the implication of IFRS 15 on Local Government entities. The minutes of this meeting corroborate our view that for most entities income streams from contracts with customers are likely to be immaterial. The vast majority of income streams are taxation or grant based which do not fall within the scope of IFRS 15 as they are not contractually based revenue from customers.

However, this may not always be the case for some smaller English authorities or authorities where there is a high public interest in commercial activities. The following income streams are within the scope of IFRS 15 and will need special consideration if they are material to the users of the financial statements:

- ▶ Fees and charges for services under statutory requirements
- ▶ Sale of goods provided by the authority
- ▶ Charges for services provided by a local authority

EY – CIPFA Accounts Closedown Workshop 2017-18

EY and CIPFA Financial Advisory Network (FAN) are continuing to work in partnership to deliver a programme of accounts closedown workshops to support local government finance professionals across the country with separate events for police bodies and English, Welsh and Scottish local authorities. The workshop programme covers the key changes impacting on the production of the 2017/18 financial statements and the outcomes of the 'telling the story' changes to the Code of Practice on Local Authority Accounting in 2016/17. Looking forward there are significant changes to IFRS that will come through in the 2018/19 Code and later, so the workshops are also focused on the key risks in relation to the new Financial Instruments standard IFRS 9 and other future expected changes in the Code with potential to impact on the General Fund and the HRA. These workshops also aim to prepare local authority finance staff for a 'faster, smarter and more accurate' accounts closedown for 2017-18.

By the end of this May, your local authority will need to publish its unaudited statement of accounts and publish audited accounts by the end of July. These changes provide risks for

both the preparers and the auditors of the financial statements. Local Authorities will now have less time to prepare the financial statements and supporting working papers. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Failure to meet a deadline at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ Good quality draft financial statements and supporting working papers by the agreed deadline
- ▶ Appropriate staff to be available throughout the agreed audit period
- ▶ Complete and prompt responses to audit questions

If your authority is unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Of the 150 authorities we audit, we currently consider that around a quarter have left themselves a significant amount of work to do to get there and are running a real risk of missing the deadline because they will not have quality draft accounts and supporting evidence ready for their auditors by the end of May.

In addition to our workshops with CIPFA, we have held events in each of our local offices and gathered insights from over 100 practitioners and their local audit teams on the importance of what finance teams and auditors each need to do, and collaboratively, to achieve a successful faster closure. We have put together a comprehensive list of actions to streamline processes, work more collaboratively with their auditors and draw on EY's analytics and innovative audit approach to achieve faster close. We include a summary below.

Summary of faster close activities

Finance teams are:

- ▶ Critically appraising the content of their accounts, removing unnecessary disclosures
- ▶ Closing the ledger earlier and encouraging greater discipline across the authority to comply with deadlines for accruals
- ▶ Preparing discrete sections of the accounts (e.g., narrative report and remuneration notes) and associated working papers earlier to facilitate early audit work
- ▶ Focusing on judgements and significant estimates earlier including engagement with auditors
- ▶ Reviewing the de-minimis level for accruals, including discussion with auditors
- ▶ Conducting a hard close for monthly reconciliations e.g., bank reconciliations, feeder systems, etc., with a zero-tolerance to reconciling items over a month old
- ▶ Undertaking weekly cut-off testing in April to ensure that the accounts are complete, retaining the evidence in case that item is selected for audit testing

Auditors are:

- ▶ Meeting regularly with finance staff, sharing details of the audit approach, agreeing a planned timetable of tasks, communicating changes and providing clarity on what is expected and when

- ▶ Bringing forward testing to reduce the amount needed to do in the summer. In particular, valuation of land and building and other high risk areas
- ▶ Increasing the use of analytics to interrogate ledger and payroll transaction data
- ▶ Using the online EY client portal to streamline communications with finance teams
- ▶ Attending workshops with finance teams on accounting issues and effective working papers
- ▶ Selecting items for sample testing earlier

Together finance teams and auditors are:

- ▶ Holding regular meetings throughout the year to share progress and discuss issues
- ▶ Planning respective activities to ensure sufficient capacity on both sides
- ▶ Revisiting audit issues from the prior year, agreeing how similar issues can be avoided
- ▶ Ensuring the client assistance schedule is appropriately tailored

We have produced a faster close briefing checklist that you can use to ensure that you are doing all you can, alongside working with us, to achieve the accelerated timetable. For more information please contact your local engagement lead.



Regulation news

EU General Data Protection Regulation: are you ready?

On 17 December 2015, after more than three years of negotiations and several draft versions of the General Data Protection Regulation (GDPR), an informal agreement was reached between the European Parliament and Council of the European Union. The GDPR is a significant change for organisations. It introduces more stringent and prescriptive data protection compliance challenges, backed by fines of up to 4% of global annual revenue. The regulation replaces Directive 95/46/EC, which has been the basis of European data protection law since it was introduced in 1995.

The Regulation has a significant impact on organisations in all sectors, bringing with it both positive and negative changes in terms of cost and effort.

Key changes proposed by the EU GDPR include:

- ▶ Regulators can impose fines of up to 4% of total annual worldwide turnover or €20,000,000
- ▶ Data Protection Officers (DPOs) – DPOs must be appointed if an organisation conducts large scale systematic monitoring or processes large amounts of sensitive personal data
- ▶ Accountability – organisations must prove they are accountable by establishing a culture of monitoring data processing procedures, minimising data retention and building safeguards, and documenting data processing procedures
- ▶ Organisations must undertake Privacy Impact Assessments when conducting risky or large scale processing of personal data

- ▶ Consent to process data must be freely given, explicit and individuals must be informed of their right to withdraw their consent
- ▶ Organisations must notify supervisory authorities of data breaches 'without undue delay' or within 72 hours, unless the breach is unlikely to be a risk to individuals
- ▶ Introduction of new rights – right to be forgotten, right to data portability and right to object to profiling
- ▶ Organisations should design data protection into the development of business processes and new systems and privacy setting should be set a high level by default
- ▶ Data processors become an officially regulated entity

Whilst organisations may welcome the harmonisation of laws across the 28 EU member states which will make the complex data protection landscape easier to navigate, the introductions of new rights for individuals are likely to increase the regulatory burden for organisations.

Organisations need to review their current data protection compliance programmes to determine next steps and decide on the level of investment they need to make before 2018 to address the changes.

Organisations need to act now to ensure that they are ready to comply with the new Regulation when it comes into force on 25 May 2018.

Key questions for the Audit Committee

Has your local Authority considered the changes to council tax flexibilities into the 2018-19 budget And the impact of changes to business rate retention into your Medium Term Financial Strategy?

Has your local authority been affected by the collapse of Carillion plc? How have contingency plans been implemented to maintain public services? What (if any) is the local authority's financial exposure to this event?

Has your local authority included in its budget any likely increases of employee wages above 1%?

Has your Authority considered how IFRS 15 might impact your revenue streams?

How has the local authority prepared for the accelerated accounts closedown timetable for 2017-18?

Has the Authority considered the implications of the new GDPR, and is the Authority confident that it comply with its requirements when it comes into force?

Find out more

EY ITEM Club Forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

2018-19 Local Government Finance Settlement

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669538/LGFS_consultation_2018-19.pdf

<https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201819-day>

<http://www.cipfa.org/about-cipfa/press-office/archived-press-releases/2017-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement?crdm=0>

Carillion collapse

<http://www.publicfinance.co.uk/news/2018/01/public-sector-looks-ways-plug-gap-left-carillion>

<http://www.publicfinance.co.uk/news/2018/01/public-services-will-be-protected-after-carillion-collapse>

Public sector pay

<http://researchbriefings.files.parliament.uk/documents/CBP-8037/CBP-8037.pdf>

<http://www.publicfinance.co.uk/news/2017/12/local-employers-issue-2-pay-offer-each-next-two-years>

IFRS 15 – revenue from contracts with customers

[http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/\\$FILE/ey-applying-revenue-october-2017.pdf](http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/$FILE/ey-applying-revenue-october-2017.pdf)

EY – CIPFA Accounts Closedown Workshop 2017-18

For Faster Close Activities Checklist: please contact your local engagement lead

For a full list of locations and dates available search for 'Accounts Closedown Workshop' at <http://www.cipfa.org/training>



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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 Tina Gould, Scrutiny and Support Manager, 01785 276148 or tina.gould@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 10

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				
158	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 	The Committee received a presentation explaining the Statement of Accounts for 2016-17: how they are prepared, where public money is spent in Staffordshire, the accounting concepts and principals and technicalities around the balance sheet.
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
<p>Health, Safety and Wellbeing Performance Annual Report 2016/17</p> <p>Health, Safety and Wellbeing Manager</p>				<p>The report was received. Members requested that they receive emergency response and anti-terrorism training; that an update on mental wellbeing be provided to Members; that consideration be given to running Personal Resilience training to Members next year (NB arranged).</p>
<p>Annual Audit Letter 2016-17</p> <p>Report of Ernst & Young</p>				<p>The report was received and accepted.</p>
<p>Internal Audit Plan 2017-18 Annual Update</p> <p>Report of the Director of Finance and Resources</p>				<p>The report was received and accepted.</p>
<p>New item: Internal Audit External Quality Assessment</p> <p>Report of Director of Finance and Resources</p>				<p>The report was received and accepted.</p>
<p>New item: National Fraud Initiative (NFI) 2016/17 - Update</p>				<p>The report was received and accepted.</p>
	<p>12 March 2018</p>			
<p>Strategic Risk Register</p> <p>Director of Strategy Governance and Change and Director of Finance and Resources</p>				<p>Item deferred from 12 December 2017</p> <p>Item deferred to June 2018</p>

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Annual Information Governance Statement Head of Business Support			Annual report	
Review of the Effectiveness of the Audit & Standards Committee. Director of Finance and Resources			This item took the form of a Workshop held in early February 2018 with feedback to the 12 March meeting.	
Annual Report of the Management of Complaints made under the Members' Code of Conduct Director of Strategy, Governance and Change			Annual statement	
External Audit Plan 2017/18 Report of Ernst & Young				
New item: Pension Fund External Audit Plan 2017/18 Report of Ernst & Young				
Interim Update Report 2017/18 Report of Ernst & Young				Deferred to June 2018
Local Government Sector Update Report Report of Ernst & Young				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Part Two - Cyber Essentials - Limited Assurance Review – Presentation by the interim Head of ICT and Head of Business Support			Update against recommendations.	
New item Part Two: Fairer Charging and Welfare Benefits – limited assurance report Report of the Director of Finance and Resources				
	13 June 2018			
Strategic Risk Register Director of Strategy Governance and Change and Director of Finance and Resources				
Internal Audit <ul style="list-style-type: none"> • Outturn Report 2017-18 • Audit Charter 2018 • Strategy and Plan 2018-19 • Auditing in a Commercial Environment - presentation. Report of the Director of Finance and Resources				
Code of Corporate Governance – 2017/18 Director of Strategy,				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Governance and Change and Director of Finance and Resources				
Interim update report 2017/18 Report of Ernst & Young				
Financial Regulations Report of the Director of Finance and Resources.				
2018	30 July 2018			
Annual Governance Statement 2017/18 Director of Strategy, Governance & Change & Director of Finance & Resources				
Statement of Accounts 2017/18 Report of Director of Finance and Resources				
Report to Those Charged with Governance Report of Ernst & Young				
	24 September 2018			
	3 December 2018			
	11 March 2019			

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Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Work programme for the Audit and Standards Committee	All meetings			
Proposed changes to the Constitution	As required			
Internal Audit Special Investigation/limited Assurance/ Top Risk Areas reports	As required			
Other items:			<ul style="list-style-type: none"> Penda property partnership 	A development day on Penda Property Partnership will be offered to all members

<p>Membership</p> <p>Derek Davis, OBE Mike Davies Michael Greatorex Martyn Tittley (Chairman) David Brookes Colin Greatorex Syed Hussain</p>	<p>Ian Lawson Jeremy Oates Carolyn Trowbridge (Vice-Chairman) Ross Ward Bernard Williams Victoria Wilson Jill Hood</p>	<p>Calendar of Committee Meetings (All meetings at 10.00 a.m. unless otherwise stated)</p> <p>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</p> <p>Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH</p>
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