

## **Audit and Standards Committee**

Monday, 26 June 2017

**10.30 am**

Oak Room, County Buildings, Stafford

**NB.** Members please note attendance is required at **10 .00 am** when there will be training and development session

John Tradewell  
Director of Strategy, Governance and Change  
16 June 2017

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## **A G E N D A**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 13 March 2017** (Pages 1 - 6)
4. **SAP Replacement**  
Presentation by the Chief Accountant
5. **Procurement Regulations** (Pages 7 - 34)  
Report of the Director of Finance and Resources
6. **External Audit Progress Report 2016-17** (Pages 35 - 54)  
Presentation from Ernst and Young LLP
7. **Internal Audit** (Pages 55 - 118)
  - Outturn Report 2016-17
  - Audit Charter 2017
  - Strategy and Plan 2017-18Report of the Director of Finance and Resources
8. **Code of Corporate Governance - 2017/18** (Pages 119 - 136)

Update from the Director of Strategy, Governance and Change and Director of Finance and Resources

9. **Forward Plan 2017-18** (Pages 137 - 140)

10. **Exclusion of the Public**

The Chairman to move:-

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

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**PART TWO**  
**(reports in this section are exempt)**

11. **Exempt minutes of the Audit and Standards Committee meeting held on the 13 March 2017** (Pages 141 - 142)

12. **Internal Audit Reports - Limited Assurance Review**

Exemption paragraph 8

Report of the Director of Finance and Resources

a) Accounts Receivable - Final Audit Report (Pages 143 - 170)

Report of the Director of Finance and Resources

b) Client Contributions Property Cases Follow Up - Final Audit Report (Pages 171 - 188)

Report of the Director of Finance and Resources

13. **Internal Audit Outturn Report 2016/17 Appendix 2** (Pages 189 - 200)

Report of the Director of Finance and Resources

**Membership**

Derek Davis, OBE	Ian Lawson
Mike Davies	Jeremy Oates
Michael Greatorex	Carolyn Trowbridge (Vice-Chairman)
Martyn Tittley (Chairman)	Ross Ward
David Brookes	Bernard Williams
Graham Burnett	Victoria Wilson
Colin Greatorex	

Syed Hussain

Jill Hood

## **Note for Members of the Press and Public**

### **Filming of Meetings**

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

### **Recording by Press and Public**

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



## Minutes of the Audit and Standards Committee Meeting held on 13 March 2017

Present: Martyn Tittley (Chairman)

### Attendance

Derek Davis, OBE	David Smith
Mike Davies (Vice-Chairman)	Alison Spicer
Brian Edwards	Diane Todd
Michael Greatorex	Caroline Wood
Philip Jones	Mike Worthington
Robert Marshall	

**Apologies:** William Day, Derrick Huckfield and Kevin Jackson

### PART ONE

#### 55. Declarations of Interest

Councillor Alison Spicer declared an interest as a member of the Staffordshire County Council Pension Scheme.

#### 56. Minutes of the Audit and Standards Committee Meeting held on 5 December 2016

RESOLVED That the minutes of the Audit and Standards Committee held on 5 December 2016 were approved as an accurate record and signed by the Chairman.

#### 57. Information Governance Annual Report

The Head of Information Governance presented the annual report and highlighted ongoing work to manage the County Councils information assets with regard to legislative and regulatory requirements. The report referred to the policies, processes and practices employed to ensure the County Council complies with legislative requirements.

The County Council had a duty to be transparent in terms of freedom of information. Published statistics had shown that nationally the number and complexity of Freedom of Information requests submitted to local authorities remained high and the amount of time spent in administering these had continued to increase. The benchmark set by the Information Commissioner for an acceptable service was 85% of the requests answered within 20 days, for 2016 the County Council had maintained a 95% rate.

The County Council had taken the lead on establishing the One Staffordshire Information Sharing Protocol signed by over 173 public sector bodies across Staffordshire who were committed to effective information sharing. The County Council

had signed up to a national protocol to expedite Police and CPS requests for information in child safeguarding investigations.

The General Data Protection Regulation (GDPR) had been adopted into European Law in April 2016, aiming 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. The County Council has already undertaken some preparation to understand the impact of GDPR and a work plan through 2017 would ensure the County Council will be compliant.

Local Authorities continued to face challenges to ensure appropriate cyber security is in place and the County Council remained focussed on working towards resilient procedures across the authority. The County Council had developed a Cyber Security Incident Plan and a desk top plan had been carried out in 2016 to test the plan.

The County Council was entitled to use the Regulation of Investigatory Powers Act for carrying out covert surveillance as part of their statutory duties. In 2016 no Direct Surveillance requests were made.

The Council continued to invest in software and hardware to combat security threats. A number of members commented that the security software installed on their County Council computer impeded their use of it. They had experienced difficulty in storing and accessing information. Michael Greatorex, a member of the Members Service Development Panel said that that panel was investigating the use of IT for members and asked that any matters be referred to him to raise appropriately.

**RESOLVED** That (a) the Information Governance Annual Report be received and (b) the County Council ensures that the IT offer for members appointed to the County Council at the May 2017 election is fit for purpose and supported by adequate training.

## **58. Annual Statement - Member Standards**

The Annual Report on the Management of Complaints made under the Members Code of Conduct was presented. The Code of Conduct was based upon the seven principals of public life and required them to publically register and declare any disclosable pecuniary interests.

The Localism Act 2011 required local authorities to have arrangements in place to deal with formal complaints against members. Those arrangements have include the appointment of an Independent Person whose views must be sought by the authority.

In the period January 2016 to December 2016 there had been four complaints. In all cases the decision was that there were no sanctions to apply and nothing of substance to refer to the Audit and Standards Committee.

**RESOLVED** That the Annual Report on the Management of Complaints made under the Members Code of Conduct be received

## **59. Local Government Pension Scheme Asset Pooling**

The Strategic Investment Manager (Treasury & Pensions) introduced a report requesting support from the committee to the recommendations of the Pension's Committee to the County Council in relation to LGPS pooling.

In the summer of 2015, the government announced its intention to introduce a new regulatory framework which would facilitate collective investing and issued guidance and criteria to help administering authorities to develop proposals for pooling aimed at reducing costs and improving efficiency.

LGPS pooling would relate solely to the assets of the 8 Partner Funds. Each administering authority would retain the decision making function about the Investment Strategy and the Strategic Asset Allocation of the Fund. As liabilities would also be retained locally, decisions about the Funding Strategy and Contribution Strategy would also remain with the administering authority's Pensions Committee and Pensions Panel.

By means of a chart, the Strategic Investment Manager (Treasury & Pensions) explained the Governance Structure for LGPS Central. A Shareholders Forum, comprising one elected Member from each of the 8 Partner Funds would act as the supervisory body of the pool and fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively. A Joint Committee, set up in accordance with the provisions of the Local Government Act 1972, would be the forum for dealing with common investor issues and for the collective monitoring of the performance of the pool against its objectives. To support the Joint Committee and the Shareholders' Forum, a Practitioners Advisory Forum would be created, consisting of officers from each of the 8 Partner Funds. This Forum would provide day to day oversight of the company and monitor its investment performance and investment costs.

In order to facilitate the Governance arrangements for LGPS Central, there needed to be changes to the County Councils constitution.

**RESOLVED** That the following recommendations of the Pensions Committee to the County Council be supported:

- A. To enter into a shareholders agreement to become a joint shareholder of LGPS Central Ltd; a private company limited by shares, held solely by the participating funds, on a 'one fund, one vote' basis; incorporated for investment management purposes and regulated under the Financial Services and Markets Act 2000.
- B. To approve the Staffordshire Pension Fund's involvement in the governance and management arrangements for future Pension Fund investment management activity in accordance with the Governance Structure, specifically:
  - (i) To appoint the Chair of the Staffordshire Pensions Committee or their nominated representative, to attend all Shareholder Forum meetings and to exercise the Council's voting rights as a shareholder of LGPS Central Ltd.
  - (ii) To enter into an Inter-Authority Agreement with;
    - Cheshire West and Chester Council

- Derbyshire County Council,
- Leicestershire County Council,
- Nottinghamshire County Council,
- Shropshire Council,
- Wolverhampton City Council and
- Worcestershire County Council

to regulate how the above authorities collaborate with each other in relation to the investment activities of LGPS Central Ltd.

(iii) To establish a joint pension fund investment pool, in accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

(iv) To establish a Joint Committee under s102 of the Local Government Act 1972, to provide joint oversight of the pool and to suggest recommendations to the Practitioners Advisory Forum from time to time, in accordance with the terms of the Inter-Authority Agreement.

(v) To appoint the Chair of the Staffordshire Pensions Panel or their nominated representative, to attend all meetings of and act as the Council's representative on the Joint Committee.

(vi) To agree in principle to any future request for the Council to act as lead authority to provide governance and administrative support to the Joint Committee on behalf of the participating Councils, subject to an appropriate cost sharing agreement in respect of officer time and other expenses.

(vii) To appoint the Director of Finance and Resources (and s151 Officer) or their nominated representative to represent the Council on a Practitioner Advisory Forum, providing joint officer support to the Joint Committee and support and decision making advice to the Shareholder Forum.

C. To authorise the Director of Strategy, Governance and Change and the Director of Finance and Resources to enter into the Shareholders Agreement and the Inter-Authority Agreement to establish a joint asset pool, and investment management company and Joint Committee, as outlined in this report, and to implement the agreed recommendations.

## **60. External Audit Plan 2016/17**

Mr Steve Clarke and Mr Mark Sturridge from Ernst & Young, External Auditors, presented the County Councils Audit Plan for 2016/17.

The Plan set out their intent to providing an audit opinion on the financial statements of the County Council and to providing a statutory conclusion on the Councils arrangements to secure economy, efficiency and effectiveness.



At this planning stage, two presumed risks had to be assessed – the risk of management override of controls; and the risk of fraud in revenue and expenditure recognition. In addition significant risks in relation to property, plant and equipment valuation and, Accounting for the Waste PFI had been identified. Other key areas of audit focus included LGPS Liability and financial statements presentation.

In terms of the Value for Money judgement, EY were required to consider whether the County Council had in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources. Significant risks identified in this respect were Sustainable Resource Deployment (delivery of the MTFS) and Working with Third Parties effectively to deliver strategic priorities (the Health/Social Care agenda).

Philip Jones challenged the External Auditors asking them to strengthen their work around Value for Money which in his opinion was not sufficiently robust. He said the MTFS Working Group had spent some time analysing the CIPFA Value for Money graphs and had noted that some local authorities achieved good outcomes at much reduced costs and he welcomed a less ambiguous judgement from the External Auditors.

**RESOLVED** That the County Councils Audit Plan 2016/17 be received.

#### Staffordshire Pension Fund Audit Plan 2016-17

Ms Caroline Bailey presented the Staffordshire Pension Fund External Audit Plan for 2016-17. The Plan set out their intent to providing an audit opinion on the financial statements of the Staffordshire Pension Fund and to providing an opinion on the consistency of the Pension Fund financial statements.

As part of their initial analysis, the external auditors identified two areas of significant risk: management override and the valuation of complex investments.

Members who were also members of the Pensions Panel, shared their concern regarding the valuation of property portfolio.

**RESOLVED** That the Staffordshire Pension Fund Audit Plan for 2016-17 be received.

#### **61. Forward Plan**

**RESOLVED** That the Work Programme for the Audit and Standards Committee for 2016-17 be received.

#### **62. Exclusion of the Public**

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

#### **63. Exempt Minutes of the meeting held on the 5 December 2016**

(exemption paragraph 3)

RESOLVED That the exempt minutes of the Audit and Standards Committee held on 5 December 2016 be recorded as an accurate record and signed by the Chairman.

**64. Internal Audit Reports - Special Investigation/Top 10 Risk Report**

(Exemption paragraph 3)

Members received two reports summarising the results of Internal Audit Special Investigations. The reviews related to Trading Standards – Property Audit – Special Investigation and Infrastructure + Partnership Governance and Risk.

Members discussed the detail of the reviews, noted progress against the Action Plan and assurances offered that areas of risk were being addressed, and made recommendations thereon.

**Chairman**

Local Members' Interest

**Audit and Standards Committee - 26 June 2017**  
**Revision of Procurement Regulations**

**Recommendation/s**

1. To recommend the County Council to approve revised Procurement Regulations for inclusion within the Constitution.
2. To authorise the Director of Finance and Director of Law and Democracy to make any (minor) changes to the wording of both documents prior to submission to the County Council to ensure they can carry the Plain English Crystal Mark.

**Report of the Director of Finance and Resources**

**Report**

**Background**

3. A set of clear and precise rules and instructions are required to ensure that the Council is compliant with public contract regulations whilst allowing the organisation to work innovatively at the right pace to deliver services to our communities at the right cost and quality.
4. The procurement regulations were last considered by this committee on 24th March 2011 and subsequently the constitution was updated with revised regulations.
5. The following things have led to a review of the regulations,
  - The enactment of the Public Contract Regulations 2015
  - A number of audit report observations
  - The imminent introduction of a new financial management system
  - In addition it is good practice to periodically review such regulations
6. A number of system and process improvements have been implemented since the creation of a corporate commercial unit within the Council and these improvements are formalised in these regulations.
7. These changes are designed to give a better corporate view of the Council's contracted spend and to facilitate easier and more robust audit of contracts and payments.

8. The proposed regulations are attached to this report along with a presentation for officers explaining the changes.
9. These changes have been prepared by procurement officers with regular consultation with specialist officer groups including legal and audit specialists.

### **Key Changes**

10. The level at which a full public tender is required has been reduced from £100k to £25k contract value. This is facilitated by the now universal use of electronic tendering systems for public tenders.
11. This value has been selected based on national guidance and a review of other similar authorities.
12. The level at which officers should consult a procurement adviser remains the same at £100k but a sourcing strategy is required for all spend above £25k.
13. All contracts over the EU procurement threshold to be approved by an SLT member.
14. The addition of procurement instructions giving advice and guidance on
  - Sourcing strategies
  - Procurement processes
  - Tendering and Contract Award
  - Contract Management
  - Performance management
  - Quality management
15. It is acknowledged that the existence of procurement instructions as well as regulations could lead to having to consult two sets of documents but it isn't possible to include sufficient detail in the regulations. Therefore the instructions are written to ensure compliance with regulations if they are followed.
16. Delegations to officers are included in the body of the regulations rather than as a separate appendix for ease of reference.
17. There is also a requirement to ensure that all contracts above £25k are formally recorded on a corporate contracts register.
18. The contracts register will be linked with the new finance management system creating a direct link with payments making it easier to ensure compliance with procurement regulations.

### **Other Issues**

19. There has also been a review of contract terms and conditions to bring them up to date with current legislation and to introduce more consistency in to Council contracts.

20. In addition to the guidance available via procurement instructions, training and awareness will be delivered through the Council's GO training and development platform as well as face to face sessions.

**Contact Officer**

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**Appendices/Background papers**

Existing Procurement Regulations



**DRAFT**

# **Staffordshire County Council Procurement Regulations**

**DRAFT 02/06/17**

Approved by the Audit Committee on **[26 June]** 2017

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**Notes:**

1. Any capitalised wording within these Regulations is further defined within the Glossary of Terms.
2. These Regulations apply to all quotation and tender processes commenced from and including *(insert date of approval)*.
3. Quotation and tender processes commenced on or before *(insert the date before approval)* will continue under the previous Council Procurement Regulations approved by Audit Committee on 24<sup>th</sup> March 2011.

**Threshold Ladder** (All Contract spends exclude VAT)

Threshold	Process for Procuring	
Contract values up to £500	<p>Award to provider without formal procurement process.</p> <p>Use a Procurement / Purchasing Card (see section C9).</p> <p>Contract on the providers own terms.</p>	
Contract values at and over £500 up to <b>£25,000</b> (the <b>Council Advertising Threshold</b> )	<p>Obtain 3 written quotations.</p> <p>Consider a Procurement / Purchasing Card for the lower value spends in this range.</p> <p>Contract on Council model Terms and Conditions where possible; contract on provider's terms and conditions where there is a business need and any associated risks have been considered.</p>	<p>The Procurement Tool Kit (see section C8) is to be used specifically for</p> <ul style="list-style-type: none"> <li>• Advice on whether a procurement is required at all</li> <li>• Developing a Sourcing Strategy</li> </ul>
Contract values at and over the <b>Council Advertising Threshold</b> up to EU Thresholds limits (see below for these)	<p>Publically advertised procurement.</p> <p>Consult a Procurement Advisor to manage the procurement on the electronic tendering system.</p> <p>Consult a Procurement Advisor before embarking on <u>any</u> procurement at and over £100,000.</p> <p>Contracts Register to be populated.</p> <p>Contracts Finder will be used for posting both adverts and award notices for spends £25,000 and over.</p> <p>Use Council model Terms and Conditions.</p>	<ul style="list-style-type: none"> <li>• Advising on Contract terms and conditions and procurement documentation</li> <li>• Preparing, issuing and evaluating quotations and tenders</li> <li>• Issuing quotations and tenders</li> </ul>
Contract values at, and over, the <b>EU Thresholds</b>	<p>In accordance with the Public Contracts Regulations for: -</p> <ul style="list-style-type: none"> <li>• Supplies and Services over £164,176*</li> <li>• Light Touch Regime contracts over £589,148*</li> <li>• Works over £4,104,394*</li> </ul> <p>In accordance with the Concession Contracts Regulations for: -</p> <ul style="list-style-type: none"> <li>• Works/Services over £4,104,394</li> </ul> <p>Consult a Procurement Advisor on <u>all</u> procurements over the EU Thresholds.</p> <p>Use Council model Contract Terms and Conditions. *refreshed every 2 years from January 2016</p>	

## **AIMS, APPLICABILITY AND GOVERNANCE**

### **A1 Aims**

A1.1 These Regulations have the following main aims:

- to get best value / value for money, so that the Council may in turn offer better and more cost-effective services to the public;
- to keep to the obligations that govern spending public money;
- to enable visibility of Council spend data;
- to ensure the Council allows freedom of opportunity to trade, compete, be open, honest, fair and transparent in our procurements;
- to attract continuous improvement in our processes;
- to contribute to a healthy, happy and prosperous Staffordshire.

A1.2 There are legal and commercial consequences suffered by the Council as a result of failing to follow these Regulations.

### **A2 Applicability**

A2.1 These Regulations apply

- to all Contracts for the procurement of all Works, Supplies or Services by the Council, including, ad-hoc, one-off requirements
- to Officers of the Council undertaking any procurement activity on behalf of the Council
- to any Contract that results in the Council making a payment and/or where a service is being provided for the Council resulting in income being generated for the Council
- where the Council is acting as the lead organisation in a partnership or other joint procurement arrangement
- to the selling / disposing of our assets

### **A3 Governance**

A3.1 These Regulations are made under Section 135 of the Local Government Act 1972.

A3.2 The Council will review these Regulations periodically and as required by changes to legislation.

A3.3 These Regulations enable a separate set of Procurement Instructions which represent the practice to be followed when conducting a procurement process.

- A3.4 The Head of Commercial may from time-to-time issue new and/or revise the Procurement Instructions setting out the practice to be followed when using these Regulations.
- A3.5 A failure to follow these Regulations by any Officer may result in disciplinary action being taken against the Officer.
- A3.6 Officers are directed to their Code of Conduct, the Whistleblowing Policy and the Integrity Policy should they become aware of a non-compliance or breach of these Regulations by other Officers.
- A3.7 If in any doubt about how these Regulations apply, Officers must always check with a Procurement Advisor.

#### **A4 Authority to procure arrangements with leases, hire, rental etc**

- A4.1 An Officer will not, without approval from the Head of Commercial, enter into a Contract for a provider to supply Supplies or Services under any operating lease, hire, rental or any other credit arrangements.

### **B PRE-PROCUREMENT ACTIVITIES**

#### **B1 Appointment of Third Parties to act on behalf of the Council**

- B1.1 The appointment of any third party to be responsible to the Council for preparing or supervising of a Contract on behalf of the Council (including contributing/leading the procurement process) must be prepared by a Procurement Advisor under a formal set of third party appointment terms.
- B1.2 All decisions made by any third party regarding a Council procurement must follow these Regulations.

#### **B2 Sourcing Strategy**

- B2.1 Consult a Procurement Advisor before embarking on any procurement at and over £100,000.**
- B2.2 For Contract values at and over £100,000 written approval of the Sourcing Strategy is to be sought from a Procurement Advisor.
- B2.3 Whenever Officers buy Works, Supplies or Services for the Council, they must always act to promote competition and to achieve best value / value for money.
- B2.4 Prior to any procurement at or over £500 Officers must rationalise in a written Sourcing Strategy the procurement route by considering the following specifically in the order presented: -
- B2.4.1 Not buying the Goods, having the Works done or receiving the Services at all;
  - B2.4.2 By securing the provision of the Works, Supplies or

Services in-house;

- B2.4.3 By getting someone else to provide the ongoing Works, Supplies or Services (e.g. using the voluntary sector or via another Local Authority);
- B2.4.4 By providing the Works, Supplies or Services via an existing Council Framework Agreement, Dynamic Purchasing System, Contract or similar arrangement;
- B2.4.5 By providing the Works, Supplies or Services from an already pre-procured Framework Agreement or Dynamic Purchasing System or Contract provided by an external public sector body or from a Central Purchasing Body;
- B2.4.6 By outsourcing/buying the provision of the Works, Supplies or Services through collaborative procurement with another local authority/partner, to/from an external provider on the open market by establishing a Contract;
- B2.4.7 By outsourcing/buying (via quotes or tenders) the Works, Supplies or Services to/from an external provider on the open market by establishing a bespoke Council Contract.

B2.5 Only a Procurement Advisor can grant permission to disregard any of the steps within B2.4.

B2.6 It is important that Officers appraise the risk, value, provider activity, market pressures and all internal and external influencing forces associated with their procurement. Value may not always be proportional to risk. Consult a Procurement Advisor if in any doubt.

### **B3 Threshold Ladder**

B3.1 The Threshold Ladder is presented at the front of these Regulations, and is to be read in conjunction with these Regulations and the Sourcing Strategy options outlined in the Procurement Tool Kit. The Threshold Ladder clearly presents the procurement processes required for the various procured contract values.

## **C OVERALL CONSIDERATIONS**

### **C1 Contracts Register**

C1.1 A Contracts Register will be held by the Commercial Team which provides a central point for Contract information.

C1.2 The Contracts Register provides full visibility of existing Contracts (to avoid any duplication) and is also a legal record of data as requested by the Transparency Code.

C1.3 Every Contract awarded by the Council that has a total aggregated value in excess of the Council Advertising Threshold will be recorded in the Council Contracts Register.

- C1.4 It is the responsibility of the Officer (whoever is managing the procurement) to ensure that the Contracts Register is populated and updated on an ongoing basis as a result of any change in the Contract circumstance. Refer to the Procurement Tool Kit for the full process.

## **C2 Honesty and Conflicts of Interest**

- C2.1 In all their dealings, Members and Officers shall preserve the highest standards of honesty, integrity, impartiality and objectivity. This includes compliance with Bribery Act 2010, Codes of Conduct and Section 117 of the Local Government Act 1972 (as may be amended from time-to-time) as a minimum.
- C2.2 Officers who are deemed 'Key Influencers' to a procurement shall complete and sign a Declaration of Interest and Confidentiality Undertaking document (Procurement Instruction) for each procurement project with a Contract spend over the relevant EU Threshold.
- C2.3 Officers should not accept any gifts or hospitality from anyone tendering for a procurement/Contract they are involved with, or, from any current provider. Officers are reminded of the instructions on the intranet under Gifts and Hospitality and within the Constitution.

## **C3 Contract Duration and Value**

- C3.1 The total value of a Contract is the total estimated expenditure (excl. VAT) for the duration of the Contract including any extension options/periods.
- C3.2 Contracts cannot be divided (disaggregated) into separate Contracts with the intention of avoiding the application of the Public Contracts Regulations or these Regulations.
- C3.3 A Procurement Advisor must be consulted if a Contract is to last longer than 4 years including all extension periods.
- C3.4 Officers are required to consider and include (aggregate) the value of similar requirements in other parts of the Council when calculating a Contract value. The total aggregated value means the total value of similar purchased Works, Supplies or Services over the duration of a Contract.
- C3.5 If the Contract is for buying a single item, which is not related to buying other items, the Contract is worth the price, or estimated price, referred to in that Contract.
- C3.6 If the Contract is for buying a related group of items, the Contract is worth the total price, or estimated total price, of the group.

## **C4 Collaborative Procurement**

- C4.1 Where the Council takes the lead procurement role in a Collaborative Procurement, these Regulations will apply to each procurement process carried out under the collaborative arrangement.

- C4.2 Where another public sector organisation takes the lead procurement role, its contract standing orders, or equivalent, will apply.
- C4.3 Where the Council enters into formal joint buying or consortia purchasing arrangements, the related Contract and procurement strategy must protect the Council to a level proportionate to the risk involved, whilst at the same time providing the basis for a partnering approach and delivery of best value / value for money.
- C4.4 A Procurement Advisor must be consulted prior to agreeing to enter into collaborative procurements.

## **C5 Framework Agreements**

- C5.1 Framework Agreements are agreements that allow Officers to place orders with selected providers on pre-agreed terms.

### **Joining another Contracting Authority's Existing Framework Agreement**

- C5.2 Where the Council seeks to join an existing Framework Agreement then a due diligence exercise should be undertaken to ensure that the Framework Agreement was properly procured in accordance with the relevant legislation and with particular reference to the ability of the Council to access the Framework Agreement under the terms of the original advertisement.
- C5.3 A Procurement Advisor must be consulted before buying from a Framework Agreement that has been procured by another Contracting Authority.
- C5.4 Officers are required to follow the instructions issued by the 3<sup>rd</sup> party Contracting Authority when procuring from this type of Framework Agreement. In doing so Officers will be required to use different legal terms, use price criteria other than 80% etc. There is no requirement to log any Exceptions to these Regulations as a result of this.

### **Setting-up a Framework Agreement**

- C5.5 If Officers decide that they (or their partners) are likely to need to buy the Works, Supplies or Services repetitively in the future but are unsure of exact quantities, it may be that the best way to buy them is by initially setting up a Council Framework Agreement.
- C5.6 Should a Framework Agreement need' to be procured please consult a Procurement Advisor. Refer to the Procurement Tool Kit for a description of a Framework Agreement.

## **C6 Approved Lists**

- C6.1 An approved (or select) register of suitably accredited and qualified providers vetted to the Council's standards and technical capability from

which Officers may seek for quotations or tenders without the need to advertise the procurement.

- C6.2 The establishment and maintenance of Approved Lists must be in accordance with advice from a Procurement Advisor.

## **C7 Concession Contracts**

- C7.1 Officers must use a Concession Contract if they want to enter into a contract which gives the provider the opportunity to operate a business for commercial gain.
- C7.2 Officers are to use these Regulations to procure Concessions Contracts unless the spend trigger given in the Threshold Ladder is triggered in which case the Concession Contracts Regulations shall apply.
- C7.3 Officers must get advice from a Procurement Advisor before carrying out any procurement relating to a Concession Contract.

## **C8 Procurement Tool Kit**

- C8.1 The Procurement Tool Kit is one of a suite of Procurement Instructions, and is an agreed set of standard documentation which is to be used for the preparation of a procurement (quotation or tender) and subsequent management of a Contract, for all Contract spends below those of the EU thresholds.
- C8.2 It is mandatory to use the Procurement Tool Kit for Council procurements. Any exception from this must be agreed by the Head of Commercial.
- C8.3 The standard documents that comprise the Procurement Tool Kit are to be tailored where indicated only. Officers must seek a Procurement Advisor's agreement regarding any other changes to the documents.

## **C9 Procurement / Purchasing Cards ('pCard')**

- C9.1 For the transaction spend levels indicated in the Threshold Ladder Officers can, where appropriate, use a pCard for both procuring and payment. Refer to the Council's Financial Regulations for more details.

## **C10 Community Right to Challenge**

- C10.1 The Community Right to Challenge means community organisations can submit to Local Authorities an expression of interest to run local services. This right is granted under the Localism Act 2016. If an expression of interest is accepted by the Council this may trigger a procurement exercise. Please consult a Procurement Advisor on receipt of any such public interest.

## **C11 Disposal of Council Assets**

- C11.1 Refer this to a Procurement Advisor.



## **C12 Insurance**

C12.1 Insurance conditions will be contained in the Contract terms and conditions. In terms of insurance, the Council will normally need the successful provider to have the following types and minimum limits of cover.

	<b>Works Contracts</b>	<b>Supplies and Services Contracts</b>
Public liability	£5 million	£5 million
Employers' liability	£10 million	£5 million
Professional indemnity	£5 million	£2 million

C12.2 The above limits relate to each and every claim. For public liability and employers' liability, the cover must be in place throughout the period covered by the Contract. For professional indemnity, the conditions are more complicated. Not only must the cover be in place throughout the period covered by the Contract but also for a further six years after the end of the Contract (or 12 years if the Contract is under seal). For certain types of Services, for example, financial advice, the amount of professional indemnity insurance cover will need to be higher to protect the Council in case anyone gives inappropriate advice.

C12.3 When providing Supplies or Services, the above limits may not be appropriate for small and medium enterprises ('SMEs') and sole providers. In these instances, the Council may be able to reduce these limits by applying for an Exception to these Regulations under section F.

C12.4 Where additional insurances are required, refer this to the Council's Head of Insurance for approval in the first instance.

## **D PROCUREMENT PROCESS**

### **D1 General**

D1.1 The Procurement Tool Kit further details the procurement process for seeking quotations and tenders under the EU Thresholds.

D1.2 Officers throughout the procurement must consider all other Council policies which could apply to the procurement project, e.g. The Strategic Plan, the Council's Financial Regulations, Business Plans, Delivery Plans, etc and legislative requirements such as (but not limited to) social value and equalities

### **D2 Sustainable Procurement (Social & Environmental Value)**

D2.1 Sustainable Procurement incorporates the achievement of environmental, economic and social outcomes through procurement processes. All, where relevant to the subject of the Contract, should be incorporated into every procurement process paying particular attention to the Council's published advice or Procurement Instructions for these areas.

D2.2 If in any doubt, Officers must seek the advice of a Procurement Advisor.

### **Social Value**

D2.3 Social value is the added value / benefit to the community as a result of the commissioning / procurement process, supporting the Council's vision of a connected Staffordshire, and maximising the benefits of public sector spend to local communities, engaging community spirit, in turn improving service delivery and quality.

D2.4 The Public Services (Social Value) Act 2012 mandates the Council to consider the wider benefits which may be achieved through the procurement of Contracts specific to Services with spends at, or over, the relevant EU Threshold.

D2.5 The Public Services (Social Value) Act further requires the Council to consider whether to consult on social value issues prior to undertaking a procurement exercise.

D2.6 Officers should demonstrate their consideration of social value for all other Contracts spends other than those in D2.4.

D2.7 The evaluation of social value should be considered as part of the non-priced (quality) aspect of the evaluation in all procurements.

### **Environmental Value**

D2.8 Environmental value focusses on the sustainable environmental considerations of a procurement. Please refer to the relevant Procurement Instruction.

## **D3 Employment issues and TUPE (Transfer of Undertaking Protection of Employment Regulations)**

D3.1 Implementing contractual arrangements can give rise to TUPE implications. It is not always obvious that there are TUPE implications; for example: -

- contracting with a new provider;
- outsourcing from in-house;
- bringing services back in-house

may invoke TUPE transfers.

D3.2 It is essential that Officers consider all TUPE implications prior to going out to procurement. Officers must seek the advice of a Procurement Advisor or a HR Advisor to ensure that any relevant TUPE arrangements have been considered.

D3.3 Contracts must contain relevant TUPE conditions to ensure all necessary practicalities for the application of TUPE are agreed and to safeguard the Council from risk (for example, to ensure that appropriate workforce (and

other) information will be made available by the incumbent provider prior to the Contract end date in sufficient time to allow the Council to fulfil TUPE obligations.

#### **D4 Advertising**

D4.1 It is mandatory that any public advert over the Council Advertising Threshold is placed on Contracts Finder by a Procurement Advisor.

#### **D5 Pre-Qualification**

D5.1 A separate pre-qualification stage is prohibited when publically tendering for Contracts with a value of less than the EU Threshold as set for Supplies/Services regardless of whether the subject matter of the Contract is Works, Supplies or Services.

#### **D6 Invitation to Tender ('ITT')**

D6.1 All below-EU Threshold ITTs shall use the agreed standard documentation as described in the Procurement Tool Kit.

#### **D7 Contract Terms and Conditions**

D7.1 It is essential that Officers consider the model Contract Terms and Conditions well in advance of going out to procurement.

D7.2 There must be written evidence for every Contract (regardless of value), and all Contracts must be in a form agreed with the Head of Commercial, i.e. all procurements must use the appropriate model Terms and Conditions and standard documentation available on the Councils web as the starting point. Where they are deemed insufficient, or require any deviation, this must be agreed by a Procurement Advisor or a Legal Advisor. Note – it is not an Exception to these Regulations to vary the Terms and Conditions.

D7.3 Purchase orders must reference / contain model Contract Terms and Conditions. A quotation and a purchase order will create a legally binding Contract. Please see paragraph D13.6.

D7.4 Officers are not permitted to enter into Contracts on the provider's Terms and Conditions for spends above the Council Advertising Threshold, and should take care that they do not inadvertently enter into a Contract on the provider's Terms and Conditions.

D7.5 It is accepted that Officers will contract on a provider's Terms and Conditions when using a Procurement / Purchasing Card.

D7.6 With the exception of D7.5 Officers should consider the use of model Council Contract Terms and Conditions below the Council Advertising Threshold although this is not mandatory.

D7.7 In the rare event that a provider refuses to accept the model Contract Terms and Conditions, the provider's Terms and Conditions are to be

referred to a Procurement Advisor or a Legal Advisor for review and possible approval.

D7.8 Advice on any Terms and Conditions must be sought from a Procurement Advisor or a Legal Advisor.

D7.9 The Head of Commercial must:

- keep a record or list of all model sets of Contract Terms and Conditions detailing when the conditions were last updated, who is responsible for updating them, and any changes to the models;
- keep all current model Contract Terms and Conditions under review;

## **D8 Issuing Requests, Receiving and Opening Quotations and Tenders**

D8.1 Where Officers receive only one or two quotations for procurements below the Council Advertising Threshold, Officers must report the exception in accordance with section F.

D8.2 Approval of a Procurement Advisor is required to abandon or terminate a procurement process (post advertisement) for Contract spends above the Council Advertising Threshold.

## **D9 Emailed Quotations**

D9.1 For procurements for Contracts with spends less than the Council Advertising Threshold, quotations shall be requested and received by the Council email system.

D9.2 Electronic quotations must:

- be received by Council email address; and
- have a date/ time of submission communicated to the recipients.

## **D10 Electronic Tendering and Auctions**

D10.1 All procurements at or above the Council Advertising Threshold must be conducted via the Council's electronic tendering system. All systems must, as a minimum, conform to the requirements stated in the Public Contracts Regulations. Third parties (see B1) must first seek approval from a Procurement Advisor to use an alternative electronic tendering system.

D10.2 Unless otherwise agreed by a Procurement Advisor, all electronic tendering for Contract spends above the Council Advertising Threshold will be performed by a Procurement Advisor.

D10.3 The Procurement Advisor (or agreed delegate) will manage the posting of the tender and manage the resulting clarifications only for electronic tendering performed for Contract spends at, and above, the Council Advertising Threshold. Officers shall prepare their tender in accordance with these Regulations and the Procurement Tool Kit.

D10.4 Approval from a Procurement Advisor is required to carry out an Electronic Reverse Auction.

## **D11 Late Tenders or Partial Receipt of Tenders**

D11.1 The Council will not accept a tender over the Council Advertising Threshold if it is received late and after Officers have opened other tenders for that Contract, unless the cause is either an act or omission of the Council.

D11.2 Any anomaly within the quotation process must be documented and authorisation to proceed sought in accordance with Exemptions (section F).

## **D12 Evaluating Quotations and Tenders**

D12.1 For procurements of Contracts with spend less than the Council Advertising Threshold, it is required that the quality aspect of the Specification will be evaluated under a pass / fail criteria and that price criteria will form 100% of evaluation.

D12.2 For procurements of Contracts with spend at, and above, the Council Advertising Threshold, it is required that the price criteria will be a minimum of 80% of evaluation.

D12.3 Where Officers wish to deviate from the stated price ratio above, Officers must obtain written authorisation to proceed in accordance with section F.

D12.4 Where the Procurement Tool Kit states a scoring formula for price and quality, an exception must be recorded (see section F) where an alternative formula is employed.

D12.5 For post-tender submissions, consult a Procurement Advisor where there is a requirement to deviate from prices initially received, or there is a need to deviate from the original Specification.

D12.6 Consult a Procurement Advisor for authority to accept a Variant Bid tender.

## **D13 Approval to Award Contracts for Works, Supplies or Services**

D13.1 For Contract awards with spends up to the Council Advertising Threshold Officers must obtain the approval of an Officer **Band C**.

D13.2 For Contract awards with spends at, and over, the Council Advertising Threshold and below the EU Threshold as set for Supplies/Services Officers must obtain the approval of an Officer **Band B**.

D13.3 For Contract awards with spends at, and over, the EU Thresholds as set for Supplies/Services Officers must obtain the approval of an Officer **Band A**.

D13.4 Any alternative solution to D13.3 for the approval of 'high' volumes of call-off contracts from a Framework Agreement must be presented by a **Band A Officer** to, and be agreed by, the Head of Commercial.

D13.5 Officers must ensure that a Contract award notice is issued by a Procurement Advisor on the Contracts Finder portal for Contracts with a value at and above the Council Advertising Threshold, together with a completed entry on the Contracts Register. For awards over EU Thresholds an OJEU award notice is also required.

### **Entering into Contract**

D13.6 The use of Offer and Acceptance and a valid Council purchase order will be used for all awards for Contract spends at and above £500, and under the Council Advertising Threshold, unless agreed by a Procurement Advisor or Legal Advisor.

D13.7 All awards over the Council Advertising Threshold will require the use of model Terms and Conditions. Consult a Procurement or Legal Advisor for advice on which Terms and Conditions will apply. The advice received will dictate whether the Contract is to be signed by the requisite Officer in accordance with banding in D13.1 to D13.3 or will require execution under seal.

D13.8 The authority to seal any Contract (the sealing authority) will also be in accordance with the Constitution, the Sub-Scheme of Delegation and the Officer banding in D13.1 to D13.3.

D13.9 Only an authorised officer of Strategy, Governance and Change shall execute Contracts under seal.

### **D14 Contract Monitoring and Management**

D14.1 Contracts awarded by or on behalf of the Council must be monitored and contract managed throughout the Contract term to ensure delivery of the Contracted Works, Supplies or Services in accordance with the Contract requirements and standards.

D14.2 Contract monitoring and management arrangements agreed during the procurement process will be determined by the complexity and risk associated with the Contract and conditions in the relevant market. Such arrangements must take account of both financial and quality aspects.

### **D15 Tender File**

D15.1 Officers should ensure that written auditable records of all procurement activity (quotation, tender and otherwise) are kept in electronic format on the Council ICT server system including electronically-scanned copies of any signed contract.

D15.2 Documentation shall be retained for a period stipulated in the Council's Records Retention and Disposal Policy.

## **D16 Transferring Contracts**

D16.1 In appropriate circumstances the Council may agree to transfer a Contract, by novation or assignment.

D16.2 Consult a Procurement Advisor prior to assigning or novating a Contract.

## **D17 Contract Variation, Extension and Termination**

D17.1 The approval to: -

- end a Contract early; or
- extend a Contract in line with its Terms and Conditions; or
- materially vary a Contract; or
- serve a default notice

shall be obtained from a **Band C** Officer where the Contract spend is less than the Council Advertising Threshold; or

shall be obtained from a **Band B** Officer where the Contract spend is at or more than the Council Advertising Threshold, and less than the EU Threshold as set for Supplies/Services; or

shall be obtained from a **Band A** Officer and a Procurement Advisor where the Contract spend is at, and above, the EU Threshold as set for Supplies/Services.

D17.2 The approval Officers in D17.1 shall inform a Procurement Advisor prior to fulfilling the action.

## **E Public Contracts Regulations / EU Procurement Directives**

E1.1 The Public Contracts Regulations are derived from the EU Public Contracts Directive, and came into effect in the UK on the 26<sup>th</sup> February 2015.

E1.2 Under the Public Contracts Regulations the Council is the Contracting Authority.

E1.3 A Procurement Advisor must be consulted, and must lead all procurements for Contract spends at, and above, the EU Thresholds.

E1.4 Officers must get agreement from the Head of Commercial as soon as possible before starting: -

- A competitive dialogue;
- A competitive procedure with negotiation;
- An innovation partnership procurement procedure;
- A negotiated procedure without prior publication (e.g. direct award);
- A Dynamic Purchasing System ('DPS').

E1.5 Any amendment to already-published selection or award criteria must be agreed by the Head of Commercial.

E1.6 For all procurements classified as falling under the Light Touch Regime consult a Procurement Advisor.

## **F Exemptions and Exceptions**

### **F1 General**

F1.1 Exemptions fit into the following categories: -

1. Circumstances where these Regulations do not apply;
2. Exemption from these Regulations for Contract spends up to the EU Thresholds.

### **F2 Exemptions - Circumstances where these Regulations do not apply**

F2.1 These Regulations do not apply to the following: -

1. Contracts of employment;
2. Contracts relating to interest in land (also known as property) – see a Procurement Advisor first;
3. Contracts entered into by schools using delegated budgets as they have their own Regulations to follow;
4. Investment transactions placed by the Director of Finance and Resources for treasury management activities;
5. Contracts placed by the Director of Finance and Resources investing money or assets of the Staffordshire County Pension Fund;
6. Grants which the Council may receive or make (unless the grant is part of a Contract for Services or mandates that these Regulations are to be followed);
7. When buying from within the Council;
8. In instances where the Works, Supplies or Services can be bought from only one provider and this can be justified. Consult a Procurement Advisor in this instance;
9. In instances where Officers are buying works of art, museum artefacts, manuscripts or archive collection items

### **F3 Exceptions from these Regulations for Contract spends up to the EU Thresholds**

F3.1 Any Works, Supplies or Services Contract or process declared to be an exception from these Regulations must be authorised, in writing, as follows: -



- by a **Band B** Officer for Contract spends up to Council Advertising Threshold;
- by a **Band A** Officer where the Contract spend is at, or above, the Council Advertising Threshold and below the EU Threshold as set for Supplies/Services;

#### F3.2 Examples of Exceptions: -

- where an immediate need is created by a sudden, unforeseen, real and demonstrable emergency or danger to life or health that requires immediate action to protect the interests of the Council;
- receiving only 1 quotation when 3 were sought;
- adjusting the level of insurances when seeking SME providers;
- when detracting from an 80% price evaluation criteria;

#### F3.3 Examples of what are not considered as Exceptions: -

- when required to vary, or use legal terms other than, the model Terms and Conditions;
- where 3<sup>rd</sup> party Framework Agreements dictate the procurement rules to be used;

### **F4 Non-Compliance of the Public Contracts Regulations and Concession Contracts Regulations**

F4.1 No Officer may grant an exception to procurements regulated by the Public Contracts Regulations or the Concession Contracts Regulations.

F4.2 Any risk of potential non-compliance of the Public Contracts Regulations or the Concession Contracts Regulations must be reported to the Council full Senior Leadership Team.

### **F5 Applying for / Authorising and Reporting an Exception**

F5.1 All applications and subsequent authorisations for exceptions must be in writing and recorded.

F5.2 All authorised exceptions as described in F3.1 shall be copied to a Procurement Advisor for approval, and shall contain, as a minimum, the following: -

- Description of exception / background
- Justification for the exception
- Whether it's an ongoing or it's a new spend
- Date of commencement if resulting in a Contract
- Duration of any subsequent Contract
- Commissioner of the Council service
- Band sign-off name and post

### **F6 Recording / Reviewing of Exceptions**

- F6.1 The Head of Commercial will keep a register of all exceptions to these Regulations.
- F6.2 It is the responsibility of the originating Officer of the Exception to ensure that it is reviewed and remains valid. The originating Officer is to seek further approvals where necessary.

## Annex 1 - Glossary of Terms

Band A	is a representative of a member of the Councils <b><u>'FULL'</u></b> Senior Leadership Team.
Band B	is an Officer who reports direct to a Band A.
Band C	is an Officer who reports direct to a Band B.
Central Purchasing Body	is a Contracting Authority in its own right that concludes pre-procured contracts for Works, Supplies or Services and allows access to these contracts by the wider public sector.
Commercial Team	is a Council department within the Finance and Resources Directorate whom undertake all activities within a typical procurement/commissioning cycle activity on behalf of the Council and partner organisations.
Concession Contract	is a Contract between a company and the Council that gives the company the right to operate (and profit from) a specific business within the Councils jurisdiction, subject to certain conditions.
Concession Contracts Regulations	came into force on 18 <sup>th</sup> April 2016 for the regulation of certain service and works concession contracts (see Threshold Ladder) where consideration given to the provider is that the provider is permitted to exploit the Works or Services that are the subject of the contract (together with payment if desired).
Constitution	is the Councils document that contains the rules and procedures for making decisions and managing the Councils business.
Contract	is, for the purposes of these Regulations, any agreement (whether in writing or not) between the Council and one or more other parties in respect of the acquisition or sale of Works, Supplies or Services for payment or otherwise.  Throughout these Regulations, also read 'Contract' in context of a framework agreement.
Contracting Authority	is a defined term in the Public Contracts Regulations means the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities. Staffordshire County Council is a Contracting Authority.
Contracts Finder	is the Government's online procurement portal for both providers and Contracting Authorities. For the former it presents new procurement opportunities; for the latter it is

	the mandatory portal to advertise their new opportunities and contract award information.
Contracts Register	is the list of Contracts entered into by the Council over a value of £25,000. This is held by the Head of Commercial and maintained by Officers.
Council	means Staffordshire County Council.
Council Advertising Threshold	is the lowest contract spend trigger at which a procurement is advertised to the public. See Threshold Ladder.
Default Notice	is used to provide written notice that a provider is in breach of contract.
Electronic Reverse Auction	is the ability to compete providers in a 'live' situation(via specialised software) with the intention of reducing initially tendered prices.
EU Threshold	are the contract (spend) triggers that will apply to public procurement exercises run under the Public Contracts Regulations, and the Concession Contracts Regulations.
Exceptions	are where these Regulations, in whole or in part, are not followed as presented, unless otherwise indicated.
Framework Agreement	is an agreement or other arrangement which sets the Terms and Conditions (in particular the price and, where appropriate, quality) under which the provider will enter into one or more (call-off) contracts with the Council. This may also be referred to as a call-off contract, a continuous contract or a standing offer.
Head of Commercial	is the Council's Head of the Commercial Team.
HR Advisor	is an Officer allocated by the Head of HR.
Invitation to Tender	is a document which invites providers to bid for the provision of Works, Supplies or Services.
Key Influencer	is an Officer within a procurement project who, by virtue of their normal duties in that project, could influence the choice of provider.
Legal Advisor	is an Officer allocated by the Head of Law.
Light Touch Regime	Contracts for health, social, prison, postal, certain legal services and other community services, which effectively replaced the previous Part B services in historic Public Contracts Regulations.

Monitoring Officer	a designated Officer of the Council with the unique role to ensure that the Council, its Officers and Elected Councillors maintain the highest standards in all they do.
Offer and Acceptance	is the process of awarding a Contract which is usually conducted without signature.
Officer	is any employee of the Council and also Members.
OJEU	is the Official Journal of the European Union, which publishes all public sector tenders which have Contract spends over the EU Thresholds.
Pre-Qualification	is the stage used to assess providers for inclusion in the shortlist of providers who will be invited to submit a final tender. They specifically evaluate the suitability of potential providers in relation to their technical knowledge and experience, capability and financial and economic standing.
Procurement Advisor	is an Officer allocated by the Head of Commercial.
Procurement / Purchasing Card	The 'pCard' is an efficient means of ordering and paying using a bespoke credit card issued by the Council. Refer to Staffordshire County Council's Financial Regulations for more details.
Procurement Instructions	issued separately, are technical procurement instructions which are enabled by, and underpin, these Regulations. The Procurement Tool Kit is an example of a Procurement Instruction.
Procurement Tool Kit	is a particular Procurement Instruction which outlines the processes and considerations involved in compiling a quotation and tender for contract spends below the EU Thresholds.
Public Contracts Regulations	came into force on 26 <sup>th</sup> February 2015 and directly implement the 2014 EU Public Sector Procurement Directive together with some UK reforms aimed to make public procurement more accessible to small businesses.
Quotation	is a request for price and any other relevant matter without the formal issue of a public tender, for Contract spends less than the Council Advertising Threshold.
Regulations	are the Council's Procurement Regulations and are the Council's own internal governance and policy to public procurement.
Senior Leadership Team ('SLT')	Council Officers appointed under Article 12 of the Constitution, led by the Chief Executive, to carry out the duties shown in these Regulations.

Services	in their purest form, are not Supplies or Works, although they may form part of these. Services are all encompassing and include all actions, both tangible and intangible.
Sourcing Strategy	is the written justification of the options considered, dismissed and ultimately decided upon when implementing a specific procurement process. See the Procurement Tool Kit.
SME	Small and Medium-sized Enterprises.
Specification	is the descriptive document(s) detailing the requirements required from the provider in delivering the Works, Supplies or Services.
Supplies	are stock items or amounts, usually tangible, of something supplied or available for use.
Tender	is a provider's tender response to the Invitation to Tender.
Terms and Conditions	means the Council's standard model sets of legal terms and conditions (as may be amended from time to time). Refer to the Procurement Tool Kit for details.
Threshold Ladder	the Council's agreed procurement processes outlined at various Contract value spend triggers/thresholds.
Transparency Code	issued in 2015, the Local Government Transparency Code mandates the Council to publish various spend data, and in particular specific procurement-related information.
Variant Bid	is a tender which technically meets the Specification, but delivers the solution by a different means from that specifically requested by the Contracting Authority in the Tender.
Works	<p>is the subject matter of a Contract which is ordinarily property construction and civil engineering related. A list of defined Works categories is shown in Schedule 2 of the Public Contracts Regulations.</p> <p>The Council may also treat 'Works' as an agreement where a developer constructs a building on their own land (according to Council needs) and then transfers the land and structure to the Council at a later date. Refer these projects to a Procurement Advisor in the first instance.</p>

# Staffordshire County Council

Audit Update report for the year-ended 31 March 2017

June 2017

Ernst & Young LLP

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Agenda Item 6

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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 Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

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

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

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

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



A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a laptop, and a white mug. A yellow box is overlaid on the image containing the text 'Audit Progress'.

Audit  
Progress

## Audit Progress

The purpose of this report is to update the Committee on our audit progress since the presentation of the Audit Plan to in March 2017. The tables below set out the results and conclusions on the significant areas of the audit in advance of the audit of the financial statements.

Area of Work	Conclusion	Progress
<p>Opinion on the Council's:</p> <ul style="list-style-type: none"> <li>▶ Financial statements</li> </ul>	<p>Based on our review of your internal control environment and assessment of key business risks we designed a risk based audit testing strategy. As a result of our detailed testing and use of EY data analytics tools, we obtained sufficient evidence to form a conclusion on your financial statements.</p>	<p>The interim work was undertaken in late March and early April 2017 with the audit of the financial statements to commence 26 June 2017.</p> <ol style="list-style-type: none"> <li>1. Data analytics We successfully obtained and utilised the Council's financial ledger data for our interim testing (see below) for the accounting period ending 31 December 2017. The full year ledger and payroll data were obtained on 14 June 2017 in advance of the main audit.</li> <li>2. Working papers We have issued a detailed and relevant list of working paper requirements to ensure that the information is provided for the commencement of the audit.</li> <li>3. PFI accounting treatment We engaged our EY PFI specialist to review the financial operating models for the Waste and Academy PFI schemes. The review has concluded that we are satisfied that there are no material adjustments required to the draft financial statements.</li> <li>4. Valuation of land and buildings Our EY valuations team are reviewing a sample of assets revalued by the County Estates team. This work is ongoing. We will communicate the results of this work to the Finance Team and report the key findings to the Audit and standards Committee in our Audit Results Report.</li> <li>5. Interim testing During the interim visit we focussed our testing on the</li> </ol>

Area of Work	Conclusion	Progress
		<p>following areas;</p> <ul style="list-style-type: none"> <li>▶ Central Government Grant income</li> <li>▶ Council Tax precept income</li> <li>▶ Other operating income including fees and charges</li> <li>▶ Operating expenditure</li> <li>▶ Exit packages</li> </ul> <p>This work is substantially complete and the remainder will be finalised during our audit of the financial statements. At this stage there are no issues that need to be brought to your attention.</p>
<p>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</p>	<p>We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our Value for Money conclusion.</p> <p>Based on our review of your internal control environment and assessment of key business risks we reported in the Audit Plan the following significant risks for 2016/17;</p> <ol style="list-style-type: none"> <li>1. The Council's overall financial resilience through delivering a medium-term financial strategy which includes significant assumptions to achieve savings to address a £20m funding gap.</li> <li>2. The local health economy, including adult social care, and in particular delivery of outcome measures of the Better Care Fund.</li> <li>3. The Council's governance and performance arrangements to deliver adult social care with a key NHS partner under challenging financial pressures within the local health economy.</li> </ol>	<p>Our programme of Value for Money (VfM) work is well-progressed but further work is required regarding the Better Care Fund (BCF).</p> <p>Arrangements have been made to liaise with the appropriate staff to establish the current position with the BCF.</p> <p>We will continue to update management with the results and findings of the VfM and provide our overall conclusion in the Audit Results Report to the Audit and Standards Committee in September.</p>

# Audit Timetable



## Audit timetable

The draft financial statements were received on 12 June 2017 as planned. We have agreed with management that the audit of the draft financial statements will take place over a four week period commencing on 26 June 2017.

During the audit we will ensure that audit findings are communicated with the Finance Team on a timely basis. We will provide our formal Audit Results Report to the Audit and Standards Committee on 25 September 2017 which will incorporate the outputs as set out in the Annual Audit Plan.

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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.

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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

## **Brexit Update**

On Wednesday 29 March 2017 Theresa May triggered article 50, the part of European Union law that sets out the process by which member states may withdraw from the union. European governments and the EU as an institution are at the vanguard of the Brexit process. The challenge of unravelling the UK from the EU is a significant one. Negotiations will be complex as there seems little likelihood now that one of the existing models for non-EU European countries' relationships with the EU can simply be extended to the UK.

As advisers to the sector, we have a critical role in working with our clients through this period of uncertainty. The negotiations will touch on multiple policy areas – such as trade, immigration and border control, tax and customs, transport and infrastructure, higher education, state aid, energy and the environment – and will

require significant change in the Government and Public Sector. Whilst UK government departments consider potential scenarios for different outcomes of the negotiations, EU negotiators will in turn have the task of balancing the diverse interests and priorities of the other 27 Member States.

The UK's exit seems like a long way off, but it is essential for us to keep abreast of political, regulatory and economic developments as negotiations progress. We will monitor the situation on an ongoing basis and provide connectivity, timely information, communication and tailored content to our Government and Public Sector clients.

For further information and our most recent views of the impact of Brexit on the economy please see the EY Item Club article within the EY website, full link is below in the 'Find Out More' section.

## **Final Local Government Finance Settlement**

The Local Government finance settlement has been finalised after formal representations were received from a number of organisations and individuals.

This includes the four year funding allocations so councils can publish efficiency plans for the future. £200bn was allocated for the settlement.

This Local Government Finance Bill will devolve 100% of business rates. As a result of this the revenue support grant will be abolished. This is a move to make councils financially self-sufficient. It also means that there will no longer be an annual finance settlement each year. The scheme is being piloted in Greater Manchester, Liverpool City Region, the West Midlands, Cornwall, the West of England and Greater London Authority. In 2018-19 further pilots will take place and councils can apply to be a part of this. The scheme will be rolled out nationally in 2019-2020.

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## **New Valuations of Business Rates**

The Government implemented a £6.7bn relief package which came into effect from April 2017 due to the new valuation listings. This will mean around three quarters of businesses will see a reduction or a freeze in the business rates they pay. The revaluation will not affect the overall income received by the Treasury as it is fiscally neutral. However, it could affect the level of income received by a council based on the mix of businesses in a constituency. Each local authority must develop schemes for how the business rate relief is allocated which will require member approval.

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## **Spring Budget 2017 – Adult Social Care funding**

It was announced in the Spring Budget that £2bn worth of additional funding will be provided to councils in England for use on adult social care over the next three years. £1bn of this will be available in 2017-18 meaning more care packages can be funded immediately. Funding will be supplemented with targeted measures. This is to ensure areas with the greatest challenges make improvements.

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## **NAO report: Health and social care integration**

In this report the National Audit Office (NAO) states that integration of health and social care has been less successful and progressed slower than envisaged, and has not delivered all of the expected benefits for all parties (patients, the NHS or local authorities). It says that the Government's plans for integrated health and social care services across England by 2020 are at significant risk.

One of the key areas of focus in the report is the Better Care Fund (which in its first year involved the pooling of in excess of £5bn of funds). Whilst the NAO saw that its introduction has improved joint working, its potential has not been achieved. Its principal financial and service targets over 2015-16 were not met. Compared with 2014-15 emergency admissions increased by 87,000 against a planned reduction of 106,000 costing £311mn more than planned. In the same period, days lost to delayed transfers of care increased by 185,000 against a planned reduction of 293,000 costing £146mn more than planned. The report acknowledges that the Fund has been successful in encouraging local areas to work together, with more than 90% of local areas agreed or strongly agreed that delivery of their plan had improved joint working. Improvements were seen in reductions in permanent admissions of age 65 and over to nursing and residential care homes, and in increasing the proportion of older people still at home 91 days after discharge from hospital into rehabilitation or re-ablement services.

In respect of central government, the NAO states that whilst the Department of Health and the Department for Communities and Local Government have identified barriers to integration, (e.g., misaligned financial incentives, workforce challenges and reluctance over information sharing), but are not addressing them in a systematic way. Government commissioned research in 2016 assessed that local areas are not on track to achieve the target of integrated health and social care by 2020.

NHS England's ambition to save £900mn through introducing seven new care models was seen to potentially be optimistic. The models' impact is still being assessed and they are not yet proven. According to the NAO, there is poor governance and oversight of the initiatives examining different ways to transform care and create a financially sustainable care system (e.g., The Integration Partnership Board only receives updates on progress of the Better Care Fund with no reporting from other integration programmes).

Finally, there was no compelling evidence found to demonstrate that sustainable financial savings or reduced acute hospital activity results from integration. Whilst it recognises that there are some good examples of integration at a local level, assessment of these has been hindered by issues with comparable cost data across different care settings, and difficulty tracking patients.



# Accounting, auditing and governance

## Current Accounting Issues

As Local Authority finance teams across the country begin to close down the 2016/17 financial year and prepare the financial statements, it is timely to highlight the two main changes to financial reporting requirements impacting in 2016/17 and subsequent years.

### 'Telling the Story'

Local Authority financial statements will look different in 2016/17 when compared to previous years. These changes arise from the

changing requirements of the Local Authority Accounting Code of Audit Practice issued each year by CIPFA. The 2016/17 Code now includes the accounting requirements of CIPFA's '*How to tell the story*' publication.

CIPFA has been working on a project for the last few years to both streamline Local Authority financial statements and improve their accessibility to the user. One way in which user accessibility has been strengthened is to try and make year-end external reporting through the financial statements look more like in year internal management reporting. As a result, the main changes to

the 2016/17 financial statements will be to the Comprehensive Income and Expenditure Statement (CIES) and associated disclosure notes. The key changes to look out for are:

- ▶ How income and expenditure are analysed on the face of the CIES. In previous years Local Authorities had to analyse their service income and expenditure using the service expenditure analysis prescribed by CIPFA in the Service Reporting Code of Practice (SeRCOP). Local Authorities must now provide this analysis in the same format and reporting segments that they use for internal management reporting throughout the year.
- ▶ The introduction of a new note supporting the CIES, the Expenditure & Funding Analysis (EFA). The objective of this new note is to provide a direct reconciliation between the way local authorities are funded, how they budget and the CIES in a way that improves accessibility to the user of the financial statements. The analysis of expenditure and funding within the EFA must follow the same segmental analysis used in the CIES and internal reporting.

This subject was covered in detail at the recent EY CIPFA Accounts Closedown Workshops that were run as part of the EY and CIPFA strategic alliance. The 32 workshops were attended by over 800 Local Authority finance staff across the UK.

### **Highways Network Asset**

Previous Audit Committee Briefings have included information regarding the Highways Network Asset (HNA) Code which was published in 2016. The key aim of the Code was to improve the asset management of the HNA at Highway Authorities. The Code also sought to provide the basis for improved financial information by setting out a move to valuing such assets on a Depreciated Replacement Cost (DRC) basis, which in simple terms is the difference between the current costs of replacing an asset less an allowance (depreciation) for the age of that asset.

The implementation of the HNA Code has encountered a number of issues, and its original implementation date of 2016/17 was deferred. At its meeting on March 8 2017, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.



# Regulation news

## Gender Pay Gap Reporting Regulations

The Gender Pay Gap Reporting regulations come into effect in April 2017 and they will impact on every organisation that has 250 or more employees.

Under these regulations organisations will be required to publish:

1. The gender pay gap for the pay period to 5 April each year. Numbers need to be submitted to a Government portal (still in development) and be placed in a searchable position on the organisations own website where they need to remain for at least three years. There are six calculations:
  - ▶ Mean gender pay gap in hourly pay
  - ▶ Median gender pay gap in hourly pay
  - ▶ Mean bonus gender pay gap
  - ▶ Median bonus gender pay gap
  - ▶ Proportion of males and females receiving a bonus payment
  - ▶ Proportion of males and females in each pay quartile
2. A written statement, authorised by an appropriate senior person (e.g., a director), which confirms the accuracy of the calculations.

3. Optional contextual narrative alongside the numbers on the website – e.g., to explain the reasons for the results and give details about actions that are being taken to reduce or eliminate the gender pay gap.

Whilst organisations have until next April to publish these disclosures:

- ▶ A data snap shot on 5 April 2017 is required to ensure prior year comparisons are possible.
- ▶ It is expected that there may be significant stakeholder and media pressure to publish sooner than the deadline. Some organisations have recently included a requirement in tender processes for potential suppliers to disclose their gender pay gap. Some organisations have already published their disclosures ahead of the deadline.

The impact of the regulations goes well beyond compliance, and some organisations are concerned about the implications of having to publish a significant gap, as this could have an impact on employee engagement and motivation, the ability to attract new talent and the overall reputation of the organisation.

EY have been working with a number of clients to assist them to ensure compliance with this new regulation, speak to your audit team for further information.

# Other

## Placing gender on the public sector agenda

In a time of significant change for governments and public sector organisations, the ability to draw on a diverse pool of talent – including a mix of genders, ethnicities, ages and backgrounds – is a critical factor in helping governments adapt to the changes disrupting the sector. There is strong evidence that diverse and inclusive leadership sparks better debate, stimulates innovation, and enhances problem-solving and decision-making. In short, it leads to improved performance and better outcomes.

In mid-2016, EY surveyed 80 government and public sector leaders from a range of countries. We wanted to understand their views on gender parity at the leadership level. The survey built on an earlier study involving interviews with 350 business leaders from seven sectors: automotive, banking and capital markets, consumer products, insurance, life sciences, oil and gas, and power and utilities.

Our research reveals overwhelming agreement that gender diversity is crucial to combating the challenges faced by the public sector. Despite valuing diversity, many public sector organisations are not addressing the gender gap in a way that will deliver the needed change. Sixty percent of respondents believe they do not have sufficient diversity of thought and experience within their leadership team.

Through our research, we identified five disconnects that are holding back government and public sector organisations from achieving gender diversity on their senior leadership team.

1. **The reality disconnect:** Public sector leaders assume the issue is nearly solved despite little progress within their own organisations.
2. **The data disconnect:** Organisations don't effectively measure how well women are progressing through the workforce and into senior leadership.
3. **The pipeline disconnect:** Organisations aren't creating pipelines for future female leaders.
4. **The perception and perspective disconnect:** Men and women don't see the issue of gender parity the same way.
5. **The progress disconnect:** Different sectors agree on the value of diversity but are making uneven progress towards gender parity.

In this report, we explore each of these disconnects to better understand the key barriers that women face in moving ahead in their organisations. We also share our insights on what government and public sector organisations can do to accelerate the journey to gender parity.

## EY Resources and Information

EY offers a number of resources to our clients, 'Citizen Today' is produced by EY's Global Government and Public Sector team. Here you can read features and interviews covering the big issues facing governments around the world as they seek to provide better services for citizens. This is the Government and Public Sector element of the EY Client Portal, by signing up to this it could help you stay in touch with relevant news.

The EY Client Portal provides a single, continuous connection to EY. This tool can provide you with continuous access to EY worldwide, some of the key benefits are listed below:

- ▶ **Collaborative services** – Providing better management, team synergies, communication, and continuous global access to status and current documents via a variety of protected online work environments and electronic tools.
- ▶ **Individually tailored content, tools, and resources** – Customised so you see only the content, tools, and resources you want and need.
- ▶ **Improved efficiencies** – Helping you work more productively with relevant knowledge, insights, and business tools accessible in one location.
- ▶ **Enhanced service delivery** – Giving you access to EY's global breadth and depth of services and capabilities (self-service to full-service), helping you execute your business decisions.
- ▶ **Global knowledge and expertise** – Valuable and timely insights on evolving business issues, helping you make informed decisions faster.

# Key questions for the Audit Committee

Has the Authority considered the potential impact of the business rates relief on the Authority's finances?

Has the Authority considered how effective the integration of health and social care has been in its local area? Are arrangements with local health partners working effectively and has the Authority considered ways in which they could be improved?

Has the authority put in place processes to meet the new accounting requirement for the analysis of income and expenditure in the CIES, and the new note on the Expenditure and Funding Analysis?

How well prepared is the authority for the new requirement to collect and publish gender pay gap data?

## Find out more

### **Brexit EY Item Club**

<http://www.ey.com/uk/en/newsroom/news-releases/17-04-10-stronger-global-economy-paves-the-way-to-brexit-says-ey-item-club>

### **Final Local Government Finance Settlement**

<https://www.gov.uk/government/speeches/statement-in-debate-on-the-local-government-finance-settlement>

### **NAO Report – Health and social care integration**

<https://www.nao.org.uk/report/health-and-social-care-integration/>

### **Gender Pay Gap Reporting Regulations**

The regulations – Statutory Instrument 2017/172:  
[http://www.legislation.gov.uk/uksi/2017/172/pdfs/uksi\\_20170172\\_en.pdf](http://www.legislation.gov.uk/uksi/2017/172/pdfs/uksi_20170172_en.pdf)

Overview of the rules from gov.uk

<https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>

Guidance – Advisory, Conciliation and Arbitration Service (ACAS) and the Government Equalities Office have published guidance for employers <http://www.acas.org.uk/index.aspx?articleid=5768>

### **Placing gender on the public sector agenda**

[http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/\\$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf](http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf)

### **EY Client Resources and Information**

<http://www.ey.com/gl/en/industries/government--public-sector/ey-citizen-today#recent-content>





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<b>Local Members Interest</b>	
	N/A

## **Audit and Standards Committee – 26th June 2017**

### **Internal Audit Outturn Report 2016/17**

#### **Recommendation**

1. To receive the outturn report containing the annual internal audit opinion for 2016/17.

#### **Report of the Director of Finance and Resources**

#### **Background**

2. This report outlines the work undertaken by Internal Audit in respect of the 2016/17 annual plan.
3. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements, i.e. the control environment of the organisation. Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes<sup>1</sup>.
4. Internal Audit is required by professional standards, i.e. UK Public Sector Internal Audit Standards (PSIAS), to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. In accordance with these requirements the Head of Internal Audit must provide an annual opinion that covers the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
  - The opinion;
  - A summary of the work that supports the opinion; and
  - A statement on conformance with PSIAS and the Local Government Application Note (LGAN), highlighting any areas of non-conformance.
5. The underlying principles to the 2016/17 plan were outlined in the Audit Plan paper presented to and approved by Members of the Audit & Standards Committee on 27 June 2016. Since the original plan was approved a number of additional audits have been required, whilst some planned reviews were no longer needed and several deferred due to operational requirements. The net effect is that the key performance target has been achieved. Work is scheduled to meet the requirements of the business area to ensure the greatest benefit is achieved from the audit work. Therefore it is not uncommon for reports to be at draft report stage at the end of the audit year.

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<sup>1</sup> Public Sector Internal Audit Standards definition of Internal Auditing.

6. Audit opinions are awarded for individual systems and compliance audits within one of the following categories listed below. Further information as to how these are determined is given in Appendix 1.
- Substantial Assurance
  - Adequate Assurance
  - Limited Assurance
7. Paragraph 9 provides a high level summary of the work undertaken by the Section analysed by the following categories:
- Main Financial Systems
  - High Risk Auditable Areas
  - Systems Audits (reported by exception, i.e. only those with “Limited Assurance” and/or those with a High Level Recommendation)
  - Compliance Reviews
  - Financial Management in Maintained Schools including payroll arrangements
  - Special Investigations/ fraud and corruption arrangements.
8. For those areas awarded ‘Limited Assurance’ action plans have been or are in the process of being agreed with the relevant Director /Head of Service. During 2016/17 Members of the Audit & Standards Committee have continued to receive full copies of all “Limited Assurance”, High Risk Auditable areas (regardless of opinion) and Major Special Investigation reports (i.e. greater than £10,000 financial loss/Significant Corruption issues) once finalised. Relevant managers have attended the Committee to provide assurance that appropriate action has been taken regarding the implementation of recommendations. Members of the Audit & Standards Committee have requested, where appropriate for additional follow up work to be included within the 2017/18 plan and the results to be reported back to the Committee. Internal Audit will continue to track and report on the implementation of High Level Recommendations, including those contained within reports awarded “Adequate Assurance”.

## 9. 2016/2017 Audit Plan Outcomes

### 9.1 Main Financial Systems

Coverage of these areas is in line with the audit strategy.

Main Financial System	2013/14 Opinion	2014/15 Opinion	2015/16 Opinion	2016/17 Opinion	Direction of Travel
Payroll – County Council	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance – (HRSCC)	→
				Adequate Assurance (3 <sup>rd</sup> Party Provider)	↓
Pensions Payroll	NA	Adequate Assurance	Substantial Assurance	Adequate Assurance	↓
Pension Fund – Custodian, Investment Managers and	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→

Pensions Property including the Governance arrangements.				Adequate Assurance	→
Budgetary Control	Substantial Assurance	Substantial Assurance	Substantial Assurance	Substantial Assurance	→
Pension Fund – Pension Administration	Substantial Assurance	Substantial Assurance	Substantial Assurance	Adequate Assurance	↓
Accounts Payable	Not covered in 13/14	Adequate Assurance	Not covered in 15/16	Adequate Assurance	→
Accounts Receivable	Substantial Assurance	Not covered in 14/15	Adequate Assurance	Limited Assurance	↓
Debt Recovery (Legal Services) now joint with Accounts Receivable in 16/17	Adequate Assurance	Adequate Assurance	Adequate Assurance		
E- Payments	Adequate Assurance	Adequate Assurance	Not covered in 15/16	Not covered in 16/17	→
Cheque Control	Not covered in 13/14	Substantial Assurance	Not covered in 15/16	Not covered in 16/17	→
Main Accounting	Substantial Assurance	Not covered in 14/15	Substantial Assurance	Project work & reported under the High risk areas	→
Fixed Asset Register & Capital Accounting	Substantial Assurance	Not covered in 14/15	Not covered in 15/16	Not covered in 16/17	→
Treasury Management & Financial Director	Substantial Assurance	IT system – Adequate Assurance	Substantial Assurance	Not covered in 16/17	→

There has been one Limited Assurance report issued for the main financial systems areas in 2016/17.

System Area	Areas for Improvement
Accounts Receivable & Debt Recovery	<ul style="list-style-type: none"> <li>The value of the outstanding debt at the time of the audit (November 2016) has significantly increased since the last audit from £5.9m to £10.3m, with £5.7m relating to debt from Government Bodies. Although the year-end position (as at 31<sup>st</sup> March 2017) improves, the balance of retrievable debts over six months old continues to rise and is significantly over the performance target of £2.25m</li> <li>Progress against debt referred for legal action in 2015/16 and 2016/17 has not been made. This is due to a lack of resource within the debt recovery team. Progress against existing cases is difficult to quantify or monitor, as progress is documented against individual customer accounts. There have been no cases referred to Legal Services in the last two years, but there are 20 cases sitting with Legal Services that are yet to be resolved (still outstanding). This was raised as a high risk recommendation in the 2015/16 Accounts Receivable report.</li> <li>Credit notes are sent out for periods where clients are still receiving care, due to their old care package being closed in the system, and their new care package not authorised. This was the case in one out of the 13 automated credit notes.</li> <li>Credit notes are being raised within Adult and Children Financial Services where the income recorded is valid, but</li> </ul>

	the debt is not deemed to be retrievable. This means that the authorisation process for writing off debt is avoided. This was the case for three of the 27 manual credit notes tested. Credit memos should only be raised if the amount was raised by mistake or the invoice contains incorrect information as per the Credit Management Strategy
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In addition for those reports with an opinion of at least “Adequate” for each financial system, one High Level Recommendations was made as follows:

System Area	Areas for Improvement
Accounts Payable – (Adequate Assurance)	<ul style="list-style-type: none"> <li>The Accounts Payable team do not check that vendors are valid before adding them to SAP. A process needs to be designed in Integra to create a separation of duties from the person requesting a vendor, and the way bank details are obtained.</li> </ul>

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

## 9.2 High Risk Auditable Areas

System Area	2016/17 Opinion	2016/17 Consultancy
Better Care Fund - the Section 256 funding element.		√ - Verification of the section 256 grant monies
SSOPT – ongoing delivery options		Reliance placed on Management Evaluations undertaken in year
SSOPT – transformation programme (Brokerage Project)		√ - ongoing Project Assurance
Infrastructure Plus – Governance & Risk	Adequate Assurance	
Infrastructure + Maintenance & Minor Construction Expenditure	Adequate Assurance	
**Cyber Security	Draft Report with Management.	
Payroll & HR Transformation		√ - ongoing Project Assurance covering both general and ICT controls
Local Enterprise Partnership	Adequate Assurance	
Entrust Payroll Governance Review		Covered under paragraph 9.5.1
SAP Financial System replacement project		√ - ongoing Project Assurance covering both general and ICT controls
Commercial & Service Management incorporating Entrust Partnership Governance review.		Deferred into 2017/18
**Strategic Property Partner Review	Draft Report with Management.	

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

In addition for those reports with an opinion of at least “Adequate” for each financial system, three High Level Recommendations were made as follows.

System Area	Areas for Improvement
Better Care Fund - the Section 256 funding element	Figures within the outturn should be amended to reflect the variations identified during the audit verification and ensure that the figures recorded within the outturn are accurately calculated and recorded to show the actual spend incurred.
Infrastructure Plus – Governance & Risk	The transferred risks may not be being effectively managed as the draft findings of the Council's Highways Network Inspection assurance review indicate that the arrangement for Highways Network Inspections in relation to sample inspections gave limited assurance for the process in place by Amey. The draft findings call into question the accuracy and robustness of the contractor's approach to sample inspections. In addition, the likelihood of an issue arising regarding Inspections is recorded as improbable within the Term Service Contract risk register.
Infrastructure + Maintenance & Minor Construction Expenditure	It is not possible to trace Reactive Maintenance and Winter Maintenance expenditure of £4.7m (9% of annual contract budget) for 2016/17 through to evidence of individual job/work completion as costs are collected at an activity level as opposed to a job level.

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

System Area	2016/17 Opinion
Client Contributions Property Cases – Follow Up	Limited Assurance
**County Buildings Income Process	Limited Assurance

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

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

System Area	Areas for Improvement
Client Contributions Property Cases – Follow Up	<ul style="list-style-type: none"> <li>The action to ensure a process is in place where a service user has capacity issues, or where their representative is seeking deputyship has not been implemented in line with its agreed action date of June 2016, as the process is undergoing a review so that it can be improved going forwards.</li> <li>There has been no progress to complete the agreed action raised in the prior year relating to the annual reconciliation, which has not been undertaken for at least two years. The new responsible officer has only had ownership of this action for the last few months.</li> </ul>

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

System Area	Areas for Improvement
Corporate Governance – Schemes of Delegation	<p><b>Schemes of Sub-Delegation</b> – these are not periodically reviewed to ensure they remain appropriate and up-to-date.</p> <p>The recommendation was to review the Core and Operational Schemes of Sub-Delegation every 6 months</p>
Emergency Duty Service	<p><b>Overtime claims</b> – a number of issues with the time records, system segregation of duties, claim forms, accuracy of claims and inputs, verification and authorisation of claims, documentation records, and duplicate claims were noted.</p>

	The recommendation was to review the entire process for completion, verification, and approval of overtime claims.
A50 Corridor Projects	<b>Funding agreements</b> – the Council are not reporting to Highways England when costs have increased by >£1m above target, and those that have been reported have not been approved by Highways England.  The recommendation was to clarify the funding agreement position and expectations in writing with Highways England
Special Education Needs & Disabilities (SEND) Transport Follow Up	<b>DBS checks for drivers of passenger vehicles</b> – a number of issues with the recording of the process, the documentation of DBS certificates, the evidence behind the appeals process, the accuracy of the database, and clarity over training requirements.  The recommendation was to review individuals with failures identified, add missing evidence to the database, remind staff of importance of documentation, complete exercise to review the database contents, and add a timeframe for completion of required training.

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

#### 9.4 Compliance Reviews

Audit Type	Audit Opinion			Total No.
	Substantial Assurance	Adequate Assurance	Limited Assurance	
<b>Compliance - Adults</b>				
Comforts Funds	15	0	0	15
<b>Other Compliance</b>				
Educational Endowment Funds	5	0	0	5
<b>Compliance Reviews</b>	<b>20 (100%)</b>	<b>0 (0%)</b>	<b>0 (0%)</b>	<b>20</b>

*Note: Coverage in this area was significantly reduced in June 2016 in response to the Spending Controls process.*

Above reviews related to the audit of accounts and no issues were identified.

#### 9.5 Financial Management in Maintained Schools

##### 9.5.1 Schools Payroll

From September 2016 payroll services to Schools have been provided by a number of different bodies. Prior to this HRSSC were responsible for administering all schools payrolls. Internal Audit has undertaken a number of reviews arising from the transfer of school payroll services. Several issues were identified relating to the BACS processing arrangements including non-receipt of documentation on a timely basis and provision of user guidance regarding roles and responsibilities. Positive assurance was given regarding the revised arrangements for the Safeguarding Function. Several areas were raised relating to improving the robustness of the controls operated at a local level. In summary the work of Internal Audit has identified aspects which need to be resolved, subject to ongoing discussion and dialogue, in order to strengthen the internal controls operating within the new Schools payroll control environment.



## 9.5.2 Schools Compliance

Audit Type	Audit Opinion			Total No.
	Substantial Assurance	Adequate Assurance	Limited Assurance	
Schools Compliance – High Schools	1	5	0	6
Schools Compliance – All other schools	0	4	2	6
Community Facilities income themed review	3	7	0	10
<b>TOTAL</b>	<b>4 (18%)</b>	<b>16 (73%)</b>	<b>2 (9%)</b>	<b>22</b>

*Note: Coverage in this area was reduced by 50% in June 2016 in response to the Spending Controls process.*

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

### Schools – General Compliance

#### Governance

- Scheme of Delegation requires amendment. (ten establishments)
- No debt recovery policy. (two establishments)
- School Fund not audited in accordance with requirements of Financial Regulations. (six establishments)
- Pecuniary interest register not up to date or held in accordance with guidance. (three establishments)
- Access rights to Parent Pay are not controlled appropriately. (one establishment)

#### Income

- Income is not banked promptly and/or intact. (three establishments)
- Income is not receipted in accordance with Financial Regulations. (three establishments)
- There is a lack of separation of duties in the income and banking process. (nine establishments)
- Cash is not held securely and/or may not be held in accordance with SCC Insurers cash holding limits. (five establishments)
- Lettings are not administered appropriately. (ten establishments)
- Lettings charges are not in accordance with policy. (one establishment)
- Unofficial invoices have been raised. (two establishments)

#### Procurement

- No financial limits set for declared pecuniary interest in companies. (one establishment)
- Procurement/procurement card transactions not in accordance with Scheme of Delegation and Procurement Regulations. (ten establishments)
- Purchase card is not used in accordance with the Financial Regulations. (five establishments)
- Incorrect accounting for VAT. (seven establishments)

#### Imprest Accounts

- There is no independent reconciliation of the imprest account. (one establishment)
- Imprest account not administered appropriately. (four establishments)

## Schools - Community Facilities

### Governance

- No approved debt recovery policy. (two establishments)
- Parent Pay not being used correctly or to its full potential. (two establishments)

### Income

- There is a lack of a separation of duties for the receipt and banking of income. (one establishment)
- Income is not being banked promptly. (two establishments)
- Income is not held securely. (one establishment)
- There is no acknowledgement of transfer of income between staff. (three establishments)
- There is no audit trail or independent reconciliation between sessions received to invoices raised and income received. (five establishments)
- Unofficial invoices have been used. (one establishment)
- Charges are not in accordance with charging policy. (two establishments)

### Operational

- Bookings are not administered appropriately. (five establishments)
- Charges and contracts are not reviewed annually and discounts not approved. (three establishments)
- Parents/Carers do not sign their children into and out of Before and After School Clubs. (two establishments)
- Attendance registers are not appropriate or completed accurately. (two establishments)
- There is no audit trail of balances on individual accounts. (one establishment)

## 9.6 Special Investigations/ Fraud & Corruption Arrangements

A summary of work undertaken in relation to fraud and corruption and specific counter fraud testing is attached as Appendix 2 in the confidential part of the agenda. Overall, the counter fraud and corruption work carried out in 2016/17 indicated that there are minor lapses in the application of controls leading to an increase in the risk of fraud. The table below summarises those investigations which involved confirmed financial loss. Reports have been issued to ensure that the control weaknesses have been addressed and re occurrence prevented.

Area	Financial Value £	Control Objective
<b>Expenditure</b>	4,690	Purchase card transactions
<b>NFI* Identified Losses</b>	52,000	Payments to Care Homes for deceased residents
<b>Total</b>	<b>56,690</b>	

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

2016/17 has seen the level of complexity in the nature and type of special investigation and fraud and corruption related work referred to the Section for investigation, reduce from previous years. The level of resource available to perform this work has been limited during the year. This year has seen a reduction in the amount of actual financial loss to the Council. The table below shows the trend of actual financial loss over the last five years. These types of investigation are very resource intensive particularly if the matter is referred

to the Police for criminal action to be taken. In order to evaluate the effect this element of Internal Audit work has upon the wider control environment, a threshold of £250,000 financial loss per annum has been set. When this level is exceeded it is considered to have a material effect on the control environment. This year's level of actual financial loss is not considered to be significant.

Year	Financial Value	Direction of Travel
2010/11	163,932	↑
2011/12	179,312	↑
2012/13	29,831	↓
2013/14	101,753	↑
2014/15	94,140	↓
2015/16	73,115	↓
2016/17	56,690	↓

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

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

Based on the above criteria the overall score awarded for this category is 90% (i.e. 40% for the special investigations elements as the actual financial loss incurred is between £50,000 - £100,000 and 50% awarded for the fraud and corruption elements based on the details outlined in the report contained in the confidential agenda).

**10. Overall Opinion on the Control Environment**

Following discussion at the Audit & Standards Committee at its meeting on 30 July 2012, it was agreed to endorse the methodology outlined below which was used as the basis to form the annual assessment of the overall internal control environment. It is not proposed to amend this method for the 2016/17 assessment.

## Current Methodology

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

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

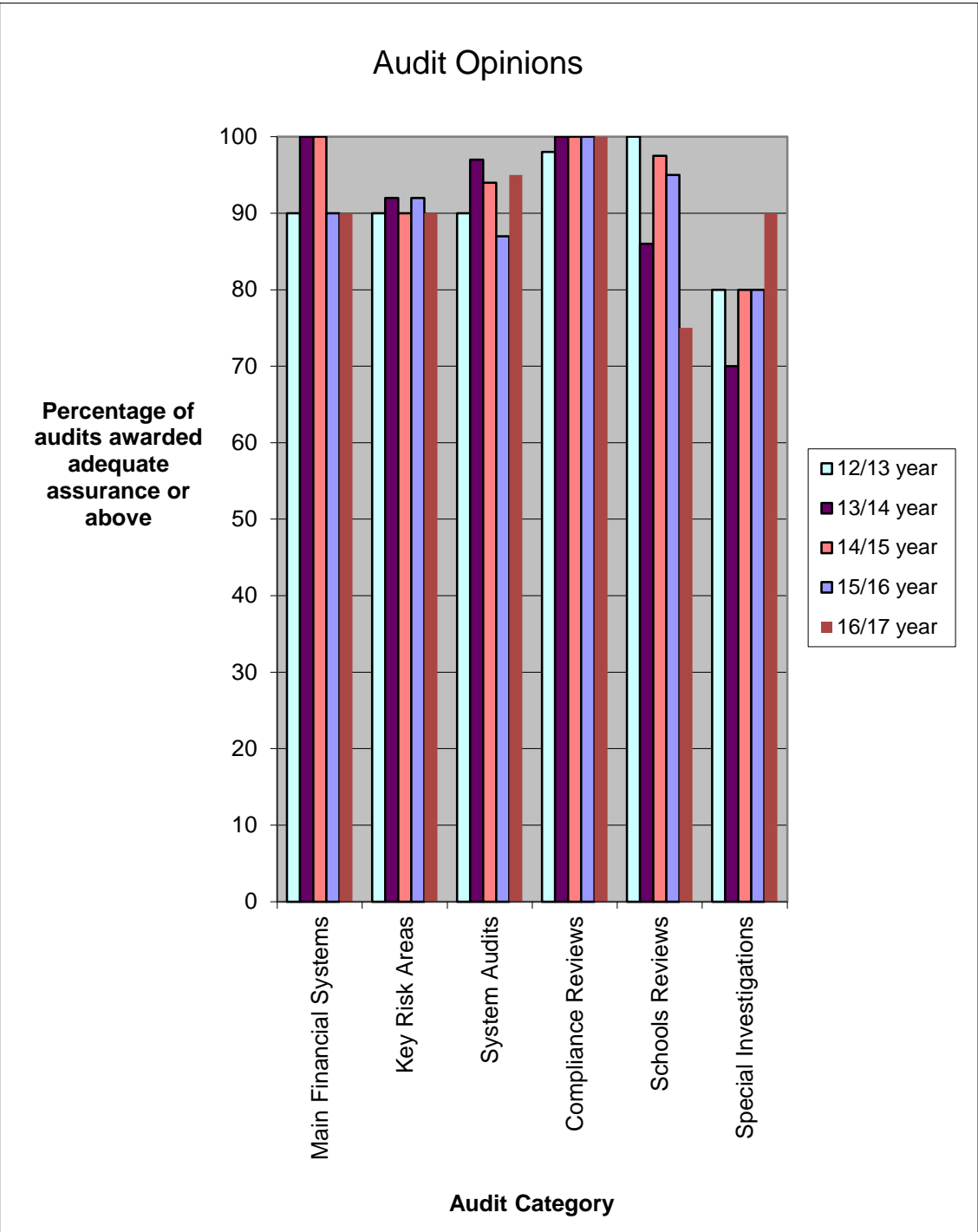
## Implications

The following table details the calculation of the 2016/17 overall assessment.

<b>Audit Category</b>	<b>% awarded an opinion of at least “adequate”</b>	<b>Pass/Fail</b>
Main Financial Systems ( <i>paragraph 9.1</i> )	90%	Pass
Key Risk Areas ( <i>paragraph 9.2</i> )	90%	*Pass
System Audits ( <i>paragraph 9.3</i> )	90%	Pass
Compliance Reviews ( <i>paragraph 9.4</i> )	100%	Pass
Financial Management in Schools ( <i>paragraph 9.5</i> )	75%	Fail
Special Investigations/Fraud & Corruption work ( <i>paragraph 9.6</i> )	90%	Pass
<b>Overall Total</b>		<b>5 out of 6 categories passed</b>

*\*Provisional – results of the reports currently with management will need to be incorporated into the calculation once formally agreed.*

The chart below details the audit opinions given to the key audit categories and provides a comparison with those awarded in 2012/13, 2013/14, 2014/15 and 2015/16.



Based on the above, an “Adequate Assurance” opinion has been given on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework, i.e. the control environment in 2016/17. Although the main financial systems element of the assessment has achieved the benchmark the direction of travel for a number of aspects has not been maintained particularly regarding the recovery of outstanding debt. The SAP financial system will be replaced during 2017 and a significant amount of work has been undertaken during the year to help support the design and implementation of a robust control environment which will continue in 2017/18. The changing payroll control environment within Schools has caused some problems in the second part of the year. A number of audit reviews during 2016/17 have identified high level issues, which has resulted in the system being awarded a limited assurance opinion. The nature of these reviews and those at draft stage (namely Strategic Property Partner and Cyber Security) the details contained within the reports are currently being considered by management.

Where appropriate, details will be incorporated into the Annual Governance Statement for 2016/17. It is important that the key actions identified are addressed and implemented as agreed and progress monitored to ensure that the necessary steps have been taken to strengthen the control environment. This will be a key focus for the 2017/18 Internal Audit Plan.

## 11. Performance Measures

Key performance indicators (KPI) for the Section are detailed below. The Section has met its key performance target of more than 90% of reports being issued to draft report stage for both systems and compliance audits during 2016/17. The section continues to meet the KPI targets for the quality questionnaire feedback.

Description	Target %	2014/15 %	2015/16 %	2016/17 %
Reports issued to draft report stage:				
➤ Systems Audits***	90	96***	93	91
➤ Compliance Audits	90	88.5	99	100
Average score for Quality Questionnaires from clients is equal to or exceeds the 'good' standard:				
➤ System Audits	90	100	100	100
➤ Compliance Audits	90	100	100	100

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

## 12. Performance against the UK Public Sector Internal Audit Standards

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

The Internal Audit Service works to a Charter regularly approved by the Audit & Standards Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way in which it interfaces with the Council. A detailed paper outlining how the Section meets the specific requirements of PSIAS & LGAN was presented to the Committee in June 2014. This is the fifth year of assessment and the results of the updated self-assessment exercise against the current standards are summarised below. It can be seen that 93% of the standards are deemed to be fully in place.

Process/Control			
In Place	Partially In Place	Not In Place	Not Applicable
286 (93%)	12 (4%)	7 (2%)	4 (1%)

For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to affect significantly the effectiveness of Internal Audit. The key areas for improvement identified at the June 2014 assessment have continued to be actioned during 2016/17 and progress is reported below:-

Action Points	Current Status
Determining the arrangements relating to the future five yearly external assessment;	A partnership approach to obtaining a suitable qualified independent person to conduct the external assessment has been taken with the other Public Sector bodies both within Staffordshire and neighbouring Counties. A suitably qualified external assessor has been appointed

	and detailed terms of reference for the quality assessment review will shortly be drafted and presented to the Audit & Standards Committee in September 2017. It is envisaged that the assessment will not take place before the start of 2018 in order to allow the new Members of the Committee to settle into their roles following the election in May 2017. However this will still meet the PSIAS timescales.
The need to formalise Internal Audit's approach to using other sources of assurance i.e. assurance mapping;	Two pilot exercises have been undertaken, using two external clients to evaluate the approach to ensure that it is fit for purpose and can be rolled out across the client base. A number of refinements have been identified and will be looked into during 2017/18 as part of the approach to be taken for the County Council. This exercise will also need to take account of the work being performed within Risk Management to enhance the Strategic Risk Registers.
The need to review current reporting arrangements including a statement on conformance with the PSIAS on an annual basis.	This has now been implemented and all reports contain the following disclaimer - <i>The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. SCC neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.</i>

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

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

The work undertaken by the Internal Audit Section during 2016/17 and reported within the Annual Outturn Report has been performed in accordance with PSIAS. In relation to the above, at present the Chief Internal Auditor is responsible for co-ordinating and updating the Corporate Risk Register, this also includes the risk management policy document. In addition during 2016/17 the Chief Internal Auditor has assisted the Head of Law & Democratic Services in the preparation of the revised Code of Corporate Governance following the publication of the Delivering Good Governance in Local Government Framework (2016 Edition). She has also assisted in the production of the Annual Governance Statement for 2016/17. These documents are reported to the Corporate Governance Working Group and Audit & Standards Committee. There are no further impairments or restrictions in scope which prohibit the CIA from delivering the annual Head of Internal Audit opinion for 2016/17.

### **13. Equalities Implications**

There are no direct implications arising from this report.

### **14. Legal Implications**

There are no direct implications arising from this report.

### **15. Resource and Value for Money Implications**

The net budget of the Internal Audit Section is estimated at £619,310 of which £49,500 relates to payments to external providers.

### **16. Risk Implications**

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

### **17. Climate Change Implications**

There are no direct implications arising from this report.

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#### **List of Background Papers**

Audit Management System  
Annual Audit Plan & Strategy 2016/17  
2016 Audit Charter  
Progress Reports to Audit Committee  
Various Internal Audit Reports



## Appendix 1

### Recommendation Risk Ratings

At the conclusion of each audit, control weaknesses are rated based on their potential impact against the organisation and likelihood of any associated risks occurring.

The scoring matrices below are used by Auditors as a guide to assessment of each control weakness, and therefore generating the priority rating of the resultant recommendation.

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

### Impact Ratings

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

### Likelihood ratings:

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

### Priority Ratings Matrix

Catastrophic	Impact	4	4	8	12	16	20
Fundamental		3	3	6	9	12	15
Significant		2	2	4	6	8	10
Marginal		1	1	2	3	4	5
		Likelihood					
		1	2	3	4	5	
		Remote	Unlikely	Possible	Likely	Very Likely	

Risk Score		Recommendation Rating
>=	<	
1	5	Minor Priority
6	10	Low Priority
10	13	Medium Priority
15	21	High Priority

**Internal Audit Assurance Ratings**

Each Internal Audit report completed provides a level of assurance of either Limited, Adequate or Substantial Assurance. The following table is a guide to how assurance levels are determined. Dependent on the nature of the recommendations raised, the Internal Audit function may increase or decrease the level of assurance provided. For example a single, very significant control weakness may give rise to only one recommendation but severely compromise the effectiveness of a system and therefore result in a limited assurance report, or on occasion an audit may give rise to recommendation numbers close to the thresholds shown below for two or more categories of recommendation.

<b>Assurance Level</b>	<b>Typical Findings</b>
<b>Limited</b>	Either: 2+ high priority recommendations, 8+ medium priority recommendations, or 13+ low priority recommendations
<b>Adequate</b>	Either: 1 high priority recommendation, 3-7 medium priority recommendations, or 7-12 low priority recommendations
<b>Substantial</b>	0 high priority recommendations, 0-2 medium priority recommendations, and 0-6 low priority recommendations

<b>Local Members Interest</b>
N/A

## **Audit and Standards Committee – 26th June 2017**

### **Internal Audit Charter 2017/18**

#### **Recommendation**

1. To approve the revisions to the Internal Audit Charter originally approved in June 2014.

#### **Report of the Director of Finance and Resources**

#### **Background**

2. The Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) Standard 1000 require that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Audit Charter. The Internal Audit Charter is a formal document setting out:
  - internal audit's position within the organisation
  - its reporting lines
  - access to personnel, information and records
  - the scope of internal audit activities
  - what the term Board means (e.g. the Audit & Standards Committee).
3. The need for an Audit Charter was a new requirement of PSIAS and the Audit & Standards Committee approved the detailed document at its meeting in June 2014. Since this date there have been a small number of revisions which require approval. The key changes made in 2017 are highlighted within the attached document in yellow and relate to the following areas:
  - Defines the key stages of individual audits undertaken using the risk based systems audit approach. *(page 5)*
  - Appendix 2 has been updated to include the revised and expanded criteria used to determine both the impact and likelihood ratings which inform the risk rating of audit recommendations. *(pages 16 & 17)*
  - Expanded details within the section regarding the 'Role of the Head of Internal Audit' to cover the arrangements/safeguards to be adopted when the Chief Internal Auditor (CIA) is required to undertake non-audit duties. *(page 10)*

#### **Equalities Implications and Climate Change Implications**

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

## **Legal Implications**

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

## **Resource and Value for Money Implications**

6. The net budget of the Internal Audit Section is estimated at £619,310 of which £49,500 relates to payments to external providers.

## **Risk Implications**

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

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## **List of Background Papers**

1. Public Sector Internal Audit Standards – revised with effect from 1<sup>st</sup> April 2017.
2. Local Government Application Note – with effect from 1<sup>st</sup> April 2013
3. Accounts and Audit (England) Regulations 2015.
4. CIPFA Statement on the Role of the Head of Internal Audit in Local Government 2010

# Internal Audit Charter 2017



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*The Charter is a mandatory requirement of the UK Public Sector Internal Audit Standards and CIPFA's Local Government Application Note. This document also takes into account the requirements of the CIPFA statement regarding the Role of the Head of Internal Audit in Local Government (2010).*



## 1. Introduction

This charter defines for the internal audit activity of the County Council, its purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS). It also aims to confirm relationships with key stakeholders. It is subject to annual approval by the Board<sup>1</sup>.

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

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

## 2. Mission and Core Principles of Internal Audit

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

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

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

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

<sup>1</sup> The Audit & Standards Committee is referenced in the PSIAS as the Board.

### 3. Purpose, Authority and Responsibility

#### Purpose

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

#### Authority

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

#### Responsibility

The CIA is required to provide an annual opinion to the County Council and to the Director of Finance & Resources (section 151 Officer) through the Audit & Standards Committee, on the adequacy and effectiveness of the risk management, governance and control environment for the whole organisation and the extent it can be relied upon, in line with the Accounts and Audit (England) Regulations 2015. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the County Council's needs, adds value, improves operations and helps protect public resources.
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.





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

#### 4. Scope

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

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

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

- Identify and record the objectives, risks and controls;
- Establish the extent to which the objectives of the system are consistent with corporate priorities;
- Evaluate the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon;
- Identify any instance of over/under control;

- Determine an appropriate strategy to test the effectiveness of controls;
- Arrive at a conclusion and produce a report leading to management actions and provide an opinion on the effectiveness of the control environment.

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

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

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

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

#### Fraud and Corruption Related Work

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

The Internal Audit Section will carry out a thorough investigation of all potential and actual irregularities in accordance with the Section's Fraud Manual. For employee related frauds, the investigation is dealt with under the Council's Staff Disciplinary Procedure and upon conclusion; the matter may be referred to the Police. It should be noted that if the offence committed is serious and/or high value, the matter may be referred to the Police prior to the disciplinary proceedings being concluded. In these instances, the Police will be made aware of the Council's on-going investigations. It is not the normal practice of Internal Audit to issue formal cautions to suspects under the Police and Criminal Evidence Act (P.A.C.E.) 1984.

It is the responsibility of the Director of Strategy, Governance and Change to decide, based on the advice from the Director of Finance and Resources and the appropriate Senior Leadership Team Member, whether there are sufficient grounds



for the matter to be reported to the Police. This is in accordance with the Council's Integrity Policy.

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

In particular:

a) Creation of an Anti-Fraud Culture:

- Raising awareness of the e learning package
- Adherence to the recommendations contained in the Fighting Fraud Locally Strategy.
- Circulation of the Fraud-Watch Publication
- Promotion of a Poster Campaign to raise awareness.

b) Deterrence

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

c) Prevention

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

d) Detection

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

e) Investigation

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

## **5. Stakeholder Roles and Audit Independence**

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

The CIA reports to the Head of Financial Strategy and Support who in turn reports to



the Director of Finance and Resources. Financial Regulation D.6 details alternative reporting lines if so required.

The extent of non County Council related audit work undertaken by the section shall be limited to that defined within the audit strategy unless approved otherwise by the Director of Finance and Resources.

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

All directly employed staff are required to make an annual declaration to ensure that Auditors objectivity is not impaired and that any potential conflicts of interest are appropriately managed in line with the requirements of the Code of Ethics within the PSIAS and the Nolan Committee's Standards on the Seven Principles of Public Life. In addition all staff complete an audit declaration as part of each review which requires any conflicts of interest or impairments to be disclosed. All Internal Audit Contractor staff are also required to declare any potential conflicts of interest at the start of any assignment to the CIA.

## 6. Audit Reporting

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

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

Distribution	High Risk	High Risk	Other	Major	Other
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	Reviews (Substantial Assurance / Adequate Assurance)	Reviews (Limited Assurance)	Reviews (Limited Assurance)	Irregularity / Special Investigation – (loss > £10,000)	Reviews (Substantial Assurance / Adequate Assurance)
Operational Manager	✓	✓	✓	✓	✓
Director of Finance & Resources	✓	✓	✓	✓	
Relevant Director	✓	✓	✓	✓	
Director of Strategy, Governance & Change				✓	
Local Member (where applicable)				✓	
Relevant Cabinet Member	✓	✓	✓	✓	
Deputy Leader and Cabinet Member – Finance & Corporate Matters		✓	✓	✓	
Audit & Standards Committee Members	✓	✓	✓	✓	

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

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

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

The CIA will have direct access to the Chief Financial Officer, Monitoring Officer, Head of Paid Service, Audit & Standards Committee Chairman and Members as required. The CIA will brief the Audit & Standards Committee Chairman regarding the content of Audit & Standards Committee agenda papers, including agreeing future agenda items and potential areas for training.

The CIA is responsible for the overall development of the audit strategy and annual internal audit plan, which demonstrates value for money to the organisation.

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

- The Internal Audit Strategy and Charter (incorporating detailed terms of reference); including any amendments to them are reported to the Audit & Standards Committee annually for formal approval.



- The annual Internal Audit Plan is produced by the CIA taking account of the Council's risk framework and after input from Members of SLT and the Council's External Auditor. It is then presented to SLT and subsequently Audit & Standards Committee for endorsement prior to approval by the Director of Finance and Resources.
- The adequacy, or otherwise of the level of internal audit resources (as determined by the CIA) and the independence of internal audit is reported annually to the Audit & Standards Committee. The approach to determining resources required is outlined in the Internal Audit Strategy.
- Performance against the Internal Audit Plan and any significant risk/control issues arising are reported to the Audit & Standards Committee.
- Annually to report the results of the quality assurance exercise to the Audit & Standards Committee.
- The CIA ensures that the requirements of the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note are met in full and adherence, together with any areas of non-conformance to these requirements reported as part of the annual review of the effectiveness of internal audit report to the Audit & Standards Committee. This will incorporate where the CIA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be put in place to limit impairments to independence or objectivity.

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

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

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

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

As the County Council completes its transformation into a Commissioning Authority the CIA must ensure that suitable clauses are included within Contract documentation to ensure that internal audit retains the right of access to documents/ personnel and

systems as and when required.

## **8. Role of the Director of Finance and Resources**

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

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

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

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

## **9. Role of Senior Leadership Team Members**

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

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

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

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

## **10. Responsibilities of the Audit & Standards Committee**



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

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

- The annual audit plan
- The annual assessment of Internal Audit to ensure that it meets the requirements set out in the Accounts and Audit Regulations 2015 and UK Public Sector Internal Audit Standards
- The results of the external assessment of Internal Audit which must be performed every 5 years wef April 2013 (n.b. this must be performed by 2018)
- Regular updates on progress against High Level Recommendations
- The annual outturn report including results of anti-fraud and corruption work / special investigations
- Copies of Fraud-Watch Publication
- A copy of the audit report for those reviews given an opinion of "Limited Assurance"
- A copy of the audit report for all major special investigations (i.e. those areas where the potential loss is greater than £10,000)
- A copy of the audit report/ briefing note for those reviews awarded the greatest risk score irrespective of opinion (The top 10 risk areas within the Audit Plan).

#### Note

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

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

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





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

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

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

## **12. Due Professional Care**

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

In order to demonstrate that due care has been exercised the internal auditor is expected to:

- Exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity
- Apply confidentiality as required by law and best practice, and
- Obtain and record sufficient audit evidence to support their findings and recommendations
- Show that audit work has been performed competently and in a way which is consistent with applicable audit standards.

## **13. Quality Assurance**

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

## **14. Audit Processes**



An Audit Manual will be produced detailing the procedures to be followed at each stage of the audit process including an instruction document for the operation of the electronic working paper solution. The content of the Manual will be reviewed regularly and will include details of the arrangements to be followed in the event of suspected irregularities. The CIA shall periodically ensure adherence to its content. SLT Members will be consulted on any significant changes to the Manual.



**APPENDIX 1**

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

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

**Response to audit reports**

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

**Internal Control and Check**

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



**Audit Opinions****Recommendation Risk Ratings**

At the conclusion of each audit, control weaknesses are rated based on their potential impact against the organisation, and likelihood of any associated risks occurring.

The scoring matrices below are used by Auditors as a guide to assessment of each control weakness, and therefore generating the priority rating of the resultant recommendation.

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

**Impact Ratings**

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

**Likelihood ratings:**

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



### Priority Ratings Matrix

Catastrophic	I m p a c t	4	4	8	12	16	20
Fundamental		3	3	6	9	12	15
Significant		2	2	4	6	8	10
Marginal		1	1	2	3	4	5
		<b>Likelihood</b>					
		1	2	3	4	5	
			Remote	Unlikely	Possible	Likely	Very Likely

Risk Score		Recommendation Rating
>=	<	
1	5	Minor Priority
6	10	Low Priority
10	13	Medium Priority
15	21	High Priority

### Internal Audit Assurance Ratings

Each Internal Audit report completed provides a level of assurance of either Limited, Satisfactory or Substantial Assurance. The following table is a guide to how assurance levels are determined. Dependent on the nature of the recommendations raised, the Internal Audit function may increase or decrease the level of assurance provided. For example a single very significant control weakness may give rise to only one recommendation, but severely compromise the effectiveness of a system and therefore result in a limited assurance report, or on occasion an audit may give rise to recommendation numbers close to the thresholds shown below for two or more categories of recommendation.

Assurance Level	Typical Findings
<b>Limited</b>	Either: 2+ high priority recommendations, 8+ medium priority recommendations, or 13+ low priority recommendations
<b>Adequate</b>	Either: 1 high priority recommendation, 3-7 medium priority recommendations, or 7-12 low priority recommendations
<b>Substantial</b>	0 high priority recommendations, 0-2 medium priority recommendations, and 0-6 low priority recommendations



<b>Local Members Interest</b>
N/A

## **Audit and Standards Committee – 26th June 2017**

### **Proposed Internal Audit Strategy & Plan 2017/18**

#### **Recommendations**

1. To review the proposed content and coverage of the Internal Audit Strategy and Plan 2017/18.
2. To recommend approval of the Internal Audit Plan for 2017/18 to the Director of Finance and Resources.

#### **Report of the Director of Finance and Resources**

3. The proposed Audit Plan is attached at Appendix 1 and will be supported by a PowerPoint presentation. The plan has been prepared following with members of the Senior Leadership Team (SLT) Wider Leadership Team (WLT) and Operational Management where appropriate during the period March to April and is presented to Members for final endorsement.
4. The Audit Plan has been prepared in line with the Audit Strategy detailed in the report on page 3. All potential reviews have been allocated a risk score, which has been calculated using the risk model and the specific methodology outlined in the report at Appendix A. Resources have been increased in order to deepen audit coverage of the enhanced risks in the current challenging environment. In general, only the high-level risk areas have been included in the summary plan as per the strategy. Furthermore as part of the agreement process for this year's plan, detailed discussions were held with the Strategic Leadership Team Members and Commissioners to highlight the Internal Audit work proposed to ensure that it addressed the significant risks facing the Council and assisted in the achievement of the main priority outcomes. Consequently, as in previous years it is anticipated that this improves the level of certainty regarding delivery of these audits within 2017/18.
5. Certain elements of the plan must be done regardless of risk score, mainly surrounding the work undertaken to support the requirements of grant allocations. Emphasis will continue to be placed on fraud and corruption work, particularly in relation to developing the proactive elements of the plan and increasing the profile of the Counter Fraud work. Compliance work within Schools will continue to focus on the key risk areas of income, procurement and payroll controls.
6. A general level of contingency time has been included, which is lower than in previous years. It is recognised that the Audit Plan needs to be continuously reviewed and remains sufficiently flexible to ensure that it is fully focused on the principal risks and hence may change throughout the year. Any major revisions will be reported to future meetings of the Audit & Standards Committee.

7. In line with the Audit Strategy, the top risk audits/reviews for the County Council have been assessed as being:
- Staffordshire & Stoke on Trent Partnership – Contract Management
  - Brokerage Services
  - SAP Replacement Programme – suite of reviews
  - Care Director Upgrade
  - Core Payroll & Schools Payrolls – retained Client and Control Function
  - Liberata Payroll System
  - Capital Receipting Transformation
  - Cyber Security – Incident Preparedness & Response Effectiveness
  - Strategic Property Asset Management and Governance
  - Corporate Scheme of Delegations
  - Service & Commercial Contract Management Arrangements
  - Procurement – Commercial Services
8. CIPFA's Audit Committees – Practical Guidance for Local Authorities 2013 publication includes the following core functions around Internal Audit relevant to the annual plan approval process:
- to ensure that the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Internal Audit opinion.
  - to confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risk and priorities during the year.
  - to ensure that there are sufficient resources within Internal Audit to deliver the plan.

### **Equalities Implications/ Legal Implications/ Risk Implications**

9. There are no direct equalities implications arising from this report.
10. Whilst there are no direct legal implications arising from this report, the Accounts and Audit (England) Regulations 2015 specifically require that a relevant body must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
11. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

### **Resource and Value for Money Implications**

12. The net budget of the Internal Audit Section is estimated at £619,310 of which £49,500 relates to payments to external providers.



## Climate Change Implications

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

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Internal Audit Strategy & Plan  
2017/18





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## Introduction

1. This report summarises the proposed work of Internal Audit for 2017/18. This has been developed in line with the Internal Audit Charter. The aim is to give an overview of areas to be covered during the year and to provide an opportunity to comment on the proposed coverage.
2. The audit plan has been developed to allow sufficient flexibility to respond to change which will happen during the year. Whilst every effort is made to deliver the plan as shown there will always be the need to respond to emerging risks and changing circumstances. The plan is therefore a statement of intent – our liaison meetings with senior management will ensure that it is reviewed regularly.
3. Internal Audit is a statutory service required by the Accounts and Audit Regulations 2015. It is also a key source of independent assurance for management, designed to add value and improve how the Council operates. The results of our work feed into the Council's Annual Governance Statement.
4. The work is performed in conformance with the UK Public Sector Internal Audit Standards (PSIAS). These require that the scope of Internal Audit covers the whole range of the Council's activities, seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the County Council, which has been established to:
  - Achieve strategic objectives.
  - Ensure effective and efficient operational systems and programmes.
  - Safeguard assets and interests of all kinds.

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

## Our Internal Audit Strategy

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

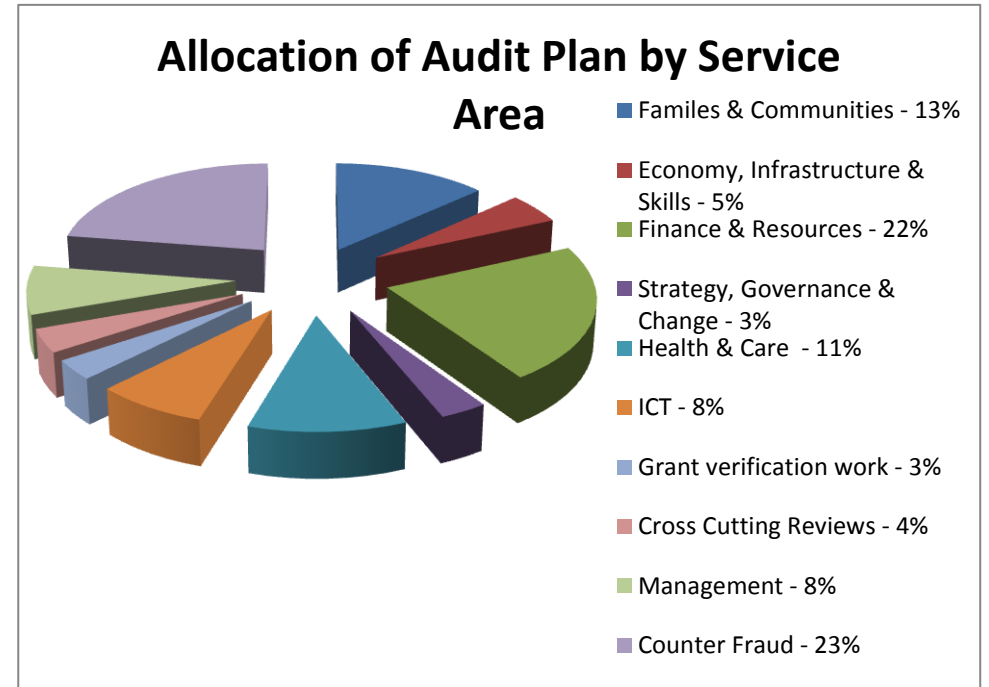
- Assurance reviews with a high risk (i.e. >60%) ranking should be completed subject to variation as agreed with the Director of Finance & Resources.
- Identification of 'Top Ten Risk' Reviews.
- Fundamental Financial systems – reviewed on a cyclical basis.
- A risk based Schools' audit strategy, approved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

9. We will work to co-ordinate our work on the key risk areas with the Council's External Auditors, Ernst & Young (EY) during 2017/18 through having a joint understanding which agrees where EY may consider the results of our work. This ensures that the Council gets the most out of its combined audit resource – keeping audit fees low.

### Draft Internal Audit Plan 2017/18

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

**Figure 1 – Analysis of Audit Plan**



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

1. Staffordshire & Stoke on Trent Partnership – Contract Management
2. Brokerage Services
3. SAP Replacement Programme
4. Care Director Upgrade
5. Core Payroll & Schools Payrolls – retained Client and Control Function
6. Liberarta Payroll System

7. Capital Receipting Transformation
8. Cyber Security – Incident preparedness & response effectiveness
9. Strategic Property Asset Management and Governance
10. Corporate Scheme of Delegations
11. Service & Commercial Contract Management Arrangements
12. Procurement – Commercial Services

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

**Draft Counter Fraud Audit Plan 2017/18**

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

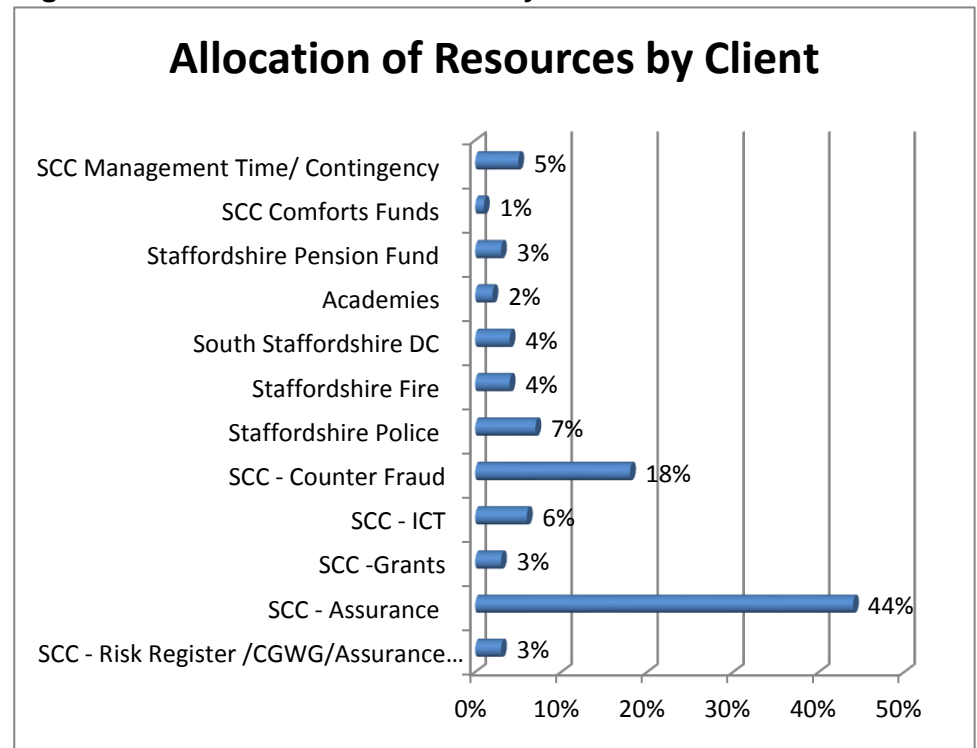
**Resources**

- The total resource requirement for Staffordshire County Council in 2017/18 is 2099 days. This represents an increase of approx. 416 days in the level of coverage delivered in 2016/17 as a result of the decision taken to increase the level of investment within the internal audit team by the Director of Finance & Resources in order to deepen audit coverage of the enhanced risks in the challenging environment.
- The Section also provides and receives income for the delivery of the internal audit service/management, for the following External Clients:
  - Staffordshire Police
  - Staffordshire and Stoke on Trent Fire & Rescue
  - South Staffordshire District Council
  - Staffordshire Academies (via Entrust)
  - Staffordshire Pensions Fund
- The net income generated from this arrangement is £166,720 p.a.
- The delivery model for the Internal Audit Service is mixed – a combination of in-house staff and external staff via a Framework

Contract. This allows the section to be flexible and respond to peaks and troughs in demand and to buy in specialist resources as required. Use of the external framework will recommence in 2017/18.

- There are sufficient resources available to deliver the audit plans as detailed in Appendices B, C and D. This helps to ensure that the Council meets the requirements of the Accounts and Audit Regulations 2015 for maintaining an adequate and effective internal audit function and governance, risk and internal control environment.

**Figure 2 – Allocation of Resources by Client**



## Performance & Quality Assurance Framework

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

**Figure 3 – Current Performance Measures**

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



## Appendix A – Planning Risk Assessment Methodology

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### 1. **Materiality X 2**

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

### 2. **Impact/Sensitivity X2**

- a) *Links to Strategic Plan 2017-2020/Political sensitivity*  
1=No links to Strategic Plan/ and/or no political sensitivity  
2=No links to Strategic Plan / and/or minimal political sensitivity  
3=Indirect links with Strategic Plan/ and/or low level of political sensitivity  
4=Direct links with Strategic Plan/ and/or medium level of political sensitivity  
5=Direct links with Strategic Plan/ and/or high level of political sensitivity
- b) *Non-financial impact e.g. reputation*  
1= Managed /reported to Business Unit -Local Media (short term duration)  
2= Managed /reported to Heads of Service. Local media (Medium/Long Term duration)  
3= Managed /reported to Senior Leadership Team and Members Regional media (short term)  
4= Managed /reported to Members and Cabinet Regional/National media (Medium/ Long Term duration)  
5= Third Party intervention Public Interest Group, National/International media (Medium/Long Term duration)
- c) *Contained in the Corporate Risk Register*  
1 = No  
5 = Yes
- d) *Key Partnership* - This considers how important the partnership is to the achievement of the Councils Outcomes. Failure to deliver the objectives of the partnership poses a significant risk to the Organisation.  
1 = No  
5 = Yes

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

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

### 4. **Time since previous audit**

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

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

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

### 6. **Fraud**

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

### 7. **Stability of the System**

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

## Appendix B – Draft Internal Audit Plan 2017/18

Area	No of Days	Indicative Scope
<b>Families &amp; Communities – Helen Riley</b>		
SEND Transformation - Transport	25	A short term governance structure has been put in place for SEND transport whilst the SEND service is undergoing a transformation process, with new arrangements for transport expected in September 2017. Two audits will be conducted within this area – 1. An early review of the short term governance arrangements for the transport process. 2. A review of the redesigned system to ensure compliance with the new policy and procedures to ensure the system is managed more effectively.
Specialist Safeguarding Units Child Protection Section 47 enquiries	15	To review the application of the child protection procedures to ensure both teams are following due process in regard to; adherence to timelines, correct recording, decisions made at appropriate points and checks being made with partner agencies. The review will not cover the appropriateness of the decisions made by the teams.
Independent Futures - Children's Disability Teams - Direct Payments	15	The audit will review the accounting and administrative arrangements for direct payments including the regularity of financial reviews, monitoring arrangements and the claw back of surpluses in Direct Payment Accounts. Also the audit will provide assurance that direct payments are in line with the child's support plan and that the social worker is undertaking regular checks.
Trading Standards	15	The review will cover the following areas: i) compliance with the procedures for property (seizure and disposals) ii) access to stores and completion of appropriate paperwork. iii) the procedures for test purchasing and purchase cards usage. The Audit & Standards Committee requested that a follow up audit be undertaken in 2017/18 on receipt of the limited assurance report at its meeting in March 2017.
SEND General	10	The service has undertaken a self-assessment and produced an action plan. Internal Audit will review progress against the action plan to provide independent assurance that it is being completed.
Care Proceedings - Public Law Order process.	10	The Care Planning and Court Teams are now working together to bring cases to court more efficiently. There have been revised procedures for the transfer of cases involved in care proceedings relating to the Public Law Outline process. Management has requested independent assurance that each stage of the process is being followed in accordance with the procedures, that files are in order and that Children and Families teams are prepared appropriately.
SEN Statements/Education & Care Plans	10	There is a requirement to convert all (100%) SEN Statements into Education and Care Plans by April 2018. The review will ensure that the appropriate processes are in place to ensure that all Statements are converted by the due date.
Youth Offending Service (YOS)	10	Following an external inspection by Her Majesty's Inspectorate for Probation, assurance over the management of reparation hours for young people, to ensure the service is enabling them to be completed in a timely manner will be undertaken.
Pupil Premium Grant - Free School Meals	10	Free school meals (FSM) are used to calculate Pupil Premium Grant (PPG), which should be used to improve performance of pupils receiving FSM. The audit will review the way in which schools manage the PPG to improve the performance of pupils to which it is being targeted.
Families & Children's System	5	The Families and Children's system is under review and a paper will go to Cabinet in June 2017 on a proposal for a new operational model, aimed at reducing demand for services and improving outcomes for children and families. There is no specific work for Internal Audit in 2017/18, however days have been included in the audit plan to provide advice on the control environment as the service develops.

SEND Transformation - wider service review	3	The service is under review to redesign support for people with SEND to ensure they maximise their independence. The initial check process has been undertaken and a project action plan is being developed. A specific review will not be performed but Internal Audit will monitor process during 2017/18 to ensure that it is meeting its timescales.
Primary/Middle/Special Schools Compliance Audit	50	Compliance with approved policies and procedures for key risk areas in accordance with Keeping Your Balance standards.
High Schools Compliance Audit	30	Compliance with approved policies and procedures for key risk areas in accordance with Keeping Your Balance standards.
Themed Audits in Schools	50	Audit work will review the procedures operating in a sample of school to ensure they are in accordance with Authority policy. There will be at least one theme per annum which could include the following areas; safer recruitment, community facilities, out of hours payments or payroll services.
Academies Conversion requirements and development/charging	10	Falls under the responsibility of Entrust with effect from 1st April 2013. Audit information required as part of the conversion to academies.
Public Protection - Claims Management Regulation Unit	12	To ensure that the financial processes and controls are operating as expected for the receipt and banking of income and to follow up the previous recommendations relating to expense claims.
<b>Total No of Days</b>	<b>280</b>	
<b>Economy, Infrastructure and Skills – Darryl Evers</b>		
Infrastructure + Contract (Amey)	40	To provide on-going assurance over the Infrastructure+ Contract awarded in March 2014 (£40m p.a.). Internal Audit assurance is required in the following areas during 2017/18:-  i) the commissioning role of SCC and how this is being fulfilled since contract commencement ii) an evaluation of the management systems and assurance processes covering the operations of the I+ contract i.e. the Quality Management Systems, Finance Manual and Amey's sources of assurance (their own IA activity) iii) Follow-up the recommendations made in the 2016/17 governance and performance management framework reviews
Local Enterprise Partnership	15	To review the decision making and governance arrangements of the Local Enterprise Partnership in terms of setting a clear vision and operating under a clear governance framework, securing and accounting for funding, managing performance of regeneration schemes and achieving milestones and outcomes. In 2017/18 specific areas to be covered include :-  (i) A review of the SSLEP's new assurance framework following the publication of the national single assurance framework by DCLG in November 2016 and to test compliance with framework; and (ii) A review of funding received via the SSLEP to support the skills and Employability agenda.
Waste Management - District Council Payments (Recycling Credit Scheme and Trade Waste)	15	The Council procured a new Waste Data Management System in 2016. To conduct a review of the new system arrangements which will cover:-  i)Data management arrangements in place (input and access controls); ii)Performance management reporting arrangement; iii)Quality Assurance checks. iv) Assurance will also be provided over the procurement of the new IT system including any data migration requirements.
Business Continuity Management /Emergency Planning	15	Exercise Aurora took place across Staffordshire in September 2016. To review the recommendations/improvement plan relating to SCC to confirm that appropriate and timely remedial actions have been taken where weaknesses have been identified.
Developers Contributions (S106s)	15	To provide assurance that there are sound systems, processes and controls in place relating to calculation, recording, monitoring, payment and accounting for developers contributions (financial and non-financial) in relation to the community

		infrastructure (S106 agreements).
Local Highways Maintenance Incentive Fund	5	In November 2015, the Department for Transport (DfT) announced £250 million further funding for a dedicated Pothole Action Fund. From this funding, £578 million has been set aside for an Incentive Fund scheme, to reward Councils who demonstrate they are delivering value for money in carrying out cost effective improvements. For 2016/17, the Council received £1.125m as part of the incentive scheme. To undertake an independent verification of the self-assessment sent to the DfT to ensure that answers have been appropriately evidenced and substantiated.
<b>Total No of Days</b>	<b>105</b>	
<b>Finance &amp; Resources – Andy Burns</b>		
SAP Replacement Programme (Integra Financial system)	60.	The SAP Financial System will be replaced during 2017 with the Integra Finance System. On-going Internal Audit activity will be required during 2017/18 to provide assurance over the following areas:-  <u>General Audit Time</u>  i) Attendance at Steering Group; ii) Process Evaluation leading up to sign off of blue prints; iii) Sign off of blue prints for S2C; P2P; NML and Reporting; iv) Integra Control Function; v) New exchequer function (merger of payments and income functions); vi) Integra Roll out to Schools; and vii) Training.
Procure 2 Pay (P2P) - (Integra)	40	During 2017, Procure 2 Pay , the Council's new purchasing and payment solution will go live. Time will be required in 2017/18 to evaluate key controls operating around the P2P module. Scope of work to include:- i) Orders are raised for all relevant purchases. ii) Orders are complete, accurate, authorised and appropriate to the County Council's needs. iii) Invoices are released for payment only under a valid order. iv) payments are complete, accurate and valid (urgent, BACS, cheques). v) VAT and Construction Industry Tax is treated correctly. vi) System reports are accurate, timely and acted upon including compliance with the transparency code. vii) Adequate vendor management controls are in place. viii) Adequate supervision and management structures/ arrangements are in place.
Commercial Services (Procurement)	30	During 2016/17, the commissioning and procurement functions have been reviewed with a view to reshaping the Commercial Services Team (previously Staffordshire Procurement) and redesigning processes including use of a contract management system/register; the revision of the Council's Procurement Regulations; use of the new financial system, Integra and improvements to procurement training, procedures and guidance provided to staff.  In 2017/18, assurance that the Council's new procurement regulations are being complied with as well as assurance over the new ways of working is to be evaluated. This year's work will be split into <b>two</b> reviews:-  (i) procurement for goods, works and services below £25k (Commercial Services Team not involved in these procurement exercises - devolved to services); (ii) procurement for goods, works and services over £25k (Commercial Services Team are involved in these procurement

		<p>exercises).</p> <p>For both reviews, compliance with procurement regulations; maintenance of contract documentation and the contract register; adequacy of training and guidance will be evaluated. Samples will be taken from an analysis of vendor spend during 2017/18. Schools procurement is covered as part of schools audit reviews.</p>
Strategic Property Asset Management and Governance	30	To review the property governance structure including the new framework for decision making.
Service & Commercial Contract Management Arrangements	25	<p>Contract management is carried out in varying forms across the Council. The Commercial Services Team may be involved in contract management. Also service areas may do their own contract management i.e. I+/Penda Property Partnership. In 2017/18, the management of contractors will change with the implementation of Integra which will have within it a contracts register. For a sample of current contracts let across Council (sample to cover several contracts (including the Entrust SDA contract) which are contract managed by the Commercial Services Team and also locally within the specific directorate) evaluate the service and commercial contract management arrangements in place to ensure that:</p> <p>(i) adequate arrangements are in place relating to monitoring contractor performance and payments made under the contract;  (ii) regular benchmarking to ensure VFM; and  (ii) there is formal guidance to provide consistency of process.</p> <p>The outcome of this audit work will inform whether the Council is carrying out the right level of contract management.</p>
Core Payroll & Schools Payrolls - Retained Client & Control Function	25	To provide project support for the design of the payroll retained Client & Control function (Core and Schools), providing advice regarding process design and controls incorporating the functions previously undertaken by the in house team where appropriate. During the final quarter of the year a separate audit will be carried out to review the arrangements operating within the payroll retained control function (core and schools payrolls) to ensure that processes are operating as intended. IA activity will also review the arrangements in place in relation to schools payrolls for assurance on employees and employers contribution payments into the pension fund.
Liberata Payroll System	25	<p>During 2017, the Council's payroll will be provided by Liberata (based at Worcestershire County Council), using the iTrent payroll system under a service contract. Within the first six months of the contract, it has been agreed that SCC Internal audit will review the processes in place within the iTrent Payroll System to ensure that the control environment continues to be robust and is operating as expected including Payroll BACS controls.</p> <p>Letters of Assurance will be obtained from Third Party School Payroll Providers regarding the controls in place for the Council's School's payroll.</p>
Budgetary Control	25	The audit will examine key controls relating to the Council's revenue budgetary control system of the County Council to allow budgets to be appropriately set, approved, monitored and reported upon following the implementation of the new financial system Integra.
Sales 2 Cash (S2C) (including operations of Debt Recovery Officers and the Legal Debt Recovery Officer )	25	<p>Previous reviews of debt management have identified a number of issues and a limited assurance opinion was given in 2016/17. This function will also change with the implementation of Integra (Sales to Cash module). The review will cover:</p> <p>i) Raising of debtor accounts;  ii) Controls over credit notes and refunds;  iii) Arrangements for debt recovery;  iv) Allocation of Income to debtor accounts;</p>

		v)Write-offs; vi)Monitoring and reporting arrangements
SAP Replacement Programme (Liberata (iTrent)Payroll System)	20	The SAP Payroll system will be replaced during 2017 with the iTrent HR & Payroll System. Ongoing Internal Audit activity will be required during 2017/18 to give assurance over the following areas:-  <u>General Audit Time</u> i) Continued attendance at Liberata Design Authority Meetings; ii) Process Evaluation and Blueprints; and iii) Evaluation of Training and roll out of processes.  <u>See separate ICT Planned time for</u> i) SAP Payroll archiving; ii) SAP Payroll decommissioning; iii) Data migration; iv)Internal ICT controls and processes..
Capital Receipting Transformation	20	Over the next two years, the Council is aiming to generate £30million from property disposals to support the MTFS. This requires co-ordination of property assists across the Council. Time will be required in 2017/18 to assist with this project and the scope of the audit will include:  i)Governance arrangements including decision making and approvals to dispose; ii)Monitoring and reporting upon property capital receipting.
Recruitment - Core	15	To review the end to end recruitment process across the Council once the iTrent system has been implemented. Scope of the audit to include use of the recruitment portal and interfaces with iTrent, where appropriate, pre recruitment checks; eligibility to work in the UK and compliance with the Council's recruitment and selection procedures.  Letters of Assurance will be obtained from Third Party School Payroll Providers regarding the controls in place for the Council's Schools recruitment processes should this function be provided under their payroll contract.
Nominal Main Ledger (Main Accounting including bank reconciliations)	15	The audit will examine key controls relating to the Council's main accounting system including bank reconciliations following the implementation of the new financial system Integra. .
Mileage & Subsistence expenses - Officers	15	This area will be subject to change during 2017/18 with the development of self-service arrangements. The audit will review the arrangements in place to process and pay mileage and subsistence claims. Scope of work to include:-  (i) policies, procedures and training; (ii) claims submitted are accurate, complete and valid; (iii) authorisation controls; (iv) controls over parameter data; (v) adequacy of reporting and monitoring; (vi) accounting for VAT where appropriate.
Purchasing Cards	15	RBS is the purchase card provider for the Council's purchasing cards. Circa £250k is spent per month via a purchase card and there are around 1000 purchase cards issues across the Council. This will increase further during the year with the continuing reduction in imprest accounts. During 2017/18, purchasing cards are due to be reissued as part of the periodic re-issue programme. In addition, there will be changes to the use of purchasing cards with transaction limits being increased to

		£3k. It is therefore prudent to continue to keep this area under review in 2017/18 to ensure that the issue, administration and monitoring of purchase cards is controlled. The audit review will focus on both the central controls operating by the Payments Team and the controls operated locally at a sample of establishments..
Capital Property Works - Planned (Schools & Non Schools)	12	To undertake a contract monitoring audit of the capital property works provided by Entrust to ensure that contractual performance standards are effectively monitored, managed and reported upon and that payments to Entrust are made in accordance with the contract terms and are for works carried out to the right standard.
Facilities Management - Planned & Reactive Property Maintenance Works (schools and non-schools)	12	To undertake a contract monitoring audit of the facilities management services provided by Entrust for planned and reactive property maintenance works to ensure that contractual performance standards are effectively monitored, managed and reported upon and that payments are made in accordance with the contract terms and are for services received to the right standard. (Schools and non- schools)
IR 35 Legislation (Personal Services Companies)	12	From 6th April 2017, new legislation, known as IR 35, came into force for public sector bodies which changed the way that public sector bodies engage with 'off payroll workers'. Internal Audit will review the new arrangements to provide assurance over compliance with the new IR 35 legislation. This audit will also include the follow up of previous recommendations made in this area.
E - Payments	10	<p>SCC has procured a totally managed/hosted e-payments system from Capita known as AIM (significant upgrade to the old system). The new system went live in December 2016. This area will also be impacted on by the new financial system, Integra. The audit will provide assurance over the continued robustness of the control environment for e-payments in 2017-18.</p> <p>*For information, the level of income received via e-payments has significantly increased since 2015/16 with income from bus lane enforcement, car parking fixed penalty notices and blue badges income all being received via this mechanism. Circa £7m per annum</p>
Business Continuity Management (BCM)- Supply Chain Management	10	<p>The focus of this year's internal audit review is to review the business continuity management arrangements in place for those critical services which have been outsourced to an external provider to ensure that appropriate arrangements are in place in the event of a major issue affecting the supply chain. Scope of work to include:-</p> <p>i) a review of contractual requirements in relation to BCM:  ii) Evidence supporting a contractor's BCM requirements (and the role of the Civil Contingencies Unit(CCU) in this);  iii) evidence of BCM testing undertaken on a contractor's BCM arrangements (and the role of the CCU in this);  iv) monitoring and reporting arrangements in place including compliance with the supplier financial appraisal strategy.</p>
Banking Services Contract - Deputyships	5	Time will be required during 2017/18 to provide advice and guidance on the Deputyship's Team's bank accounts and the possible transfer of accounts from the Allied Irish Bank to Lloyds bank.
Insurance	3	IA will continue to provide the fidelity guarantee renewal under writing information in relation to systems and controls.
Medium Term Financial Strategy - Delivery Plan	15	<p>The MTFs for the 5 year period 2017 to 2022 requires additional savings of £66m. Our work in 2014/15 gave this area adequate assurance. In 2015/16, audit work reviewed the business planning process and how the I&amp;E process was embedded within business planning (also adequate assurance).</p> <p>In 2016/17, the governance arrangements for MTFs savings changed with a delivery plan being developed which is overseen by the Insight, Planning and Performance Team which references MTFs savings. Corporate Finance also have their own governance arrangements for recording and reporting savings. In 2017/18, Internal Audit activity will review a sample of savings relating to both Business as Usual (BAU) and the Transformation Programme included in the MTFs and will assess the robustness of plans/structures/management awareness/Links between Project Managers and Finance teams etc. in order</p>

		to identify, monitor and deliver these. The governance arrangements underpinning the delivery plan process will also be assessed in relation to the scrutiny, challenge and reporting of MTFs Savings to management and members including the links to Corporate Finance.
<b>Total No of Days</b>	<b>464</b>	
<b>Strategy, Governance &amp; Change– John Tradewell</b>		
Corporate Governance - Scheme of Delegations	25	Scope of work in 2017/18, will ensure the adequacy of and adherence to the Council's Scheme and Sub Schemes of Delegation and in particular to: i) review the schemes of delegation across all levels of the organisation from members to officers to see if they are still fit for purpose ii) review a sample of Council functions where delivery is provided by an alternative delivery model i.e. outsourced/strategic partnership to confirm how this is reflected in the relevant sub Schemes of Delegation. iii) follow up on the recommendations made as part of the 2016/17 audit review.
Deputyships	15	In April 2014, the Deputyships function transferred from People (Adult Safeguarding) to Strategy, Governance & Change (Legal Services Unit). A limited assurance opinion was given of this area in 2015/16. As there have been several changes in this area in 2016/17, a high level review will be undertaken along with a follow up of the recommendations from 2015/16.
People Helping People (PHP): Community Capacity - Volunteer Strategy including use of volunteers	10	As part of the PHP agenda, a Capacity Building Partner has been procured and a four year contract went live on 1 August 2016. In 2017/18 the audit will evaluate:-  i) the governance arrangements which underpin the partnership; ii) arrangements in place for contract managing and mentoring the performance of the partner; iii) the arrangements for reporting on outcomes and achievements; iv) for capturing savings made as a result of building community capacity via the contract.
Deprivation of Liberty Safeguards (DoLS)	10	The Deprivation of Liberty Safeguards (DoLS) are part of the Mental capacity Act 2005. They aim to make sure that people are looked after in a way that does not inappropriately restrict their freedom. The number of Deprivation of Liberty Safeguards (DoLS) referrals has increased significantly from 289 referrals in 2013 to over 3000 in 2016/17. The increase in caseloads has concerned management and Internal Audit has continued to review this area over the last few years.
Strategic Workforce Planning including Apprenticeship Levy	10	To review and evaluate:-  i) how strategic workforce planning links into the strategic and service planning process; ii) how the council identifies the skills needed within the authority; iii) the Council's arrangements in place to manage apprenticeships from April 2017 and access to the levy and reporting arrangements; iv) how functional changes/restructures impact on workforce planning; and v) vacancy management and succession planning. vi) management of the digital account
<b>Total No of Days</b>	<b>70</b>	
<b>Health &amp; Care – Richard Harling</b>		
Brokerage Service	45	Changes in the S75 agreement with SSOTP have led to the long term care budget being transferred back to the Council. A new centralised brokerage service has been set up to enable the Council to provide consistency of service across all client functions, as well as providing timely performance and financial information to underpin its operations. The brokerage pathways have been redesigned and management see this as a critical risk, thus have requested this area be reviewed and there will be three audits in this area:



		<p>i) Review of redesigned pathways, how well are they working and how disciplined is the process. This will be an early review in May/June 17.</p> <p>ii) Review of compliance with procedures to ensure that they are still being applied and the model is fit for purpose.</p> <p>iii) Performance Management arrangements, how are they working and is there effective governance.(15 days)</p> <p>Scope for all three audits to be developed further with commissioner.</p> <p>The dynamic purchasing system (DPS) is part of brokerage and this will be reviewed separately – see the Residential and Nursing audit on the plan.</p>
Staffordshire & Stoke on Trent Partnership NHS Trust - Contract Management	25	A new Section 75 agreement with SSOTP came into force from 1 <sup>st</sup> April 2017. New contract management and performance monitoring arrangements will be in place to ensure the contract terms and conditions are being met. Internal audit will review the contract management arrangements in place by the service to ensure that contractual performance standards are effectively monitored, managed and reported upon and that payments to SSOTP are made in accordance with the contract terms.
Care Director Upgrade - process review	20	To provide Internal Audit support as required in the redesign of systems and processes in relation to the upgraded system which will go live in 2017.
Residential and Nursing Care	20	New contracts have been awarded and implementation in 2017/18. A new dynamic purchasing system (DPS) will be in operation to enable the brokerage team and providers to provide a more efficient operation for the award of residential care placements. The review will provide assurance over the process to ensure that commissioning intentions have been achieved.
Home and Community Care Contract	15	Domiciliary Care contracts are being tendered currently with an implementation date during September 2017. Depending on the implementation date, a post tendering review as to whether the process was effective in terms of affordability, quality and price will be undertaken.
All Age Disability - Supported Living	15	New framework contract is in place with effect from 1 <sup>st</sup> April 2017. There will be separate outcomes and performance frameworks in place. The review will provide assurance over the contract management and monitoring arrangements with specific reference to the performance framework in 2017/18. Further work will be undertaken in 2018/19 on the outcomes framework once it has had time to embed.
Appointeeship Steering Group	15	A review of the S75 Agreement with Staffordshire and Stoke on Trent Partnership Trust means that they will cease to be responsible for the administration of appointeeships from 1/4/2018. A Steering Group has been set up to consider the options available for the administration of appointeeships. Internal Audit will sit on the Steering Group. Time has been included to cover any audit work arising as a result of work streams being set up.
Fairer Charging and Welfare Benefits	20	An internal review of the fairer charging and welfare benefits process that is carried out by District Councils is being undertaken. Internal Audit has been asked to assist with the review of the aged debt process to ensure timely collection and recovery particularly in relation to that secured against property..
Better Care Fund - Pass through money	10	The County Council has received pass through money (previously known as S256) circa £ 16.5 million in 2016/17. This funding has been split with both the SSOTP and SCC undertaking schemes that meet the eligibility criteria. The CCGs require assurance from the Council that the funding has been spent in accordance with the relevant terms and conditions.
Direct Payments - Prepaid cards	10	The method for administering direct payments is under review with the option to use a pre-paid card system. In 2017/18 Internal Audit will review the business case for this proposal and advise on the internal control environment to ensure that adequate controls are designed and are in place.
Substance Misuse (Alcohol & Drugs Programme)	10	To review the revised contractual arrangements to ensure that contracts and service quality issues are being appropriately monitored.

Mental Health: Recuperation of health contributions	10	Previously Internal Audit reviewed the arrangements for the agreement and recuperation of health contributions towards the payment of care costs for the provision of Mental Health Support packages. This was a consultancy exercise undertaken at the request of management which identified some high level risks. This work will be followed up in 2017/18, additional work will be required as to whether the process for placement/funding agreements with CCGs are operating effectively.
All Age Disability - Individual Service Funds	10	A pilot of Independent Service Funds with three providers went live in February 2017, with other providers joining from 1 <sup>st</sup> April 2017. New procedures and guidance has been issued and Internal Audit will provide assurance over compliance with procedures.
Crowd Funding	5	As part of the wider of People Helping People agenda a Staffordshire Crowd Funding Platform will be developed to identify a clear pipeline of opportunities to maximise social investment into Staffordshire. Initial investment towards projects will be £50,000 based on whether a project meets SCC criteria for funding. Internal Audit involvement will be a review of the policy and guidance
<b>Total No of Days</b>	<b>230</b>	
<b>ICT – Andy Burns</b>		
SAP Replacement	60	The following areas will be covered for both Integra and iTrent: i) system security ii) data migration iii) user acceptance testing iv) data archiving & SAP decommissioning v) interfaces with the Integra system including all feeder systems e.g. Care Director, Payroll
Cybersecurity - Incident Preparedness and response effectiveness.	20	Based on the NIST Cybersecurity framework, this audit will seek to provide management with an assessment of the Councils cybersecurity preparedness and response effectiveness. This will include the assessment of the following areas: Asset management, Governance (including ownership, accountability and policies/strategies), cybersecurity risk management, response and recovery planning and communications.
Care Director Upgrade - IT Audit	20	To review the governance arrangements for the Care Director System v5 upgrade and the proposed benefits realisation. Further work to be undertaken includes: i) user acceptance testing arrangements ii) examination of the controls in place for Interface/Interconnections with other business systems including the NHS Personal Demographic Service (Spine) iii) examination of the controls in place to ensure the successful migration of Care Director data to the new system iv) benefits realisation at the conclusion of the upgrade project.
IT Disaster Recovery	15	The review will consider the following key areas that: i) responsibilities for the management and operation of IT disaster recovery arrangements are well defined. ii) an effective risk assessment has been carried out to identify the business and IT systems critical to the organisation. iii) preventative measures are in place to reduce the risk and impact of an IT disaster. iv) procedures allow the recovery from a partial or total loss of computing and business services in a controlled manner. v) there is a robust testing regime in place.
Kingston Data Centre Move	10	The review will cover the following areas to ensure that: i) adequate project governance arrangements in place for the Data Centre move project. ii) adequate physical and environmental controls are in place at the new Data Centre.
Staffordshire ICT (SICT) Governance	12	To undertake a high level review of SICT Governance arrangements. The audit will establish whether key stakeholders are fully informed of IT objectives and strategies. It will also determine if a relationship exists between IT and business objectives

		and if this relationship has been established through participation between both IT and business management.
TRIM (records management)	12	There will be an increased use of the Trim document storage system following the introduction of the itrent HR/Payroll system. The review will cover the following areas: i) to ensure that the application and database servers are secure and conform to best practice. ii) to ensure that data management and security best practices are also conformed to including access to data and data retention.
Cloud Procurement	15	The review will evaluate the procurement arrangements for situations where sections wish to acquire cloud based services in order to deliver their service functions. Attention will be given to arrangements in place to ensure that the correct procedures/protocols are followed in the procurement of cloud services
<b>Total No of Days</b>	<b>164</b>	
<b>Grant Verification Work</b>		
Superfast Broadband for Staffordshire Project	5	The superfast broadband for Staffordshire programme costs circa £20m (phase 1) and £2m (phase 2). This area has been subject to review by BDUK and positive assurance has been received. However, there is a requirement for the end of year monitoring report to be verified and signed off by the Chief Internal Auditor. This is required to be carried out by the end of June 2017 and therefore time is required in the audit plan to undertake this work. In respect of the governance arrangements for the programme, assurance will be taken from the positive assurance statement provided by BDUK.
Centralisation of Archives Services	3	A successful bid from the Heritage Lottery Fund means that the three Records Offices can be centralised into one accessible, modern site at Stafford. This project requires a substantial extension to Staffordshire Record Office which is to be funded primarily from the bid circa £4m. Audit time is required in 2017/18 to review the expenditure as part of the grant claim.
Rural Enterprise Programme	3	Rural Enterprise Programme is ERDF funded Programme consists of Capital £2million ( to be issued out as grants to SME's) and Revenue of £235,092 ( to cover salaries and marketing, overheads etc.). The programme runs until July 2019. Internal audit will provide assurance that all money and spend can be accounted for and that it complies with grant conditions.
Better Care Fund - Disabled Facilities Grant (DFG)	1	The DFG of £3.8m is channelled through the BCF pool and pass-ported to District Councils. The grant conditions require sign off by the Chief Internal Auditor (CIA). The agreement with the Districts is that their CIAs will provide assurance and any audit reports, which will be reviewed by the County CIA who will subsequently sign off the required return.
Local Growth Deal Fund (1, 2 &3) - Grant Verification	12	The purpose of the Local Growth Fund (LGF) is to provide funds to local enterprise partnerships for projects that benefit the local area and economy. Staffordshire County Council received LGF monies of £33.36m in 2016/17. In 2017/18, £17,662m will be received. In total for 2017/18 to 2020/21, SCC will receive £50,517million. There are a number of capital schemes that benefit from the LGF. As part of the grant conditions, a declaration is required to be submitted and certified by the Chief Executive having first received assurance from the Chief Internal Auditor for the Authority that the conditions attached to the funding have been complied with. Therefore a grant verification exercise will be required to be completed by 29th July 2017.
Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	10	£22,953m has been received by SCC in 2016/17 to provide support in financing the capital costs of integrated transport measures and capital highway maintenance schemes. Internal Audit verification of grant expenditure is required in order to comply with the conditions of the funding (due September 2017). As part of this sum £1,125m has been received relating to the Highways Maintenance incentive element.
Building Resilient Families	12	Department for Communities and Local Government has undertaken spot checks on this area and outcome was positive. Audit work will continue in 2017/18 as follows: i) to undertake the verification of the claims submitted for the payment by results element of the troubled families grant to ensure that they meet the prescribed government criteria. ii) to provide advice/support on any additional phases of the scheme.
Keele & North Staffs Primary Trust - Initial Teacher Training	2	Internal Audit will provide assurance that the funding has been spent in accordance with the relevant terms and conditions of the grant.

Local Sustainable Transport Fund	10	The grant conditions require a grant declaration to be signed by the Chief Internal Auditor (due March 2018) to confirm that grant conditions have been complied with. Local Growth Deal revenue funding of £5m (£4m SCC & £1m SoTCC) have been received via the Local Growth Fund for Local Sustainable Transport schemes (managed through the SSLEP). The revenue grant conditions require a grant declaration to be signed by the Chief Internal Auditor (due March 2018) to confirm that grant conditions have been complied with.
Department for Transport - Bus Subsidy Grant	10	The Department For Transport has awarded SCC £700k in 2016/17 in relation to Bus Transport Services. Within the grant conditions, there is a requirement for Internal Audit to provide assurance over grant expenditure and confirmation that grant conditions have been complied with. This is required to be submitted to the DfT by September 2017. Time is therefore required in the audit plan to undertake this grant verification exercise.
<b>Total No of Days</b>	<b>68</b>	
<b>Cross Cutting Reviews</b>		
Delivering Good Governance - Corporate Governance Working Group	40	CIFPA in 2016 published its work on delivering good governance in Local Government: Framework (2016 edition). It is important that the Council ensures that it is aware of the contents of this publication and where appropriate, make improvements. In respect of this, the CIA's attendance at the Corporate Governance Working Group ensures that the Council's governance framework is kept under review. The CGWG covers areas such as Scheme of Delegation/ Gifts & Hospitality/AGS/Financial Regulations/Procurement Regulations/Code of Corporate Governance.
Risk Management	20	Time will be required in the Internal Audit plan to develop SCC's Corporate Risk Register, Corporate Risk Framework and Assurance Framework. This will also include time to report to Corporate Governance Working Group and Audit & Standards Committee.
Controls Assurance	20	For a sample of risks contained in the Corporate and Operational Risk Registers, evaluate the internal controls in place and relied upon to mitigate these risks to ensure that they are operating as expected. This work will provide independent assurance over the Council's risk management framework in place.
<b>Total No of Days</b>	<b>80</b>	
Management of the Service	135	
Contingency	30	
<b>Total Days For SCC Plan</b>	<b>1626</b>	

## Appendix C – SCC Counter Fraud Plan 2017/18

Area	Number of Days
To review the County Council's Anti-Fraud, Bribery and Theft Policy to ensure that it continues meets best practice.	
To update the strategic fraud risk register for the County Council, following which individual departmental/section fraud risk assessments will be undertaken. In addition these will also consider theft related risks to ensure those areas that have been susceptible to theft previously have been identified.	
To report progress in the development of the Counter Fraud arrangements to the Audit & Standards Committee on a regular basis.	
To report the appropriate information for inclusion within the Transparency Code declaration.	
To continue to set up the joint working arrangements with the North Staffordshire Fraud Hub.	
To continue to keep under review SCC's response to the new Fighting Fraud & Corruption Locally - The Local Government Counter Fraud & Corruption Strategy 2016-19 published in March 2016 by CIPFA.	
To develop a structured programme on Fraud and Corruption awareness for Elected Members and Senior Managers	
To Update the Fraud Manual and produce a Fraud Strategy	
<b>Total Days</b>	<b>40</b>
Following the implementation of a Fraud, Theft and Money Laundering communications strategy in 2016/17 this will be further developed through workshops and publication of awareness raising materials including the Fraudwatch publication. This will also include ongoing development of the Council's website relating to fraud and fraud issues.	
Continue to monitor calls made to the County Council's Fraud Hotline and take appropriate action and disseminate intelligence received from the National Anti-Fraud Network of Local Authorities.	
<b>Total Days</b>	<b>15</b>
To review a sample of auditable areas that are considered susceptible to fraud. Areas may include : continuous controls monitoring (payroll & finance,) high level/high value travel claims, high value purchase card payments; testing of deputysip and community accounts transactions, targeted tested relating to income clearing accounts to highlight delays in banking, and anti-fraud and corruption arrangements in place for some key contractors. This is not an exhaustive list and may be subject to change in year to take account of irregularities detected and/or professional publications.	
To review the key controls in operation within the system for the processing and payment for Members allowances and expenses.	
To review the processes in place for a sample of establishments (anticipated to be three) to ensure that all income (cash, cheques and chip and pin) received is recorded and banked intact. Establishments to be visited will be selected based on the amount of income collected received.	
To assess and evaluate Members and Officers understanding of the Council's rules regarding gifts and hospitality. The approach to this work will be to develop a questionnaire (via survey monkey) to be issued across the Council (Members and Officers). The learning from this exercise can inform future fraud awareness training and the staff and member induction process.	

To continue to review how the Council conforms to the set of 6 guiding principles detailed in the Ministry of Justices' guidance on 'adequate procedures' in relation to the Bribery Act 2010. This will include:- (i) Liaison with the CGWG with regards to the update of Bribery Risk Assessments for those key areas of the County Council considered susceptible to bribery; (ii) Review of Members and Officers understanding of what bribery is and anti- bribery measures the Council has in place (see also work on gifts and hospitality planned)	
A sample of section 17 payments will be examined to ensure that they comply with the regulatory guidance.	
<b>Total Days</b>	<b>120</b>
To carry out the NFI data matching investigations in accordance with Internal Audits NFI protocol. As part of the 2016 exercise the potential matches were released by the Cabinet Office in February 2017 to individual Authorities for investigation.	
To undertake a targeted counter fraud exercise to review a sample of high level overtime claims processed during 2017/18 and verify for legitimacy.	
In 2017/18, proactive regular monitoring of imprest account balances and notification to Directorate Finance Teams of balances requiring investigation and/or unannounced visits to establishments overdrawn will be carried out.	
Local Authority procurement is at risk of infiltration from serious and organised crime and organised crime groups could be benefiting from public sector contracts. A recent report by the Home Office published in December 2016 stated that the procurement areas at risk were waste firms and taxis. In 2017/18, Internal Audit will assess the serious and organised crime risks that relate to the Council using the Serious and Organised Crime Checklist produced by the Home Office.	
To review a sample of direct payments to ensure that the account has been operated and used in accordance with the policy requirements.	
The new home and community care contract links the payment to providers via the CM2000 system. Providers are required to log calls at the service user's home whilst performing the care visit. The new contract requires 95% compliant. Internal Audit will select a sample of providers and review the compliance rates element.	
<b>Total Days</b>	<b>98</b>
Continue to undertake investigative work when issues of concern are identified through routine audit, reported by management or via the whistleblowing processes in place	
<b>Total Days</b>	<b>200</b>
Representation at the MCCIAG Fraud Sub group and SCAG working groups	
Continued liaison with the Director of Finance and Resources and the Director of Strategy, Governance and Change as and when issues arise.	
<b>Grand Total (Days)</b>	<b>473</b>

## Appendix D – Staffordshire Pension Fund Internal Audit Plan – 2017/18

Pensions Fund - <u>Investments</u> Custodian, Investment Managers and Pensions Property (Inc governance arrangements)	15	To review the arrangements in place for managing and monitoring the activities of SCC's Pension Fund Investment Managers, the Custodian and the Investment & Property Management Consultants. The review will include an evaluation of the governance arrangements in place in relation to the Pension fund as well as the accounting arrangements in place. Assurance will also be taken from the Investment Managers, Custodian and the Property Consultant's control Reports (SAS 70 & AAF/106 reports).
Pensions Fund - <u>Investments</u> Custodian, Investment Managers and Pensions Property - Due Diligence Visit	4	In addition, to accompany the Treasury Management Team on a due diligence visit to Northern Trust to obtain assurance over their future control environment. ** Particularly important if Northern Trust are successful in being selected to provide the custodian for the joint pension fund investment pool.
Local Government Pension Scheme (LGPS) Asset Pooling	10	In the July 2015, the government announced its intention to introduce a new regulatory framework which would facilitate collective investing. Following this, a joint proposal was developed with a number of Midland LGPS funds with combined assets of £35m to form an investment pool. In November 2016, the LGPS central has been formally approved as a Local Authority Pension Fund Pool. LGPS Central Limited has been set up (Private company) to act as an alternative investment fund manager to run and operate one or more collective investment vehicles to allow the administering authorities to pool their respective investments. Time will be required in 2017/18 to liaise with Treasury Services and the other Midland Authorities to develop a strategy for providing internal audit assurance over this area of activity in the future across the company and the joint investment pool. Each Council's External Audit firms will also be involved in discussions.
Pension Fund - <u>Governance</u>	6	New Pension Regulations came into force on 1st April 2015, which brought with it the Pensions Regulator and the Pension's Regulator's code of practice. These Regulations also introduced the requirement for new pension fund governance arrangements i.e. a Pensions Board. A follow up review will be carried out in 2017/18 to ensure that the issues raised as part of the 2016/17 have been satisfactorily addressed.
Pension Fund - <u>Pensions Administration</u>	25	To review the arrangements in place for administering SCC's pensions scheme. This will include a review of payments due to and payments made from the pensions fund as well as the operation of the new software I - Connects
Pension Fund - <u>Pensions Administration - Schools</u>	0	To confirm the arrangements in place to ensure that the correct employee and employer contributions are being paid into Pension fund via the schools payroll providers. This area will be incorporated into the review of the retained client and control function for Liberata payroll.
Pension Fund - <u>Pensions Administration - I Connects</u>	3	To provide project support for the introduction of the I-Connects system. I Connects will be piloted with Tamworth Borough Council during quarter 1 of 2017/18. Internal Audit will assist in the design of processes to control this area where required.
Pension Fund - <u>Pensions Administration - Annual Assurances from Admitted Bodies</u>	10	The Pensions Manager has requested that IA perform an exercise to look at a sample of organisations who have not returned their annual pensions return confirming compliance with the Pensions Regulations 2015 and to gain assurance that contributions are being paid into the fund at the correct rates and that leavers of the LGPS are being treated correctly.
Pension Fund - <u>Pensions Administration</u> ALTAIR -IT Pensions system	10	To undertake an application review and give assurance over its operations including, input, processing and output controls, reconciliation processes, pension BACS payments, access and disaster recovery arrangements. The I Connects software (data portal which feeds transactional from employers directly to the Altair Pensions System) should also be reviewed from an IT perspective.
<b>Total No of Days</b>	<b>83</b>	

## Appendix E – Quality Assurance Programme

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### Quality Assurance

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

### Quality Improvement Plan

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

### Ongoing Monitoring

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

### Role of the CIA

- To develop and maintain the Quality Assurance Improvement (QAIP) and resultant action plan.
- Focus on evaluating conformance with the Internal Audit Charter.
- Arrange an External Assessment in-conjunction with the Audit & Standards Committee.

### Role of the Audit Managers

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

### Role of Individual Auditors

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

During 2017/18 an External Quality Assessment of the Team will be performed by Chartered Institute of Public Finance & Accountancy (CIPFA). During the year details of the scope of the review together with the results will be reported to the Audit & Standards Committee in accordance with PSIAS







<b>Local Members Interest</b>
N/A

## **Audit and Standards Committee – 26th June 2017**

### **Code of Corporate Governance**

#### **Recommendation**

1. To approve the new Code of Corporate Governance and resultant action plan produced in line with the CIPFA SOLACE framework 'Delivering Good Governance in Local Government' published in April 2016.

#### **Joint Report of the Director of Strategy, Governance and Change and the Director of Finance and Resources**

#### **Background**

2. A detailed review of the Code of Corporate Governance (and Single Sheet Local Framework) has been undertaken by the Council's Corporate Governance Group following the publication of the 2016 Delivering good corporate governance in Local Government framework. There are now seven core principle which are listed below:
  - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - Ensuring openness and comprehensive stakeholder engagement.
  - Defining Outcomes in terms of sustainable economic, social and environmental benefits.
  - Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - Developing the entity's capacity, including the capacity of its leadership and the individuals within it.
  - Managing risks and performance through robust internal control and strong public financial management.
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
3. The 2016 framework builds significantly on the previous version and has been expanded to include greater emphasis on partnerships, outcomes, interventions and transparency agendas.
4. Consequently the Council's over-arching Code of Corporate Governance has been refreshed to detail the arrangements in place to demonstrate adherence to the core principle and sub principles contained in the framework and is attached at Appendix 1. Contained within the document is the Corporate Governance Action Plan for 2017/18. Progress regarding implementation of the action plan will be monitored

throughout the year. The document has been discussed and approved by the Corporate Governance Working Group in June 2017.

### **Equalities Implications and Climate Change Implications**

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

### **Legal Implications**

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

### **Resource and Value for Money Implications**

7. The net budget of the Internal Audit Section is estimated at £619,310 of which £49,500 relates to payments to external providers.

### **Risk Implications**

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

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### **List of Background Papers**

1. CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Framework – April 2016 Edition
2. CIPFA / SOLACE Publication: Delivering Good Governance in Local Government: Guidance Note for English Authorities – 2016 Edition

# LOCAL CODE OF CORPORATE GOVERNANCE

## Introduction

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014) defines governance as follows:

*‘Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.’*

The International Framework also states that:

*‘To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.’* Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

## Good Corporate Governance

Staffordshire County Council is committed to achieving good corporate governance and this Local Code describes how the council intends to achieve this in an open and transparent way. The Local Code is based upon the CIPFA SOLACE framework ‘Delivering Good Governance in Local Government (April 2016) which replaced the document published in 2007 and amended in 2012. As laid out in the guidance it *‘is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities’.*

The Local Code is based on the following 7 principles, the first 2 of which underpin the remaining 5 with the overall aim of:



## **MONITORING AND REVIEW**

The Code of Corporate Governance is reviewed on an annual basis to ensure that it is kept up to date. Where the review identifies that changes are required to the Code, the revised Code will be submitted to the Audit & Standards Committee for comments and amendments before including on the Council's intranet.

It is the philosophy of the County Council that responsibility for ensuring good corporate governance is embedded within the organisation, lies with all employees and they take the appropriate steps to ensure their behaviour reflects these values at all times.

The Audit & Standards Committee has responsibility for monitoring and reviewing the Corporate Governance arrangements. The Committee is responsible for approving the Council's annual accounts and responding to the External Auditor's Annual Audit Letter. It also oversees the effectiveness of the Council's governance and risk management arrangements, the internal control environment and associated anti-fraud and anti-corruption arrangements. The standards element of its remit covers the responsibility for promoting and maintaining high standards of conduct amongst Members. The detailed terms of reference are included in the Constitution.

In addition, the wider Committee arrangements support how the Council uses its resources effectively and efficiently to deliver services for Staffordshire residents.

The Council ensures that corporate governance arrangements are kept under continual review by updating, as appropriate, these Committees on:

- The work of Internal and External Audit
- The opinion of other review agencies and inspectorates
- Opinions from the Council's Statutory Officers
- General matters relating to the implementation of the Code
- The production of the Annual Governance Statement and actions planned to address rising governance issues.

### **The Annual Governance Statement**

Each year the Council will publish an Annual Governance Statement to accompany the Annual Accounts. The Statement provides an overall assessment of the Council's corporate governance arrangements and how it adheres to the governance standards set out in this Code. Evidence relating to the principles of this Code is reviewed and analysed to assess the robustness of the Council's governance arrangements. This includes assessments such as:

- Review of the Constitution
- Annual Statement – Member Standards
- Annual Scrutiny Report to Council
- Head of Internal Audit Annual Report and overall opinion
- External Audit Annual ISA 260 Report

- Other Inspectorate Reports
- Statutory Complaints & Corporate Complaints (including Ombudsman's Reports) Annual Report
- Information Governance Annual Report
- Health and Safety Annual Report
- Annual Pay Policy Statement
- Statements from the Monitoring Officer and Section 151 Officer regarding the use of their statutory powers.

The Statement includes an appraisal of the key controls in place to manage the Council's principal governance risks and the effectiveness of systems and processes governing decision making and financial control. The Statement also provides details of where improvements need to be made. Actions to address significant governance issues are identified and recorded in an action plan. The Annual Governance Statement is audited by the Council's External Auditors as part of the audit of the annual accounts.

The following tables detail how the Council meets the core principles and the systems, policies and procedures it has in place to support this.

**Core Principle A: *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.***

	<b>Current Arrangements</b>	<b>Action Plan 17/18</b>
<p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• Codes of conduct for Members &amp; Officers developed and included in key governance document [the Constitution] to ensure that high standards of conduct are understood/maintained.</li> <li>• An Officer Code of Conduct is included within the GO Corporate Training system and behaviours are reinforced through the performance appraisal process (My Performance Conversation).</li> <li>• Induction process for all new Members includes information on the standard of behaviour expected.</li> <li>• Procedure in place for reporting and administrating complaints against Members including breaches of the Member Code of Conduct.</li> <li>• Member Allowances are determined and approved by the Independent Remuneration Panel.</li> <li>• The Audit and Standards Committee is responsible for overseeing the conduct of Members and identifying any training needs of members in relation to the Code of Conduct. The Committee receives a report as appropriate regarding the progress of complaints'/investigations. An Annual Report of Member Conduct is produced and reported to the Audit &amp; Standards Committee.</li> <li>• Decision making practices include standard formats for executive officer/portfolio holder/Cabinet decisions to assist in ensuring that decisions are taken only when necessary information has been made available including community impact assessments for key decisions.</li> <li>• Constitution includes an employee and Member policy for the acceptance of gifts and hospitality. A register is maintained and published on the County Council website.</li> <li>• All Members declare their interests and these are published on the County Council website which is refreshed annually.</li> <li>• Members' declaration of interests are a standing item on all agendas. Minutes show declarations of interest were sought and appropriate</li> </ul>	<p>Consideration for the development of a protocol for Council Representation on Outside Bodies.</p> <p><b>Lead:</b> Head of Law and Democracy - September 2017.</p>



	<p>declarations made.</p> <ul style="list-style-type: none"> <li>• Whistleblowing and Integrity policies are in place. Policies available to members of the public, employees, partners and contractors via the internet and in appropriate contract documentation.</li> <li>• Statutory and corporate complaints procedures and electronic reporting forms are available on the County Council's website. An Annual Report is produced.</li> </ul>	<p>The Annual Complaints report should be published on the County Council website.</p> <p><b>Lead:</b> Customer Feedback and Complaints Manager – September 2017</p>
	<p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• The Constitution sets out <ul style="list-style-type: none"> <li>○ the need to act within the law</li> <li>○ delegations of the executive, committees and senior officers, and the decision making process to be applied</li> <li>○ Terms of Reference for committees</li> <li>○ Scrutiny Function to support ethical decision making</li> </ul> </li> </ul>	<p>Consideration should be given to ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards and values expected by the organisation as part of contractual documentation.</p> <p><b>Lead:</b> - Head of Commercial Services – September 2017.</p>
	<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• The Constitution identifies the Statutory Officers of the County Council namely the Head of Paid Service, Monitoring Officer, Chief Financial Officer (Section 151 Officer), Director of Adult Social Care, Director of Children's Services, Scrutiny Officer and the Director of Public Health and sets out the respective roles.</li> <li>• A Fraud, Bribery and Corruption Policy is published on the web site together with the Anti-Money Laundering Policy. There is a</li> </ul>	

	whistleblowing hotline together with a concern reporting form which is forwarded on to Internal Audit for review.	
<b>Core Principle B: - Ensuring openness and comprehensive stakeholder engagement</b>		
<p>Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• Strategic and Delivery Plans describe direction including Vision, Values and Council priorities.</li> <li>• Adoption of a Freedom of Information Act publication scheme</li> <li>• Online council tax information Authority Transparency pages available on website.</li> <li>• Agendas, reports and minutes are published on the Council’s website. Meetings are open to the public unless in the case of exempt items.</li> <li>• The Community Impact Assessment toolkit is used for all key decisions and helps ensure that the decisions taken consider a range of potential impacts/risks. Where appropriate, background papers are cited in the standard report format.</li> <li>• Dates for submitting, publishing and distributing timely reports are set and adhered to.</li> <li>• Record of decision making and supporting materials published on the County Council website.</li> <li>• The Strategic Plan together with the annual Business Plan sets out the priorities and strategic direction for the Council.</li> </ul>	
	<p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>• All the Councils priority outcomes are contained within the Strategic Plan which is published and communicated to all relevant stakeholders.</li> <li>• The County Council regularly consults with a wide range of stakeholders depending on the topic and relevant audience. Key stakeholders include our local MPs, elected Members, district Leaders and Chief Executives, other public sector organisations and our voluntary and community sector bodies.</li> <li>• The relationship with the other 9 local councils is overseen by the monthly meeting of the 10 Chief Executive’s and quarterly meetings of the Leaders. The strategic engagement with the NHS is now overseen though the Sustainability and Transformation Plan Programme Board</li> </ul>	<p>Consideration of a Partnership Governance Protocol that sets out the governance and processes for partnership working arrangements.</p> <p><b>Lead:</b> Director of Strategy, Governance &amp; Change – December 2017.</p>

	<p>that is driving change across the whole system.</p> <ul style="list-style-type: none"> <li>• All consultations are conducted in line with the best practice guidance set out by the Cabinet Office in 2016 (<a href="https://www.gov.uk/government/publications/consultation-principles-guidance">https://www.gov.uk/government/publications/consultation-principles-guidance</a>). High priority consultations identified through the business planning process are supported by a Corporate Consultation Manager with appropriate support from other support services. In order to ensure consistency and transparency all consultations are hosted on the County Council webpage.</li> <li>• A communications strategy which sets out how the Council will inform and engage with employees, partners, residents and other stakeholders is in place, agreed annually by the Senior Leadership Team and Members of Cabinet.</li> </ul>	
	<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p> <ul style="list-style-type: none"> <li>• A Record of public consultations undertaken is published on the Website.</li> <li>• All consultations are delivered using best practice guidelines from the Cabinet Office (<a href="https://www.gov.uk/government/publications/consultation-principles-guidance">https://www.gov.uk/government/publications/consultation-principles-guidance</a>)</li> <li>• The Council seeks the views from individuals, organisations and businesses on a number of areas.</li> <li>• All Council surveys are delivered online using the corporate approved software called Citizen Space.</li> <li>• Consultation activities are scheduled in line with the Business Plan priorities and MTFs commitments.</li> <li>• The Council has arrangements to engage with all sections of the community including hard to reach groups.</li> </ul>	
<b><i>C Defining outcomes in terms of sustainable economic, social, and environmental benefits</i></b>		
The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes	<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>• The Strategic Plan sets out the council's vision and priorities which have been produced following community engagement and involvement.</li> </ul>	

<p>and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> <li>• Three priority outcomes have been defined –             <ol style="list-style-type: none"> <li>1. Be able to access more good jobs and feel the benefit of economic growth.</li> <li>2. Be healthier and more independent.</li> <li>3. Feel safer, happier and more supported in and by their community.</li> </ol> </li> <li>• The annual Business Plans support the delivery of the commissioning priority outcomes outlined in the Strategic Plan.</li> <li>• The Senior Leadership Team and Cabinet receive performance monitoring reports at regular intervals based on progress towards delivery of the business plan priority outcomes.</li> </ul>	
	<p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• Capital investment is structured to achieve appropriate life spans and adaptability for future use or those resources (e.g. land) are spent on optimising social, economic and environmental wellbeing. This is outlined in the Medium Term Financial Strategy and detailed in the capital programme.</li> <li>• Development of the People Helping People agenda and Digital by Design to help address rising levels of demand for Council Services.</li> <li>• The Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP) brings businesses and local authorities together to drive economic growth and create jobs.</li> <li>• The SSLEP has a single inward investment team 'Make it Stoke-on-Trent and Staffordshire' and an Education Trust, which is working with education providers and businesses to address the skills gap, while Destination Staffordshire is working with tourism businesses to market the county as a place to work and visit. To ensure the best achievement for the area the LEP is working with Government and other organisations to secure funding and improve access to finance for businesses.</li> <li>• Sustainable Procurement incorporates the achievement of environmental, economic and social outcomes throughout procurement processes. The evaluation of Social and Environmental Value is considered as part of the evaluation criteria in all procurements and is designed to assist commissioners and procurers to maximise opportunities to improve the social, economic and environment</li> </ul>	<p>Consideration of the development of a Social Value policy.</p> <p><b>Lead:</b> Head of Commercial Services – December 2017.</p>

	condition of our local area through effective commissioning and procurement.	
<b><i>D -Determining the interventions necessary to optimise the achievement of the intended outcomes</i></b>		
<p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>• The Commissioning Cycle is applied to ensure clear alignment to need and improving outcomes.</li> <li>• The format of decision making reports ensures all relevant information is considered such as analysis of options, resource implications, and outcomes. Options are clearly defined and analysed to ensure decisions are based on the best possible information.</li> </ul>	
	<p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>• The Business Plan supported as necessary by Delivery Plans, is the means by which the Council's strategic priority outcomes are translated into action and delivered.</li> <li>• The Council is committed to involving local people in its most important decisions through community engagement.</li> <li>• It seeks opportunities to get local people involved in the running of services and assets through relevant consultation and our bespoke approach to engaging communities, 'People Helping People'.</li> <li>• The MTFS is linked to our Business Plan to ensure resources are available to deliver priority outcomes. Member Led challenge sessions are held to scrutinise the robustness of the financial proposals.</li> <li>• Strategic Risks associated with partnership and joint working arrangements are identified and recorded in the strategic risk register.</li> <li>• Contract management arrangements are in place to manage delivery of service requirements.</li> <li>• Change control mechanisms are in place to ensure that Contracts/Partnership arrangements continue to deliver the Council's priority outcomes.</li> <li>• KPIs have been established and approved for each priority area, included in the business plan and reported upon regularly to SLT and Cabinet.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Reports include detailed performance results and highlight areas where corrective action is necessary.</li> </ul>	
	<p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>• The annual budget is prepared in line with agreed priorities and the MTFS which is approved by Cabinet and Full Council. The council publishes its Financial Strategy annually to set an indicative five year rolling financial plan to fit the longer term strategic vision as well as a detailed one year budget.</li> <li>• A key development of the People helping People agenda is that service plans demonstrate consideration of 'social value'.</li> <li>• All Managers are supported in the delivery of their financial objectives via their Finance Business Partner.</li> </ul>	
<b><i>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</i></b>		
<p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time,</p>	<p><b>Developing the entity's capacity</b></p> <ul style="list-style-type: none"> <li>• Regular reviews of activities, outputs and planned outcomes including acting upon the outcome and recommendations contained within Inspectorate Reports.</li> <li>• Development of demand management through digital by design, people helping people and commercialisation work streams.</li> <li>• The Council has a Learning &amp; Development strategy including the use of a digital learning management system GO available to the whole workforce covering, statutory and mandatory training, health and safety, ICT, Change Management and key knowledge and soft skills.</li> <li>• Utilisation of research and CIPFA benchmarking exercises where appropriate.</li> <li>• Effective operation of partnerships which deliver agreed outcomes.</li> </ul>	
	<p><b>Developing the capability of the entity's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>• Job descriptions are in place for Officers which have been correctly evaluated using the agreed Job Evaluation criteria and processes.</li> <li>• Role descriptors for Member roles.</li> <li>• Induction arrangements for Officers/Members.</li> <li>• A Protocol on Member/Officer Relations to achieve good working</li> </ul>	<p>To update the current Schemes of Delegation to ensure that they are fit for purpose in light of revised organisational requirements.</p>

<p>there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p>relationships in the conduct of council business.</p> <ul style="list-style-type: none"> <li>• Schemes of delegation reviewed regularly in the light of legal and organisational changes.</li> <li>• Procurement and Financial Regulations, which are reviewed on a regular basis, are in place.</li> <li>• Officers/Members are updated on legal and policy changes as required.</li> <li>• Development and training plans for employees is identified through the annual My Performance Conversation appraisal process.</li> <li>• Access to update courses/ information briefings on new legislation.</li> <li>• Efficient systems and technology used for effective support.</li> <li>• Implementing appropriate human resource policies (including Thinkwell) and ensuring that they are working effectively.</li> <li>• HR policies and procedures developed incorporating relevant guidance on equalities and diversity requirements, safer recruitment, pre-employment checks.</li> <li>• Development of an Apprenticeship Programme offering training, skills and experience in Local Government.</li> <li>• Health and Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored.</li> </ul>	<p><b>Lead:</b> Director of Strategy, Governance and Change – December 2017.</p>
<b>D</b>		
<p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>• Risk management strategy/ policy formally approved and adopted by the Audit &amp; Standards Committee. These documents are reviewed and updated on a regular basis by the Corporate Governance Working Group chaired by the Director of Strategy, Governance and Change.</li> <li>• The strategic risk register is periodically updated, reviewed by the Corporate Governance Working Group prior to being scrutinised by the Audit &amp; Standards Committee.</li> <li>• The County Council has entered into a partnership arrangement with Staffordshire Civil Contingencies Services Unit who provide a comprehensive civil contingencies service including regular</li> </ul>	<p>To refresh the risk management policy and strategy.</p> <p><b>Lead:</b> Chief Internal Auditor – December 2017.</p>

<p>management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>training exercises with Key Partners.</p>	
	<p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>• Key indicators have been identified which support the Council's Strategic and Delivery plans. The Strategic Leadership Team oversee the monitoring and delivery of performance measures in support of the priority outcomes.</li> <li>• Publication of agenda, associated papers and minutes of public meetings on the County Council website. The Forward Plan will contain all matters which the Leader of the Council has reason to believe will be the subject of a Key Decision to be taken by the Cabinet during the forthcoming four month period. It may also include decisions that are not key decisions but are intended to be determined by the Cabinet.</li> <li>• The Constitution, through its Overview and Scrutiny rules has opportunities for the Council's four Select Committees to challenge and debate policy and objectives before, during and after decisions are made. The work programme for each Committee reflects the delivery of the County Council's and partner's main outcome priorities; areas where their involvement could help improve performance and/or priorities and concerns raised by the public.</li> <li>• Agenda, minutes of Select Committees and any associated reports with recommendations to the Executive are available via the County Council's website.</li> <li>• Overview and Scrutiny training for members is provided initially at induction, also on an annual basis or on specific subjects within Select Committee meetings.</li> <li>• The County Council has both Procurement and Financial Regulations which set out the council's arrangements and ensure that processes continue to operate effectively and efficiently.</li> </ul>	
	<p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• Risk management arrangements/ policy have been formally approved and adopted and are reviewed and updated on a regular basis.</li> <li>• An annual report is produced by Internal Audit which provides an opinion on the council's control environment, and a self-assessment of its arrangements against the public sector internal audit standards and</li> </ul>	<p>A self-evaluation assessment based on the CIPFA best practice criteria will be performed by the Audit &amp; Standards Committee.</p>



	<p>CIPFA's guide to the role of the Head of Internal Audit.</p> <ul style="list-style-type: none"> <li>• Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014).</li> <li>• Anti-Fraud and Corruption Strategy which is subject to regular review and is approved by the Corporate Governance Working Group. The annual outturn report summaries anti-fraud activity in the year.</li> <li>• Annual governance statement prepared with senior management support and consideration by Audit and Standards Committee.</li> <li>• An effective internal audit service is resourced and maintained. Internal Audit prepares and delivers a risk based audit plan in line with international auditing standards which is kept under review to reflect changing priorities and emerging risks.</li> <li>• Audit and Standards Committee oversees the management of governance issues, internal controls, risk management and financial reporting. It meets approximately four times per year and is adequately supported in respect of its roles/responsibilities.</li> <li>• There are frameworks in place in relation to child and adult safeguarding.</li> </ul>	<p><b>Lead:</b> Director of Finance &amp; Resources – March 2018.</p>
	<p><b>Managing data</b> The following arrangements are in place :-</p> <ol style="list-style-type: none"> <li>i. Designated data protection officer</li> <li>ii. Data protection policies and procedures</li> <li>iii. Acceptable Use Policy</li> <li>iv. Information Sharing Protocol</li> <li>v. Protective Marking Scheme</li> <li>vi. Mandatory privacy training</li> <li>vii. Designate Senior Information Risk Owners (SIRO's).</li> </ol> <ul style="list-style-type: none"> <li>• The Council's Information Governance Framework provides guidance on the arrangements that must be in place to ensure personal data is kept protected and secure.</li> <li>• Effective information sharing is undertaken in accordance with the Data Protection Act and the Staffordshire Information Sharing Protocol.</li> <li>• Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the Council's overall Privacy Notices published on our</li> </ul>	

	<p>website and individual Privacy Statements on forms, in booklets etc.</p> <ul style="list-style-type: none"> <li>Information Sharing Agreements, are reviewed on a regular basis, are in place to document the sharing of information using national agreements or the template in the Staffordshire Information Sharing Protocol.</li> </ul>	
	<p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>Financial management supports the delivery of services and transformational change as well as securing good stewardship through modern and up to date HR &amp; Financial management systems.</li> <li>The Medium Term Financial Strategy is in place which covers a rolling 5 year period.</li> <li>Financial procedures are documented in the Financial Regulations.</li> <li>Procurement procedures are documented in the Procurement Regulations.</li> <li>Regular budget monitoring reports are produced and provided to Accountable Budget Holders who are supported by Finance Business Partners in the management of their delegated budgets.</li> <li>The financial position is reported quarterly to Cabinet and Corporate Review Select Committee.</li> </ul>	<p>To present the updated Financial Regulations to the Audit &amp; Standards Committee for approval. Subsequently ensure that the Business is fully aware of the new requirements and adherence to them is monitored.</p> <p><b>Lead:</b> Director of Finance &amp; Resources – September 2017.</p>
<b><i>G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability</i></b>		
<p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>Agendas, reports and minutes are published on the Council's website.</li> <li>Compliance with the Local Government Transparency Code 2015. Required data is published on the County Councils web site.</li> </ul>	
	<p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>The Annual Governance Statement sets out the Council's governance framework and the results of the effectiveness of the council's arrangements. The AGS includes areas for improvement.</li> <li>Annual Financial Statements are compiled, published to timetable and included on the council's website. This includes the External Auditors audit opinion on the Council's financial statements and arrangements for securing Value for Money.</li> </ul>	<p>Annual Governance Statement to be separately published on the Councils website.</p> <p><b>Lead:</b> - Director of Finance &amp; Resources – September 2017.</p>

effective accountability

**Assurance and effective accountability**

- Recommendations in the Annual Governance Statement inform positive improvement within the Council's governance arrangements.
- Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010).
- Compliance with Public Sector Internal Audit Standards.
- An effective Internal Audit Service is resourced and maintained. The Service has direct access to Members and provides assurance on governance arrangements via an annual report containing an opinion on the Council's internal control arrangements.



## Audit and Standards Committee Forward Plan June 2017 - May 2018

If you would like to know more about our work programme, please get in touch with Carol Bloxham, Scrutiny Support Officer, 01785 276155 or [carol.bloxam@staffordshire.gov.uk](mailto:carol.bloxam@staffordshire.gov.uk)

Item and lead officer	Date of meeting	Detail	Action/Outcome
	<b>26 June 2017</b>		
External Audit Plan Ernst & Young		Progress Report	
Internal Audit Report of the Director of Finance and Resources		<ul style="list-style-type: none"> <li>• Outturn Report 2016-17</li> <li>• Audit Charter 2017</li> <li>• Strategy and Plan 2017-18</li> </ul>	
SAP Replacement update Report of Chief Accountant			
Code of Corporate Governance – 2017/18 Director of Strategy, Governance and Change <i>and</i> Director of Finance and Resources		Update on action plan	
Procurement Regulations Report of the Director of Finance and Resources			

Item and lead officer	Date of meeting	Detail	Action/Outcome
Induction training of the new Audit & Standards Committee			
	<b>12 September 2017</b>		
Statement of Accounts 2016/17 Chief Accountant		<ul style="list-style-type: none"> <li>• County Council</li> <li>• Pension Fund</li> </ul>	
Annual Governance Statement 2016/17 Director of Strategy, Governance & Change & Director of Finance & Resources			
Report to those charged with Governance Report of Ernst & Young			
Strategic Risk Register Director of Strategy, Governance & Change & Director of Finance & Resources			
	<b>4 December 2017</b>		
Health, Safety and Wellbeing Performance Annual Report Health, Safety and Wellbeing Manager		Annual report	
Annual Audit Letter 2016-17 Report of Ernst & Young			

Item and lead officer	Date of meeting	Detail	Action/Outcome
Internal Audit Plan 2017-18 update Chief Internal Auditor		update	
	<b>March 2018</b>		
Annual Information Governance Statement Head of Information Governance		Annual report	
Review of the effectiveness of the Audit & Standards Committee Head of Law & Democracy and Chief Internal Auditor			
Members Standards Annual Report Director of Strategy, Governance and Change		Annual statement	
External Audit Plan Report of Ernst & Young		update	
Work programme for the Audit and Standards Committee	All meetings		
Proposed changes to the Constitution	As required		
Internal Audit Special Investigation/limited/ Top Risk Areas reports	As required		

Item and lead officer	Date of meeting	Detail	Action/Outcome
<b>Other items:</b>		<ul style="list-style-type: none"> <li>• Auditing in a Commissioning environment (cybercrime)</li> <li>• External Assessment of Internal Audit</li> <li>• Local Public Audit - update</li> <li>• Procurement Regulations and Financial regulations.</li> <li>• Penda property partnership</li> <li>• Financial Regulations - update</li> </ul>	A development day on Penda Property Partnership will be offered to all members

<b>Membership</b>	<b>Calendar of Committee Meetings</b>
Derek Davis, OBE Mike Davies Michael Greatorex Martyn Tittley (Chairman) David Brookes Graham Burnett Colin Greatorex Syed Hussain	Ian Lawson Jeremy Oates Carolyn Trowbridge (Vice-Chairman) Ross Ward Bernard Williams Victoria Wilson Jill Hood  26 June 2017 25 September 2017 4 December 2017 March 2018  Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH



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

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