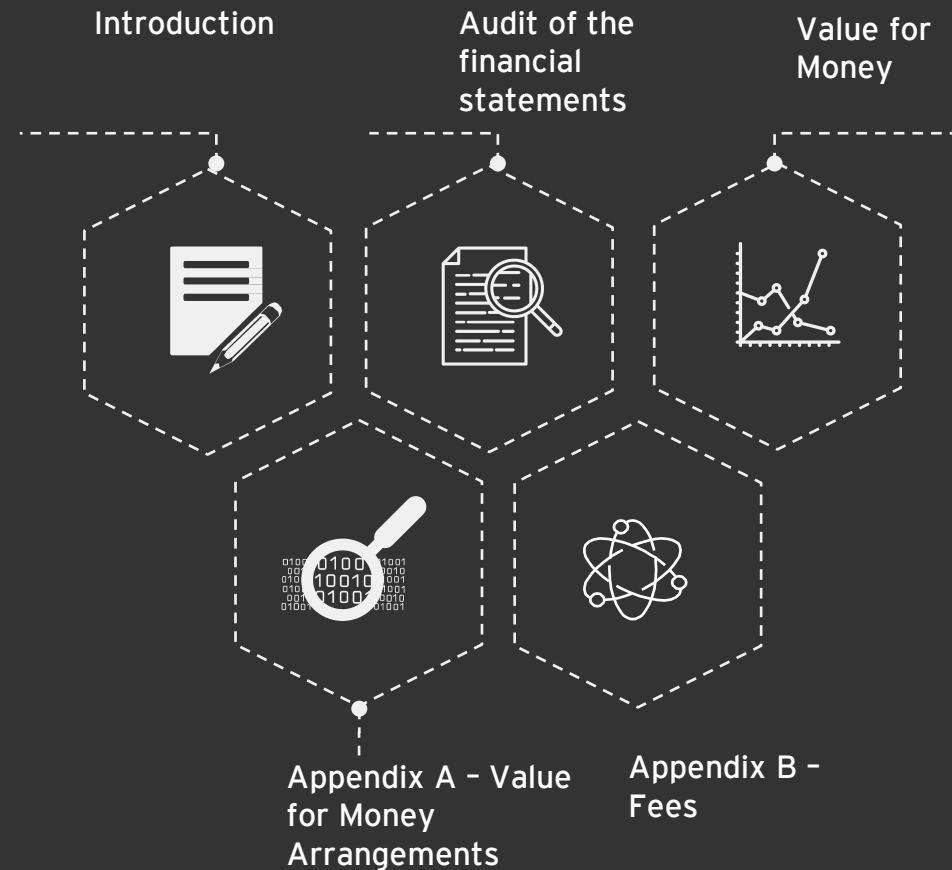


**Staffordshire County
Council and Staffordshire
Pension Fund
Auditor's Annual Report**

Year ended 31 March 2021

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued in May 2021. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements of the Council and Pension Fund;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council and Pension Fund;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council and Pension Fund

The Council and Pension Fund is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2012/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2021 and of its expenditure and income for the year then ended. We issued our auditor’s report on 14 December 2023.
Going concern	We have concluded that the Section 151 Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council and Pension Fund.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
Certificate	We issued our certificate on 14 December 2023.



Audit of the financial statements - Staffordshire County Council

Key findings

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

On 14 December 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 12 December 2023 Audit and Standards Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported one internal control recommendation in the Audit Results Report.

Significant risk / Area of focus	Conclusion
Risk of fraud in revenue and expenditure recognition	<p>Our testing of:</p> <ul style="list-style-type: none">• grant income and expenditure did not identify any transactions that had been incorrectly recognised;• year end cut-off of expenditure and non-grant income did not identify any transactions that were recorded in an inappropriate financial period;• additions to Property, Plant and Equipment found they had been correctly classified as capital and included at the correct value; and• additions to Property, Plant and Equipment did not identify any revenue items that were incorrectly classified. <p>Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</p>
Misstatements due to fraud or error	<p>We did not identify any: material weaknesses in controls or evidence of material management override; instances of inappropriate judgements being applied; or other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>Our testing of journals did not identify adjustments outside of the normal course of business. All journals tested have appropriate rationale.</p>
Valuation of land and buildings	<p>We did not identify any issues: from our review of the process and controls in place; or with the competence, capabilities and objectivity of management specialist not with the terms of engagement and instructions issued to the valuer. The valuer's conclusions were appropriately recorded in the accounts</p> <p>We reviewed the Council's assets not subject to formal revaluation in 2020/21, and confirmed that these were not materially misstated.</p> <p>We engaged our internal valuation specialist to support our testing strategy over the testing of assumptions and methodologies applied to a sample of assets valued by the Council's external valuers. This testing and the audit teams testing of a sample of assets did not identify any material differences. We did however identify three immaterial misstatements as reported in our Audit Results Report.</p>
Accounting for disposals of schools converting to academies	<p>Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions. Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.</p>



Audit of the financial statements - Staffordshire County Council (continued)

Significant risk / Area of focus	Conclusion
Pension Valuation Liability - LGPS	<p>We received assurance from the Staffordshire Pension Fund auditors in regard to the information supplied to the actuary, and confirmed there are no findings impacting on the Council's accounts. The Pension Fund auditor reported a difference in asset values between the original estimate included in the IAS19 report and the actual year end values resulting in an immaterial adjustment to the Pension Liability balance as reported in our Audit Results Report.</p> <p>Our procedures to determine our own estimate for the Council's pension liability found that the liability calculated by the actuary fell within our reasonable range.</p> <p>We performed audit procedures to assess the impact of the most recent triennial valuation. No misstatements to the pension liability were identified as a result of the March 2022 triennial valuation.</p>
Group Accounts	<p>Our review of managements group assessment, confirmed that the companies controlled by the Council remain qualitatively and quantitatively immaterial and therefore no consolidated financial statements were required for 2020/21.</p>
Accounting for the PFI waste scheme	<p>Our testing of the completeness and accuracy of the inputs to the financial model and the subsequent correct application of the outputs to the financial statements did not identify any matters to report.</p>
Going Concern Compliance with ISA 570	<p>We received an updated Going Concern assessment and supporting documentation covering the period to the end of March 2025. Following our audit procedures on the updated assessment we considered it to be appropriate.</p>
Infrastructure Assets Accounting	<p>The Council amended the Financial Statements as required by the Statutory Instrument and updated CIPFA Code. As part of the Council's work to bring the Financial Statements in line with the requirements of the Statutory Instrument and updated CIPFA Code, management identified that it street lighting assets were incorrectly classified as 'Vehicles, Plant, Furniture and Equipment' within the Property, Plant and Equipment note 12 and should be classified as Infrastructure Assets.</p> <p>From the audit procedures undertaken we were satisfied with the changes made to Financial Statement disclosures in relation to the required changes in accounting for Infrastructure Assets. infrastructure assets. However, in comparing these to the depreciation charged under the Council's depreciation policy to the estimated useful economic lives for components of infrastructure assets provided by CIPFA we noted an immaterial difference which was reported in our Audit Results Report.</p>



Audit of the financial statements - Staffordshire Pension Fund

Key findings

The Annual Report and Accounts is an important tool for the Pension Fund to show how it has used public money and how it can demonstrate its financial management and financial health.

On 14 December 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 12 December 2023 Audit and Standards Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported one internal control recommendation in the Audit Results Report.

Significant risk / Area of focus	Conclusion
Misstatements due to fraud or error	<p>We did not identified any:</p> <ul style="list-style-type: none"> • material weaknesses in controls or evidence of material management override; • instances of inappropriate judgements being applied; or • other transactions during our audit which appeared unusual or outside the Fund’s normal course of business.
Risk of Management Override: Year end investment journals	<p>We did not identified any:</p> <ul style="list-style-type: none"> • material weaknesses in controls or evidence of material management override; • instances of inappropriate judgements being applied; or • other transactions during our audit which appeared unusual or outside the Fund’s normal course of business.
Valuation of complex investments (unquoted investments).	We completed our planned procedures including obtaining all relevant internal control reports. We were satisfied that the valuation of level 3 investments is materially stated.
Valuation of directly held property	We considered the work of the Fund’s external valuer and engaged our own internal valuation specialists (EY Real Estates) to review a sample of properties and we found that overall the valuations were reasonable. We tested a further sample of properties to gain assurance that their valuation was reasonably stated in the accounts. We did not identify any issues.
Going Concern	We obtained management’s going concern assessment and reviewed it for any evidence of bias and consistency with the accounts. We reviewed the financial modelling and forecasts prepared by the Pension Fund for the going concern assessment period. Following our audit procedures on the updated assessment we considered it to be appropriate.

We identified two risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We had no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 12 December 2023 Audit and Standards Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We identified two risks of significant weakness related to Financial Sustainability and Improving Economy, Efficiency and Effectiveness as part of our risk assessment procedures. We set out our planned response in our Audit Plan. We provided further details in the Audit Results Report and reported that we had not identified any significant weaknesses in arrangement and therefore were not required to report any matters by exception in the audit report on the financial statements.

Our commentary for 2020/21 is set out over pages 9 to 11. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2020/21. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	One significant risk identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	One significant risk identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021.

Our risk assessment identified one risk of significant weakness in arrangements to secure financial sustainability relating to budget gaps identified in the medium term financial strategy (MTFS). The Council have adequate level's of reserves to cover the budget gaps identified in their MTFS.

The Council has a sound process of estimating the recurring and non-recurring expenditure and the funding sources. As part of the Council's budget setting process, each service is required to develop a Business Implementation Plan (BIP). These BIPs will detail the Council's spending for the year ahead showing the activities to be undertaken, anticipated pressures and savings to be delivered. These identified pressures per service are quantified.

The Council's Senior Leadership Team (SLT) have the responsibility to provide strategic direction. This will include formulating the Council's Medium Term Financial Strategy (MTFS) in order to ensure that adequate resources are available to meet the Council's objectives. The MTFS is a five year financial projection of the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.

Senior Leadership Team (SLT) members are responsible for making sure there are regularly monitoring revenue and capital budgets and investigating and addressing any variations against budget. SLT member report to Cabinet if they cannot balance spending and resources within the approved budget with proposed mitigating actions to address identified shortfalls. The Council has developed saving plans to reduce the impact of identified funding gaps.

All Directors are responsible for producing budget proposals for their departments which cover all aspects of delivery including workforce, investment and capital. These proposals are then consolidated and deliberated by the SLT ensuring coherence amongst the various sub budgets and the Council's Strategy. Both the budget strategy and how the Council manages the revenue and capital budgets are based on the principle that budgets are a statement of the Strategic Plan in financial terms. The Strategic Plan is the primary document that direct the financial plans which is supported by a range of directorate, service and team plans across the Council. The financial plans set out the financial implications of the Council's Strategic and Delivery Plans. The development and refinement of the Strategic Plan is undertaken in conjunction with the financial planning process to ensure that budgets reflect the Council's aims and objectives.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021.

In 2020/21, we did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

Each department maintains its own Risk Register, any risks which are rated high or affect the Council's ability to achieve its objectives are included within the Council's corporate risk register tracker. The tracker is reviewed regularly by Internal Audit as the main custodian of the overall risk register. The internal audit annual plan incorporates the highest risk areas and each control area is reviewed annually with reporting including commentary on the level of assurance the Council can take from the control review and actions requiring implementation to strengthen controls. Internal Audit undertakes regular follow ups to ensure actions are implemented and overseen by the Audit and Standards Committee. Furthermore, the register is updated regularly to take into account emerging risks identified by internal controls review assessments, fraud investigations, intelligence identified internally and by external organisations, and changes to Council processes. Service managers are responsible for ensuring controls are properly maintained and documented and assessing their risks on a regular basis to ensure that the control systems are appropriate. Internal audit give advice on preventative controls during both their work where control weaknesses are identified as well as advice to ensure the risk of fraud, bribery and theft is minimised.

The budget strategy and how the Council manages the revenue and capital budgets are based on the principle that budgets are a statement of the Strategic Plan in financial terms. The Strategic Plan is the primary document that direct the financial plans which is supported by a range of directorate, service and team plans across the Council. Cabinet decides on the use of resources and budget process taking into account the Council's strategic plan and revenue budget. Recommendations consider the arrangements for deciding strategy for spending capital funds, including preparing the capital programme and the process for assessing the prioritisation of individual projects. When preparing the budget, SLT members are required to follow guidance, procedures and timetables set by Cabinet.

SLT members have the authority to spend money from the approved revenue budget and capital programme they cannot spend money without approval by Council if the spending is not in line with the strategic plan or approved budget. SLT members cannot agree any spending that requires the specific approval of a government department or agency, or any other funding organisation until the Council have received required approvals.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to make informed decisions and properly manage its risks.



Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021.

Our risk assessment identified one risk of significant weakness in arrangements over improving economy, efficiency and effectiveness relating to continuing impact of joint reports issued by OFSTED and the CQC relating to the joint inspection of the local area of Staffordshire to assess the effectiveness of the area in implementing the special educational needs and disability (SEND) reforms as required by the Children and Families Act 2014. This inspection identified a number of significant areas of weakness in practice, resulting in the requirement for the County Council and CCGs to issue a Written Statement of Action. Overall, the Council has demonstrated that it designed a plan in response to the significant weaknesses identified and has made appropriate progress in implementing this plan during 2020/21.

The Council engages with significant partnerships through a wide range of connections, in particular governance boards and regular management meetings. These boards cover key performance matters, and identify areas of concern or areas that require improvement. One of the key role of the Council's Executive is to focus on Local Strategic Partnerships; in addition, SLT members are responsible for making sure that partnership arrangements are approved, carried out and evaluated in line with the Council's Partnership policy. The Audit and Standards Committee consider the governance and assurance arrangements for significant partnerships and collaborations.

Integrated Performance Reports are provided to Cabinet on a quarterly basis which gives an overview of Staffordshire County Council's progress, performance and financial position in delivering against the Council's Strategic Plan and Delivery Plan. Analysis on performance against expectations for different services provided by the Council is included in the report and can be used to identify areas for improvement which are then included in the Council's Strategic Plan and Delivery Plan.

Contract entered in to by the Council are required to comply with the Procurement Policy and Contract Standing Orders. When exercising delegated powers, SLT members must ensure that any actions are accordance with the policies and decisions of the County Council, the Constitution, Financial Regulations and Procurement Regulations and are not outside the power and duties of the Council under law.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

As part of the Council's budget setting process, each service is required to develop a Business Implementation Plan (BIP). These BIPs will detail the Council's spending for the year ahead showing the activities to be undertaken, anticipated pressures and savings to be delivered. These identified pressures per service are quantified.

The Council's Senior Leadership Team (SLT) comprising the Chief Executive, Executive Directors and the Directors of Public Health and Policy, Performance and Communications and Cabinet Member Representatives, have the responsibility to provide strategic direction. This will include formulating the Council's Medium Term Financial Strategy (MTFS) in order to ensure that adequate resources are available to meet the Council's objectives. The MTFS is a five year financial projection of the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.

Budgets are monitored by the Overview and Scrutiny Management Committee and quarterly by the Cabinet/CO exec committee after each section of the Council has analysed Departmental expenditure. This process helps to identify matters of concern that need remedial action. Furthermore, management subsequently factors in areas of concern identified in the MTFS forecast impact. Identified pressures noted from the budget monitoring process are considered and factored into the MTFS and are continuously monitored.

How the body plans to bridge its funding gaps and identifies achievable savings

In setting the MTFS the Council identifies potential funding gaps and to address any gaps saving plans are developed and approved by Cabinet. The Council will continuously monitor and review the funding gap vis a vis savings realised on a quarterly basis. SLT members are responsible for monitoring revenue and capital budgets; the delivery of identified savings plans; and identifying and investigating any variations from plan. SLT members report to Cabinet if they cannot balance spending and resources within the approved budget together with proposed mitigating actions. Cabinet will consider these reports and make appropriate recommendations to deal with the shortfall. Unless Cabinet decide otherwise, any underspending or overspending will be carried forward to the following financial year and the approved budget will be adjusted as a result.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

SLT members are responsible for making sure there is an appropriate appraisal and prioritisation process for all new investment schemes, and it must be agreed with the Director of Finance. Before a scheme is included in the capital programme it is subject to an agreed appraisal and prioritisation processes to assess how the project:

- meets the Council's strategic priorities in terms of the economic, social and environmental wellbeing of the people of Staffordshire;
- delivers outcomes against the Council's plans or enables the Council to meet its legal responsibilities or new legal requirements;
- how the project can be delivered within an achievable funding strategy.

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council's Senior Leadership Team (SLT) have the responsibility to provide strategic direction. This will include formulating the Council's Medium Term Financial Strategy (MTFS) in order to ensure that adequate resources are available to meet the Council's objectives. The MTFS is a five year financial projection of the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.

Senior Leadership Team (SLT) members are responsible for making sure there are regularly monitoring revenue and capital budgets and investigating and addressing any variations against budget. SLT member report to Cabinet if they cannot balance spending and resources within the approved budget with proposed mitigating actions to address:

- identified shortfalls or unplanned changes in demand;
- a change in how they share the resources between services; or
- if a spending proposal involves a new policy or a change to the policy.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

All Directors are responsible for producing budget proposals for their departments which cover all aspects of delivery including workforce, investment and capital. These proposals are then consolidated and deliberated by the SLT ensuring coherence amongst the various sub budgets and the Council's Strategy. Both the budget strategy and how the Council manages the revenue and capital budgets are based on the principle that budgets are a statement of the Strategic Plan in financial terms. The Strategic Plan is the primary document that direct the financial plans which is supported by a range of directorate, service and team plans across the Council. The financial plans set out the financial implications of the Council's Strategic and Delivery Plans which include consideration to work with other public bodies such as programmes to improve and promote the health of citizens through closer working with the NHS. The development and refinement of the Strategic Plan is undertaken in conjunction with the financial planning process to ensure that budgets reflect the Council's aims and objectives.

The Oversight and Scrutiny Committee review budget performance on a quarterly basis to ensure adherence to the set budget with reasons for variances reviewed. Mitigating measures may be proposed as necessary and become follow up items in subsequent meetings.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Each department maintains its own Risk Register, any risks which are rated high or affect the Council's ability to achieve its objectives are included within the Council's corporate risk register tracker. The tracker is reviewed regularly by Internal Audit as the main custodian of the overall risk register. The internal audit annual plan incorporates the highest risk areas and each control area is reviewed annually with reporting including commentary on the level of assurance the Council can take from the control review and actions requiring implementation to strengthen controls. Internal Audit undertakes regular follow ups to ensure actions are implemented and overseen by the Audit and Standards Committee. Furthermore, the register is updated regularly to take into account emerging risks identified by internal controls review assessments, fraud investigations, external sources and changes to Council processes. Service managers are responsible for ensuring controls are properly maintained and documented and assessing their risks on a regular basis to ensure that the control systems are appropriate. Internal audit give advice on preventative controls during both their work where control weaknesses are identified as well as advice to ensure the risk of fraud, bribery and theft is minimised.

Steps are taken at the recruitment stage to establish the propriety and integrity of potential employees. The Council's recruitment policies require written references and relevant pre-recruitment checks. Organisations undertaking work on behalf of the Council (contractors and partners) are expected to maintain strong anti-fraud, bribery, and theft principles by declaring their ethics and integrity proclamations in contracts and requirements to include: adequate internal controls to minimise fraud, bribery and theft of Council resources; adequate recruitment procedures and controls when they are handling financial information or assets on behalf of the Council; and adequate whistleblowing procedures.

The Council's Internal Audit programme includes proactive fraud detection exercises designed to detect and deter fraud, bribery and theft in high risk areas through identification of high-risk transactions. These include stand-alone exercises targeting areas assessed to be at higher risk of fraud, and analytic monitoring of high-risk areas for red flag transactions which would subject to detailed review.

How the body approaches and carries out its annual budget setting process

Directors are responsible for producing budget proposals for their departments covering all aspects of delivery including workforce, investment and capital. These proposals are then consolidated and deliberated by the SLT ensuring coherence amongst the various sub budgets and the Council's Strategy. Both the budget strategy and how the Council manages the revenue and capital budgets are based on the principle that budgets are a statement of the Strategic Plan in financial terms. The Strategic Plan is the primary document that direct the financial plans which is supported by a range of directorate, service and team plans across the Council. The financial plans set out the financial implications of the Council's Strategic and Delivery Plans.

The Director of Finance is responsible for making sure that a capital budget, capital programme and financing plan is prepared each year for Cabinet to consider. Following consideration and review the Cabinet proposes the budget and capital programme including the council tax levels and the precept charge to individual billing authorities to the Council for approval. The proposal considered by the Council include a report from the Director of Finance on how robust the budget is and whether the level of reserves is in line with section 25 of the Local Government Act 2003.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Under the Council's financial regulations and scheme of delegation SLT members have the authority to spend money from the approved revenue budget and capital programme they cannot spend money without approval by Council if the spending is not in line with the strategic plan or approved budget. SLT members cannot agree any spending that requires the specific approval of a government department or agency, or any other funding organisation until the Council have received required approvals. The Council's policies and procedures sets out the operational responsibilities of budget holders who are required to sign and return 'accountability statements' which are jointly issued by SLT members and the Director of Finance.

SLT members are responsible for making sure there is regularly monitoring of revenue and capital budgets and investing and taking action to address variations from budget. SLT members send monitoring and outturn reports to Cabinet in line with agreed timetables and report to Cabinet if they cannot balance spending and resources within the approved budget. Cabinet will assess these reports and, where appropriate make consider recommendations to address identified the shortfall unless it is decided otherwise by Cabinet any underspending or overspending are carried forward and adjusted in the following financial years approved budget. Within 6 months of the completion of a significant SLT members must undertake an assessment of whether the project aims were achieved including the final cost.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Cabinet is the primary decision making body of the Council and it is required to make decisions which are in line with the Council's overall policies and budgets. Reports to the Cabinet are prepared in accordance with the Council's governance framework and outline the legal implications; the resource and value for money implications; and the climate change implications of proposed recommendations. Cabinet meetings are held in public with agendas and report packs being available in advance of meetings. Cabinet is supported by Council officers to give advice and implement decisions this includes the role of statutory officers such as the Monitoring officer and Section 151 officer who have a legal to ensure the Council acts within the law and uses its resources wisely. A code of practice governs the relationships between officers and elected Members of the County Council.

The Council has four Overview and Scrutiny Committees who support the work of the Cabinet and the Council as a whole. Their overview and scrutiny of both planned and taken decisions leads to reports and recommendations which advises the Cabinet and the Council on its policies, budget and service delivery. Overview and Scrutiny Committees monitor the decisions of the Cabinet and may be consulted on forthcoming decisions and the development of policy. Members of the Council who are not on the Cabinet can 'call-in' a decision which has been made by the Cabinet but not yet implemented. If a matter is 'called-in' it will be considered by the Corporate Review Committee and Members of the relevant Overview and Scrutiny Committee may be invited to the meeting when the 'call-in' is considered. g Audit and Standards Committee provides independent assurance on the adequacy of the risk management framework and the internal control environment. It also oversees, reviews and makes recommendations on the effectiveness and operation of the Constitution and monitors the adequacy and effectiveness of the County Council's information governance arrangements.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Findings

The Members' Code of Conduct applies to all elected Members and co-opted Members of Staffordshire County Council. Everyone in public office at all levels are required to uphold the Seven Principles of Public Life (also known as the Nolan Principles) and undertake with regard to standards of Conduct on areas including Respect; Bullying harassment and discrimination; Impartiality of officers of the council; Confidentiality and access to information; Disrepute; Use of position; Use of local authority resources and facilities; Complying with the Code of Conduct; Interests; Gifts and Hospitality.

Citizens can complain about the conduct of elected Members of the County Council to the County Council's Monitoring Officer who will investigate and determine if a breach of the Councillors' Code of Conduct has occurred.

Appendix A - Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	The Integrated Performance Report provided to Cabinet on a quarterly basis provides an overview of the Council's progress, performance, and financial position in delivering against its Strategic Plan and Delivery Plan. Data and information gathered from Finance Quarter Summary, Corporate Checklist, Revenue Forecast Outturn, Capital Forecast Outturn, and Financial Health Indicator are used to assess the performance and Identify areas to for improvement. Where required specific improvement plans are developed and included the Council's Strategic Plan and Delivery Plan.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Integrated Performance Report provided to Cabinet on a quarterly basis provides an overview of the Council's progress, performance, and financial position in delivering against its Strategic Plan and Delivery Plan. Data and information gathered from Finance Quarter Summary, Corporate Checklist, Revenue Forecast Outturn, Capital Forecast Outturn, and Financial Health Indicator are used to assess the performance and Identify areas to for improvement. Where required specific improvement plans are developed and included the Council's Strategic Plan and Delivery Plan.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>SLT members are responsible for making sure that partnership arrangements are approved, carried out and evaluated in line with the Council's Partnership policy. The Audit and Standards Committee consider the governance and assurance arrangements for significant partnerships and collaborations, as part of delivery of the Internal Audit Plan. Reports to Cabinet on proposals relating to the budget and policy framework must contain details of consultation with stakeholders and the outcome of that consultation.</p> <p>The Overview and Scrutiny Committees invite residents, stakeholders and members and officers to discuss issues of local concern and answer questions and have the right to require information from partner organisations in respect of delivery against local improvement targets.</p> <p>Performance is monitored through the quarterly Integrated Performance Report to Cabinet quarterly which gives an overview of Staffordshire County Council's progress, performance and financial position in delivering against the Council's Strategic Plan and Delivery Plan.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>All Council contracts are required to comply with the Procurement Policy and Contract Standing Orders and every employee involved in the procurement process must adhere to the Council's Procurement Regulations, Instructions, and the officers' code of conduct as set out in the constitution. Officers throughout the procurement process must consider all other Council policies which could apply to the procurement project and legislative requirements such as social value and equalities. Expected benefits, including social and environmental value are monitored and evaluated by the Council.</p> <p>When exercising delegated powers, Senior Leadership Team members must ensure that any actions are accordance with the policies and decisions of the County Council, the Constitution, Financial Regulations and Procurement Regulations and are not outside the power and duties of the Council under law. In addition, the Chief Financial Officer is required to take and implement any decision which they are empowered to take in accordance with Financial Regulations and Procurement Regulations in their capacity of Chief Financial Officer.</p>

Appendix B - Fees - Staffordshire County Council

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks and other procedures as listed in the table below. The fees proposed is yet to be discussed with management and are subject to approval by PSAA Ltd.

Our fee for 2020/21 is in line with the audit fee agreed and reported in our 2020/21 Annual Results Report.

* For 2020/21 the PSAA increased the rate per hour for each grade by 25%.

Description	Proposed Fee 2020/21 £	Final Fee 2019/20 £
PSAA Scale Fee	84,511	84,511
PSAA approved additional fee (Note 1)	-	79,770
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	60,511	
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of (Note 3):		
Significant risk - Valuation of Land and buildings (including use of internal experts)	11,105	
Inherent Risk - Accounting for disposals of schools converting to academies	3,540	
Inherent Risk - Group Accounts	5,642	
Area of audit focus - Accounting for the PFI waste scheme	5,882	
Area of audit focus - Going Concern Compliance with ISA 570	5,207	
Area of audit focus - Infrastructure Assets	8,947	
New NAO Code for VFM	9,030	
Audit procedures to address risks of significant weakness in VFM	8,721	
Pension Liability and impact of Triennial valuation	5,338	
Additional audit procedures required over identified prior year adjustments and audit differences	14,513	
Total additional fee	138,436	79,770
Total Audit Fee	222,947	164,281

All fees exclude VAT

Appendix B – Fees – Staffordshire County Council (Continued)

Fees

Note 1: Following completion of the 2019/20 audit we submitted a proposed additional fee of £98,500 to PSAA. This relates to proposed uplifts to the base scale fee due to increased regulatory requirements, as communicated during our 2019/20 audit, as well as additional work in 2019/20. PSAA Ltd determined, with agreement from the Council, a final additional fee for 2019/20 of £79,770.

Note 2: For 2020/21 the PSAA increased the rate per hour for each audit grade by 25%. The 2020/21 scale fee will again be impacted by the increased regulatory requirements and our proposed uplifting of the base scale fee. The proposed uplift in 2019/20 for comparison was £58,745.

Note 3: An increased fee is also proposed for additional audit procedures required to respond to the risks identified which are not reflected in the PSAA scale fee. The proposed additional fee is yet to be discussed with management and remains subject determination by PSAA.

We confirm we have not undertaken any non-audit work.

Appendix B – Fees – Staffordshire Pension Fund

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks and other procedures as listed in the table below. The fees proposed are subject to approval by PSAA Ltd.

Our fee for 2020/21 is in line with the audit fee agreed and reported in our 2020/21 Annual Results Report.

Description	Proposed Fee 2020/21 £	Final Fee 2019/20 £
PSAA Scale Fee	22,050	22,050
Additional work and associated fees:		
IAS 19 Assurance Work - annual approach (1)	9,500	9,500
Triennial Review Procedures (2)		11,500
Going concern assessment. EoM disclosure including EY consultations (3)	5,000	4,250
Additional work to obtain assurance over directly held property in light of Covid-19 (4)	6,500	5,750
Proposed increase to scale fee due to changes in work required to address professional and regulatory requirements and scope associated risks (5)	28,920	28,920
Total Audit Fee	71,970	81,340

All fees exclude VAT

Note 1. In line with prior year, additional fee of £9,500 takes into account the additional work required to respond to twelve IAS19 assurance requests from scheduled bodies.

Note 2. In prior year we reported in the Audit Plan that as a result of the triennial valuation of the Fund we would be required to undertake additional testing of membership date. We have tested data for a sample of 250 members. Items 1 and 2 are outside of the PSAA fee regime and we will seek agreement with the County Treasurer.

Note 3. We reported in the Audit Plan that we would need to carry out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure and the impact of C-19 on the valuation of directly held property.

Note 4. We have had to undertaken additional work on directly held properties and engaged our EYRE specialists in light of the impact of Covid-19 on the valuation of the assets.

Note 5. We have outlined to the PSAA that the scale fee should be increased to reflect the additional work auditors are required to do to meet regulatory requirements. In our view the scale fee for the Staffordshire PF audit should be increased by £28,290.

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