

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

## **Audit and Standards Committee - Monday 12 April 2021**

### **Annual Report of the Audit & Standards Committee 2020/21**

#### **Recommendation(s)**

I recommend that:

- a. Members are requested to consider and comment on the contents of the annual report for 2020/21 before forwarding onto Council with a recommendation to consider and approve this report.

#### **Report of Director of Corporate Services**

### **Report**

#### **Background**

1. A key part of the Audit & Standards Committee's role is to report to Full Council on the Committee's findings, conclusions, and recommendations; on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements.. In addition, the Audit & Standards Committee should report to Council where they have added value, improved, or promoted the control environment and performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions. This report will be provided annually in order to fulfil the above requirement
2. Governance in and of the public sector remains high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. The Code of Corporate Governance which is reviewed annually in line with the best practice issued by CIPFA and SOLACE; together with an Annual Governance Statement, again produced in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failure to achieve the Councils strategic objectives and providing good service to Staffordshire residents.
3. Staffordshire County Council has an Audit & Standards Committee, originally established in 2005, with the key objectives to maintain and improve governance procedures. The Committee is a key component of the Council's corporate governance framework and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on internal and external audit functions and financial and nonfinancial performance.
4. The benefits to the Council of operating an effective Audit & Standards Committee are:

- a. Maintaining public confidence in the objectivity and fairness of financial and other reporting.
  - b. Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing and approving the Annual Statement of Accounts and the Annual Governance Statement.
  - c. Providing a sharp focus on the results of the work of the internal audit service where limited assurance reports are issued and control weakness have been identified through special investigations and potential fraud instances.
  - d. Assisting the co-ordination of sources of assurance across the control framework i.e. information governance and health & safety management..
  - e. Raising awareness within the Council of the need for governance, internal control, and the implementation of audit recommendations.
  - f. Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
5. The Committee continues to have a professional and arm's length relationship with EY, the Council's external auditors, who attend all meetings of the Committee to offer their advice where needed.
  6. The Committee undertakes a substantial range of activities and works closely with both internal and external auditors and the Director of Corporate Services and County Treasurer (s151 Officer) in achieving the Council's aims and objectives. A detailed annual forward plan is produced and reported to each meeting of the Committee to ensure that key tasks are considered and completed to meet required timescales.
  7. This year the Committee has held four planned meetings virtually. Two planned meetings scheduled for 20 April 2020 and 22 June 2020 were cancelled as a result of the response to COVID19. A number of changes were made to the governance arrangements supporting the decision-making process as per the following legislation:
    - a. The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020.
    - b. Additional guidance provided on running Council meetings produced by Lawyers in Local Government & Association of Democratic Services Officers.

## **Internal Audit**

8. The Audit & Standards Committee approved the Internal Audit Plan and Strategy in April 2020 via email due to the cancellation of the April and June 2020 meetings as a consequence of the COVID 19 restrictions. Scrutiny of the proposed plan provides Members with the opportunity to challenge and influence the areas scheduled for review by Internal Audit to ensure audit resources are deployed to the areas of greatest risk. The top risk areas were identified as:
  - a. Digital Strategy and transformation including the digital programme, Care Director Software & Office 365
  - b. Climate Change Planning Process
  - c. Adult Social Care Pathway and MASC Programme

- d. SEND Transformation – Governance, High Needs Block & Joint Statement Written Statement of Actions
  - e. Children’s & Families Transformation – Project Governance and Place Based Approach
  - f. Partnerships – Governance & Management
  - g. Strategic Property Asset Management & Governance
  - h. Cyber Security & Assurance
  - i. Culture & Ethics
  - j. Information Management
9. Since the beginning of 2020/21, Internal Audit’s work has been dominated by supporting the Council’s response to the COVID 19 pandemic which has included providing timely advice and guidance on new and revised processes across a number of business operations such as the food distribution hubs, the recruitment of volunteers and the procurement of Personal Protective Equipment (PPE) as well as undertaking a number of COVID 19 grant verification audit exercises. Despite this additional call on Internal Audit’s resources, the Team has maintained its work on key corporate transformation projects by continuing to provide a project assurance role for the Office 365 project, and the Finance workstream for the Together4Children regional permanency service.
10. The Internal Audit Charter was reviewed and approved annually by the Committee at the July 2020 meeting. Included within the document are the reporting guidelines which determine those audit reports that are considered in full, by the Committee. Given that on average approximately 100 reviews are performed annually, those reports that contain a limited assurance opinion, classed as a top 10 high risk review or the result of a special investigation are reported in full. Operational Management attended to provide details of how the agreed recommendations contained in the reports had been implemented since finalisation. During 2020/21 the Committee considered the following final reports:
- a. SEND Joint Inspection
  - b. SEND Transformation – Governance, Decision Making Groups
  - c. SEND Transformation Governance< Local Hubs
  - d. Sales 2 Cash including Debt Recovery Function and Debt Management
  - e. People Strategy
  - f. Children and Families System Transformation – Place Based Approach
  - g. Ofsted Improvement Plan
  - h. Cyber Security Strategy Review
  - i. Care Director – Citizen Portal
  - j. Joint Funding and Billing – CCGs Continuing HealthCare
  - k. Special Guardianship Payments
  - l. Third Party Access
  - m. Scheme of Delegation
  - n. Bank Mandate Fraud
  - o. Information Management
11. A number of risk areas were identified and Members requested further updates to the Committee to ensure that the actions identified had been fully implemented as outlined. Where applicable the Chairman has written to relevant Cabinet Members

and Officers, including the Leader and Chief Executive on behalf of the Committee to request additional support/resources are given to areas to ensure that they can ensure compliance to the recommendations outline in audit reports.

12. The Annual Internal Audit Outturn Report including the counter fraud and corruption work, was presented to the July 2020 meeting, which contained the overall opinion from the Chief Internal Auditor in respect of the governance, risk, and control environment in operation during 2019/20. An overall adequate opinion was awarded. In the report it was noted that the Internal Audit Services' Schools compliance work during the 2019/20 financial year had identified a number of governance and financial management weaknesses. The Chairman requested that a wider communication publication was produced for all maintained schools to highlight the key control weakness themes raised during the 2019/20 audit reviews together with further guidance on good governance and robust financial controls and lessons learnt from recent fraud cases. The aim of this communication was to raise awareness within schools of the potential key risks particularly relating to payroll, procurement and income and mitigating actions that they could take. The publication also considered fraud related risks including those arising from COVID 19. This was issued to all maintained schools in December 2020.
13. The Council continued to participate in the National Fraud Initiative administered by the Cabinet Office, which is a data matching exercise across a number of public sector organisations in order to detect and prevent fraud and errors in payments made by the Council. The paper to the 12 October meeting provided further details regarding the extent of the datasets to be covered and highlighted two potential new areas being explored by the Cabinet Office, namely Business rates relief and Business Support Grants. The final results of this work are to be incorporated in the 2020/2021 Outturn report.

### **Governance & Risk Management**

14. The annual review of the Code of Corporate Governance was undertaken in July 2020. This is a key document in the governance framework and depicts how the Council operates and manages its governance processes. The basis of this document is the CIPFA/Solace document 'Delivering Good Governance in Local Government Framework 2016'.
15. The Annual Governance Statement for 2019/20 was approved by the Committee at the December 2020 meeting. This extended timescale was in accordance with the governance changes arising from COVID 19 outlined in paragraph 8. The main issues raised related to the changes being made to the SEND service, the constant presence of cyber security risks and the need to monitor the effect of COVID 19 emergency on the Council's MTFS and its ability to deliver services.
16. The Annual Code of Conduct for Members report on the Management of Complaints was presented to the 12 October meeting. The report referred to 12 complaints/alleged breaches of the Code of Conduct for Members during January 2019 and September 2020. Following a detailed discussion, it was resolved that the Director of Corporate Services examine ways of supporting members when subjected to a disproportionate degree of personal attack.

17. Members of the Audit & Standards Committee considered two policy documents applicable to Member of the Council and recommended Full Council to formal approve adoption. The Policies in question were:
  - a. Local Government Association Model Code of Conduct for Members
  - b. Parental Leave Policy for Members.
18. In respect of the new Code of Conduct it was proposed at the 9 February 2021 meeting that the New Code would be introduced following the May 2021 County Council Elections.
19. The Annual Report on Information Governance was presented to the 12 October 2020 meeting. Key themes covered related to the work of the section in assisting the management of high volumes of sensitive data as part of the Council's COVID 19 response, systems in place to address the risk of Cyber-attack , the ongoing development of the Cyber Security Incident Plan and development of the Information Asset Register to meet the requirements of GDPR legislation. Members requested further information to be presented to the Committee in respect of the measures in place to manage the risk of cyber- attack. This is included with the 12 April 2021 meeting agenda.
20. Members received the Health, Safety and Wellbeing Performance 2019/20 Annual Report at the 9 February meeting. The key actions taken were:
  - a. the creation of a network of 150+ Mental Health First Aiders across the authority, and completion of a 2-year programme of mental health awareness training for Managers as part of work to embed MindKind into the organisation
  - b. The launch of Well Being action plans to support colleagues in managing their mental health .
  - c. Designed menopause awareness on line training as part of the development of a support network within the authority
  - d. Completion by a newly appointed Fire Officer, to undertake fire safety systems reviews and advanced training/upskilling for premise managers
  - e. Dealt with the initial impacts of COVID 19 in schools and played a key role in the Incident Management Team response and the management of the impact of the virus on SCCs business, adult social care, vulnerable persons within the community, schools, and wider community activity.
  - f. Development of a plethora of guidance and support tools and material to assist Managers in implementing COVID restrictions, social distancing measures etc
21. A number of risk management reports were presented and considered by the Audit & Standards Committee covering the following key risk areas:
  - a. Fraud Risks and the impact of COVID 19
  - b. COVID Incident Management Teams 'Lessons Learnt'
  - c. Care Director – system risks
22. Members requested that the Fraud Risks presentation was circulated to a wider audience within the Council and was subsequently shared with Officers through the

Business Brief process. Additional information regarding fraud related risks has continued to be publicised across a number of different channels to raise staff awareness and prevent cases occurring.

### **External Audit**

23. Members of the Committee received a training session at the 8 December 2020 meeting in respect of the format and required contents of the Council's Statement of Accounts. The completion timescale for the accounts was extended to the 30 November 2020 from the usual 31 July as a result of the COVID 19 pandemic. Members scrutinised the statement of accounts for both the County Council and the Staffordshire Pension Fund, following which they were approved
24. The External Auditor, Ernst Young presented their Report to those Charged with Governance ISA 260 2019/20 report, again at the 8 December 2020 meeting. The main aspect highlighted, referred to the Value for Money opinion, which based on the status of the Councils action in respect of SEND services a qualified 'except for' conclusion regarding the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources was given.

### **Equalities Implications**

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

### **Legal Implications**

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

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

27. The net budget of the Internal Audit Section for 2020/21 is £982,700 of which £67,000 relates to payments to external providers.

### **Risk Implications**

28. The report provides assurance that the Audit & Standards Committee has considered and evaluated how it is adding value to the organisation as outlined with the CIPFA guidance relating to the effective operation of Audit Committees.

### **Climate Change implications:**

29. There are no direct climate change implications arising from this report.

### **List of Background Documents/Appendices:**

2020/21 Audit & Standards Committee Agenda Papers and Minutes

## Contact Details

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