Stafford
BOROUGH COUNCIL

Dear Members

Audit and Accounts Committee

A meeting of the Audit and Accounts Committee will be held in the **Sheridan Room, Civic Centre, Riverside, Stafford on Wednesday 19 June 2024 at 6.30pm** to deal with the business as set out on the agenda.

Please note that this meeting will be recorded.

Members are reminded that contact officers are shown in each report and members are welcome to raise questions etc in advance of the meeting with the appropriate officer.

Head of Law and Governance

AUDIT AND ACCOUNTS COMMITTEE

19 JUNE 2024

Chair - Councillor M G Dodson

AGENDA

1   Minutes of 19 March 2024 as circulated and published on 21 March 2024.

2   Apologies

3   Officers' Reports

Chair - Councillor M G Dodson

K M Aspin	A M Loughran
M G Dodson	A R McNaughton
P A Leason	D P Rouxel

Agenda Item 3(a)

Strategic Risk Register

Committee:	Audit and Accounts
Date of Meeting:	19 June 2024
Report of:	Head of Transformation and Assurance
Portfolio:	Resources Portfolio

The following matter was considered by Cabinet at its meeting held on 6 June 2024 and is submitted to the Audit and Accounts Committee as required.

1   Purpose of Report

1.1   To set out details of the Council's Strategic Risk Register as at 1 April 2024

2   Recommendation

2.1   That the Committee note the draft Strategic Risk Register and considers the progress made in the identification and management of the strategic risks.

Reasons for Recommendations

2.2   Audit Committee are responsible for the reviewing the Strategic Risk Register produced by Leadership Team and approved by Cabinet to monitor the progress made in relation to the management of the risks identified.

3   Key Issues

3.1   All Strategic Risks and associated action plans have been reviewed and the Council's current risk profile is summarised in the table below:-

Risk Status	Number of Risks 30 September 2023	Number of Risks 1 April 2024
Red (High)	1	2
Amber (Medium)	4	5
Green (Low)	0	0
TOTAL	**5**	**7**

3.2   One red risk has been added to the Risk Register in relation to Meeting the Homelessness Statutory Duty and one Amber Risk has been added in relation to Governance Risk.

4   Relationship to Corporate Priorities

4.1   This report supports the Council's Corporate Priorities as follows:-

(a)   Risk management is a systematic process by which key business risks/opportunities are identified, prioritised and controlled so as to contribute towards the achievement of the Council's aims and objectives.

(b)   The strategic risks set out in the Appendices have been categorised against the Council's priorities.

5   Report Detail

5.1   The Accounts and Audit Regulations 2015 state that:-

"A relevant body must ensure that it has a sound system of internal control which:-

(a)   facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b)   ensures that the financial and operational management of the authority is effective; and

(c)   includes effective arrangements for the management of risk."

5.2   Risk can be defined as uncertainty of outcome (whether positive opportunity or negative threat). Risk is ever present and some amount of risk-taking is inevitable if the council is to achieve its objectives. The aim of risk management is to ensure that the council makes cost-effective use of a risk process that has a series of well-defined steps to support better decision making through good understanding of risks and their likely impact.

Management of Strategic Risks/Opportunities

5.3   The Council's approach to risk management (including its risk appetite) is set out in the Risk Management Policy and Strategy (March 2016).

5.4   Central to the risk management process is the identification, prioritisation and management of strategic risks/opportunities. Strategic Risks are those that could have a significant impact on the Council's ability to deliver its Corporate Business Plan Objectives.

5.5   The risk register has been updated as at 1 April 2024 and a summary is attached as **APPENDIX 1**.

5.6   The risk summary illustrates the risks/opportunities using the "traffic light" method ie:-

RED   risk score 12 and above (action plan required to reduce risk and/or regular monitoring)

AMBER   risk score 5 to 10 (action plan required to reduce risk)

GREEN   risk score below 5 (risk tolerable, no action plan required)

5.7   As part of this review the following changes have been made-

Two new risks have been added to the Risk Register

(a)   A red risk have been added in relation to "Meeting its Homelessness Statutory Duty" specifically "Demand on the Homelessness Service is at the highest level recorded with an increase in presentations of over 100% between 2021/22 and 2023/24. The ability to place households in settled accommodation is increasingly challenging and the Council is incurring significant temporary accommodation costs and may fail to deliver its statutory duty."

(b)   An amber risk has been added in relation to "Governance" following on from the VFM Report. This is to cover the risk that "If the recommendations from the External Auditor's VFM report are not implemented it would lead to a failure in the Council's governance arrangements".

All other risks have remained at the same score but comments detail the progress made to deliver the identified controls.

The key information and progress for each risk is set out in the strategic risk register attached at **APPENDIX 2**. A full strategic risk register including detailed controls and actions for each risk is held on file by the Chief Internal Auditor Risk Manager.

6   Implications

6.1   Financial

None

6.2   Legal

None

6.3   Human Resources

None

6.4   Risk Management

As set out in the report

6.5   Equalities and Diversity

None

6.6   Health

None

6.7   Climate Change

None

7   Appendices

Appendix 1: Summary of the Strategic Risk Register

Appendix 2: Strategic Risk Register Key Information

8   Previous Consideration

Cabinet - 6 June 2024 - Minute No CAB7/24

9   Background Papers

File available in Internal Audit and Risk Section including the full Strategic Risk Register action plan.

Contact Officer: Stephen Baddeley

Telephone Number: 01543 464415

Ward Interest: None

Report Track: Cabinet 6 June 2024
                            Audit and Accounts 19 June 2024

Key Decision: No

Stafford Borough Council
Summary of the Strategic Risk Register as at 1 April 2024

Summary of Red Risks

Risk No	Risk Name	Risk Owner	Date Added to Register	Residual Risk Score at Sep 2023	Residual Risk Score at April 2024	Direction of Travel over period reported
C1	Finance Risk	Deputy Chief Executive Resources	May 2020	20 RED	20 RED	↔
2024-02 (New)	Meeting Homelessness Statutory Duty	Head of Wellbeing	April 2024	N/A	12 Red	N/A

Summary of Amber Risks

Risk No	Risk Name	Risk Owner	Date Added to Register	Residual Risk Score at April 2023	Residual Risk Score at April 2023	Direction of Travel over period reported
C2	Economy Risk	Head of Economic Development & Planning	May 2020	9 Amber	9 Amber	↔
C5	Key Contractors Risk	Head of Operations / Head of Wellbeing	May 2020	10 Amber	10 Amber	↔
C6	Organisational Resilience Risk	Chief Executive	May 2020	9 AMBER	9 AMBER	↔
C7	Cyber Attack Risk	Head of Transformation & Assurance	May 2020	9 AMBER	9 AMBER	↔
2024-01 (New)	Governance Risk	Deputy Chief Executive - Resources	April 2024	N/A	9 Amber	N/A

Key to Direction of Travel

↓	Risk has decreased	↔	Risk level unchanged	↑	Risk has increased

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

Ref No:	C1
Risk Name	**Finance Risk**
Risk Description:	The funding available to the Council from central Government resulting from potential changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with increases in inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves.
Risk Owner:	Deputy Chief Executive - Resources
Portfolio:	Resources
Gross Risk Score (Without Controls in Place)	Likelihood: 4 Impact: 5 Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 4 Impact: 5 Total Score 20 - RED**
Overall Progress Summary:	The medium-term financial stability of the Council is dependent upon its ability to set a 2025-26 budget that minimises the use of reserves, and the impact of changes arising from the future funding regime for local government. Details in relation to the implementation of 50% Business Rates Retention, a Business Rates Reset and Fair Funding are still awaited.

A consultation document in relation to the Future of New Homes Bonus was published in February 2021 (a response from the Council was submitted in advance of the closing date). The Council is awaiting details of the financial Settlement for 2025-26, including New Homes Bonus, to be provided by Central Government, likely in the Autumn.

Recent events have included Geopolitical uncertainty, energy crisis, inflation creating a cost-of-living crisis and interest rate rises. These issues, as well as uncertainty regarding national fiscal and monetary policy, the direction of the new Government and the impact on the local government financial settlement, have created substantial risk to financial sustainability. |

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

Ref No:	**C2**
Risk Name:	**Economy Risk**
Risk Description:	**The economy of the Borough is adversely impacted limiting the ability to deliver the Economic Growth Strategy for the Borough**
Risk Owner:	Head of Economic Development & Planning
Portfolio:	Economic Development & Planning
Gross Risk Score (Without Controls in Place)	Likelihood: 3 Impact: 5 Total Score: 15 - Red
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score: 9 - Amber**
Overall Progress Summary:	Immediate and longer terms interventions identified and being implemented; minor disruption to major projects and Future High Streets Fund bid updated to reflect changes to projects and revised programme for delivery. Local Plan progression under regular review. Emerging pressures linked to global supply chain issues and costs of goods, services and labour impacting on contracts/delivery.

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

Ref No:	**C5**
Risk Name:	**Key Contractors Risk**
Risk Description:	**The Council's key contractors remain sustainable and continue to provide value for money**
Risk Owner:	Head of Wellbeing
Portfolio:	Leisure / Resources
Gross Risk Scout (Without Controls in Place	Likelihood: 4 Impact: 5 Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 2 Impact: 5 Total Score: 10 - Amber**
Overall Progress Summary:	- Risk is not at the same level with all contractors. - We are concentrating on the monitoring and financial support to the Leisure contractor which currently carries the highest risk. - Services have been re-introduced following the lifting of Government Covid-19 restrictions/return of work force. - Prioritisation of service have been reintroduced based on "open book" process. - The other emergent issue has been the significant increase in energy prices coupled with rising inflation arising from marked increases in the prices of fuel, goods and services. During the Covid pandemic lockdown periods and associated restrictions the Council worked with its contractors to support them in implementing their recovery plans However, the rises in energy prices, taken together with rising inflation, emerged as a significant risk, particularly to the Leisure contractor. The Council has provided support to its leisure and culture service provider with its energy costs, based on an open book approach. The Government announced plans to provide a level of support for leisure providers with swimming pools, as part of the last budget. Along with the above, the forecasted energy costs for 2024 seem more positive. At the last review of this risk the likelihood of service failure was reduced, it is proposed that it remains at this level given the ongoing uncertainty in energy markets. Freedom Leisure have been asked to produce a Strategic Investment Plan for the contract that, subject to agreement from the Council, will provide a strategic direction for the contract, outlining key financial and participation priorities. The Plan will aim to ensure that the contract works towards a stable financial position, whilst driving quality of service and meeting the needs of our residents.

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

	The Council successfully applied for the first round of the Swimming Pool Support Fund (revenue) in August 2023 that was launched to provide financial assistance with rising energy costs. The second round of the Swimming Pool Support Fund (capital) was launched in September 2023 and Stafford Leisure Centre has been successful in receiving funding for measures to reduce energy costs and carbon output. The Council's waste and recycling collection contract (2018-2028) is considered to continue to offer an appropriate level of service and value for money. The contract for the disposal of garden waste has been returned to Staffordshire County Council, as the Waste Disposal Authority. The Council is working alongside the County Council on future procurement of the disposal service to ensure a satisfactory result in terms of disposal point selection. Discussions are underway with the Council's waste collection contractor around the future requirement for the statutory introduction of weekly food waste collections from 2026 for all domestic properties across the borough. This will also require the procurement of containers for the collection and storage of food waste from all domestic dwellings including communal properties.

As at April 2024

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

Ref No:	**C6**
Risk Name:	**Organisational Resilience Risk**
Risk Description:	**Reduced Organisational resilience may lead to reduced resources to support Council's service delivery and transformation.**
Risk Owner:	Chief Executive
Portfolio:	Resources
Gross Risk Scout (Without Controls in Place	Likelihood: 3 Impact: 5 Total Score: 15- RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score 9- Amber**
Overall Progress Summary:	A number of services are continuing to experience capacity issues due to vacancies and problems in recruiting new staff. The major capital schemes funded by Future High Street monies and the Levelling Up Fund, together with the outcome of the recent Value for Money report have all resulted in significant demand on both front line and support services. Officer capacity continues to be reviewed and work prioritised. Funding for additional capacity in the Finance and Transformation Teams has been agreed and work has commenced on the preparation of job descriptions ready to go out to advert. The Council's shared leadership team structure came into effect on 1 April 2023 and all posts are filled. Work is nearing completion on the consultation for the proposed new shared service manager tier and this is due to be implemented with effect from 1 June 2024. Additional staffing resources are being identified to address key areas of demand.

As at April 2024

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

Ref No:	**C7**
Risk Name:	**Cyber Attack Risk**
Risk Description:	**Failure to repel or recover from cyber-attack including targeted ransomware, malware, and Distributed Denial of Service attacks**
Risk Owner:	Head of Transformation & Assurance
Portfolio:	Resources
Gross Risk Scout (Without Controls in Place	Likelihood: 4 Impact: 5 Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score 9 - AMBER**
Overall Progress Summary:	Cyber-attacks are a global issue, and the operating environment means that new risks and challenges are always developing, and attacks are becoming more sophisticated.
	The Technology Team has achieved Cyber Essentials Plus accreditation for 2024; this is a government-backed, industry-supported scheme to help organisations protect themselves against common online threats. About Cyber Essentials - NCSC.GOV.UK
	A Security Officer role has been created within the team as part of the localised restructure. Cyber Essentials Plus renewal will be performed every December/January.
	PSN certification is due to be renewed in June 2024 following the IT health Check in May.
	Mobile Device management is in place and used to manage all our mobile devices, in the event of a lost or stolen device we can remotely wipe the machine/phone of any council data.
	We have recently set up a network monitoring tool which enables the Security Officer to monitor network activity proactively.
	The infrastructure hardware refresh is to be completed in 2024 providing an modern up to date infrastructure with enhanced security features.

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

Ref No:	**20024-01 (New Risk)**
Risk Name:	**Governance Risk**
Risk Description:	If the recommendations from the External Auditor's VFM report are not implemented it would lead to a failure in the Council's governance arrangements
Risk Owner:	Deputy Chief Executive - Resources
Portfolio:	Resources
Gross Risk Score (Without Controls in Place)	Likelihood: 4 Impact: 5 Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score: 9 AMBER**
Overall Progress Summary:	The Improvement Plan to address the External Audit recommendations was approved in February 2024. Progress has been made against a number of actions and the first update is due to be reported to Cabinet and the Audit & Accounts Committee in June 2024.

Progress on this is also a standing item on the Cabinet Briefing agenda. |

As at April 2024

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

Ref No:	20024-0 (New Risk)
Risk Name:	**Meeting Homelessness Statutory Duty**
Risk Description:	Demand on the Homelessness Service is at the highest level recorded with an increase in presentations of over 100% between 2021/22 and 2023/24. Most are approaching the service having been served notice from their private rented accommodation, or, having been asked to leave their home by friends or family. The ability to place households in settled accommodation is increasingly challenging with delivery of affordable housing lower than previous years and the private rented sector being largely unaffordable for those on benefits. There is an increasing number of people approaching the service with many complex needs. The Council is incurring significant temporary accommodation costs and may fail to deliver its statutory duty, in particular relating to families in B&B for less than 6 weeks.
Risk Owner:	Head of Wellbeing
Portfolio:	Communities
Gross Risk Score (Without Controls in Place)	Likelihood: 4 Impact: 3 Total Score: 12 RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 4 Impact: 3Total Score: 12 RED**
Overall Progress Summary:	Good quality data gives a clear understanding of the challenges facing the service.
	The increase in the local housing allowance to the 30th percentile on 01 April 2024 may enable some more placements into the private rented sector.
	The Renters Reform Bill is still in Parliament but in the meantime, eviction from the private rented sector remains the principal cause of homelessness.
	Out of area placements are increasingly challenging to secure and, there is no direct access accommodation in Stafford Borough. Grant arrangements are in place for limited local accommodation provision with work progressing to consider alternative options and long-term funding arrangements.
	Constructive discussions are ongoing with partner agencies to address the high level of support needs seen by many of the households presenting to the service. This needs to translate into joint commissioning of accommodation or, contributions towards support provision within accommodation.

As at April 2024

STAFFORD BOROUGH COUNCIL - STRATEGIC RISK REGISTER KEY INFORMATION AS AT 1 APRIL 2024

	Positive work continues with Registered Providers to ensure access to social housing for those presenting to the service. In 23/24 most homeless applications ended with an offer of either social housing or supported housing.
	Forward projections of new affordable housing are lower than previously delivered. When the new Local Plan is in place, it is anticipated there will be increased opportunities for delivery.
	Work ongoing to ensure correct housing benefit levels to minimise risk to the General Fund.

As at April 2024

Agenda Item 3(b)

Internal Audit Annual Report 2023-24

Committee: Audit and Accounts

Date of Meeting: 19 June 2024

Report of: Chief Internal Auditor & Risk Manager

Portfolio: Resources Portfolio

1   Purpose of Report

1.1   To present the Internal Audit Annual Report for 2023-24

2   Recommendations

2.1   That the Committee note the Internal Audit Annual Report.

       Reasons for Recommendations

2.2   The Chief Internal Auditor is required to present an annual report to the Audit
       Committee setting out a summary of the work they have carried out in the
       year and an opinion on the

3   Key Issues

3.1   Based on the work undertaken during the year and the implementation by
       management of the audit recommendations, Internal Audit can provide
       Limited Assurance that the Council's framework of governance, risk
       management and internal control was operating adequately during 2022-23

4   Relationship to Corporate Priorities

4.1   The framework of governance, risk management and internal control is a key
       element of the Council's corporate governance arrangements which cuts
       across all corporate priorities.

5   Report Detail

Assurance

5.1   Management are responsible for the framework of governance, risk management and internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of the framework of governance, risk management and internal control.

5.2   The Internal Audit Annual Report (attached as **APPENDIX 1** is the culmination of the work of the Section during the course of the year and seeks to:

- provide an opinion on the adequacy of the framework of governance, risk management and internal control
- comment on the nature and extent of significant risks; and
- report the incidence of significant control failings or weaknesses.

5.3   Work completed since the last progress update has not previously been presented to committee and this is included in **APPENDIX 1**.

5.4   The Internal Audit Annual Report is one of the sources of assurance that is used to support the Council's Annual Governance Statement. The Annual Audit Opinion given in the report is based on the work of the Internal Audit section and other information that the Chief Internal Auditor & Risk Manager is aware of such as performance and risk management information and awareness of other work such as the delivery of projects.

5.5   The Annual Audit Opinion for 2023-24 is **limited assurance** that the Council's framework of governance, risk management and internal control was operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy. This opinion has taken into account the statutory recommendations contained in the External Auditor's VFM Report.

Internal Audit's Performance

5.6   The Audit team completed 91% of the planned work which is within the annual target; furthermore, a small number of additional audits had been started but not completed by the end of the year and will be rolled forward into 2023-24.

Review of the Effectiveness of Internal Audit

5.7   The Annual Report contains a summary of the outcome of the Review of Internal Audit and the associated action plan.

6   Implications

6.1   Financial

None

6.2   Legal

None

6.3   Human Resources

None

6.4   Risk Management

None

6.5   Equalities and Diversity

None

6.6   Health

None

6.7   Climate Change

None

7   Appendices

Appendix 1 - Summary of Significant Findings Quarter 4 Audits

Appendix 2 - Internal Audit Annual Report for 2023-24

8   Previous Consideration

None

9   Background Papers

File of work held by the Chief Internal Auditor & Risk Manager

Contact Officer: Stephen Baddeley

Telephone Number: 01543 464415

Ward Interest: Nil

Report Track: Audit and Accounts Committee 19 June 2024 (Only)

Key Decision: No

Summary of Significant Findings for Audits Issued in March 2024

Audit Reports Issued in March 2024

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Bereavement Services	Operations	2	Partial ▲	• The correct fees were not always shown in the Fees & Charges Booklet • Some fees were not recorded at all in the Fees & Charges Booklet.
S106 Agreements and Projects	Economic Development & Projects	6	Partial ▲	• The quarterly checks to prime documentation and quarterly reports from the system could not be evidenced as being completed. • Development Management staff were not always flagging applications as having s106 Agreements. Work was still required to mandate the completion of the field on the system. • It was found that periodic in-year inspections are not being carried out. • Procedures notes did not allocated responsibilities for the tasks. • Although legislation allows for an admin and monitoring fee this is not currently being charged. • Deeds of Variation were found not to be included in the automatic updates

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Procurement	Transformation & Assurance	0	Substantial ✓	

Audit Follow-ups Completed in March 2024

Audit	Head of Service	Original Assurance	Implemented	In Progress	Not Implemented	Total	Revised Assurance	Comments
Change Control (IT) 2nd	Transformation & Assurance	Partial ▲	0	3	0	3	Partial ▲	The change control policy has been drafted but not yet approved and rolled-out.
Cyber & Network Security (2nd Follow Up)	Transformation & Assurance	Partial ▲	4	0	0	4	Partial ▲	Completion of the Cyber Security Training has been mandated and a process to escalate non-completion established but this has not yet been rolled-out.

Stafford Borough Council Internal Audit Annual Report 2023-24

June 2024

working together

CONTENTS

1. INTRODUCTION

1.1 The Internal Audit Service is a shared service with Cannock Chase District Council. This report highlights the work carried out by Internal Audit to deliver the Annual Audit Opinion for Stafford Borough Council.

The Annual Reporting Process

1.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its governance arrangements comprising of risk management and internal control. Internal Audit objectively examines, evaluates and reports on the adequacy of the Council's governance arrangements as a contribution to the proper, economic, efficient and effective use of resources. Responsibility for governance rests fully with Managers, who should establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner and on the activities intended.

1.3 This report is the culmination of the work of the Internal Audit Section during the course of the year and seeks to:

- provide an opinion on the adequacy of the control environment;
- comment on the nature and extent of significant risks; and
- report the incidence of significant control failings or weaknesses.

1.4 It provides a summary of the work of the Section throughout 2023-24. As such it presents a snapshot picture of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by Managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. Internal Audit routinely follow-up the recommendations that have been made and will bring any relevant areas where significant weaknesses have not been addressed by managers to the attention of the Audit & Accounts Committee if and when it is deemed appropriate.

1.5 Internal Audit has adopted an exception-based reporting methodology, as such only those areas where weaknesses have been identified are reported on.

Requirement for Internal Audit

1.6 The requirement for an Internal Audit function derives from local government legislation, including section 151 of the Local Government Act 1972 which requires authorities to "make arrangements for the proper administration of their financial affairs". Proper administration is interpreted in this legislation to include Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in 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 audit standards or guidance".

Review of Internal Audit

1.7 A review of Internal Audit has been undertaken within the year as part of the Quality Assurance and Improvement Programme as required by the Public Sector Internal Audit Standards.

1.8 The Chief Internal Auditor has conducted a self-assessment of the section in relation to compliance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN); and

1.9 The review has also started to consider the revised Global Internal Audit Standards which were issued in early 2024. These will form the basis of revised Public Sector Internal Audit Standards to be implemented from April 2025. However, as the revised PSIAS has not yet been drafted it is not possible to fully consider changes that will be needed to the current processes and documentation used by the section.

1.10 As previously reported an External Quality Assessment (EQA) was carried out in Autumn of 2022 by Business Risk Management Ltd. The outcome of the review and the agreed action plan was presented to the Audit & Accounts Committee on 16th November 2022. The view of the EQA Assessor was that "The Internal Audit Shared Service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards with the service demonstrating a high standard of delivery within its peer group". In line with the standards a new External Quality Assessment will be required in 2027.

1.11 The review concluded that Internal Audit is effective and conforms sufficiently with the requirements of PSIAS/LGAN to ensure that the opinion given in this Annual Report can be relied upon for assurance purposes. Where actions have been identified these are attached in Appendix 3 at the end of this report.

1.12 One ongoing area of significant non-conformance with the standards was identified and this relates to PSIAS 1110 Organisational Independence. The standards require the "Chief Audit Executive" to report functionally to the Board and indicate that this includes the Audit Committee Chair and Chief Executive commenting on the Performance Development Review (PDR) and the Audit Committee setting remuneration for the "Chief Audit Executive".

1.13 This is not a common practice in Local Government where Members do not routinely get involved in detailed employment matters. It is felt that sufficient other safeguards to the independence of Internal Audit are currently in place within the Council such as allowing the Chief Internal Auditor the unfettered right of access to the Audit Committee Chair and Chief Executive to raise any concerns. However, following the EQA in 2022 the Head of Transformation & Assurance has agreed that she will contact both Audit Committee Chairs and have a conversation with them to seek their views in advance undertaking the Chief Internal Auditor's PDR.

1.14 It is therefore felt that this area of non-conformance does not compromise the effectiveness of Internal Audit although PSIAS/LGAN requires it to be disclosed in the Annual Audit Report.

1.15 In order to ensure the quality of each audit, the Senior Auditor, the Principal Auditor or the Chief Internal Auditor carries out a file review for each audit prior to the reports being issued. The Chief Internal Auditor also reviews and signs-off every report before it is issued. These processes form part of the internal quality assurance process and helps to provide a consistent approach between the auditors.

1.16 As part of the Review of Internal Audit, a Satisfaction Survey was issued to Managers and Heads of Service. A total of 16 responses were received covering approximately 32% of Managers; this is a slight fall on the 25 responses received for 2022-23. The majority of the questions were consistent with those asked in the 2022-23 survey to allow for trends to be considered. The results of the survey questions are below:

Question	2023-24 Average Score (out of 5)	2022-23 Average Score (out of 5)	Trend
How satisfied are you with the support that you get from Internal Audit?	**4.25**	4.2	↑
How satisfied are you that work of Internal Audit Reports adds benefit to your management of the services that you deliver	**4.19**	4.2	↓
Do you agree that Internal Audit recommendations are realistic and relevant to the operation of your service	**4.31**	4.2	↑

1.17 Whilst the drop in the number responses is unfortunate it is pleasing to be able to report an improvement in the scores for 2 of the areas and only a very marginal drop in the other score. The overall average scores continue to show an overall high level of satisfaction in the Internal Audit service provided to management.

2. REVIEW OF CONTROL ENVIRONMENT

How the Control Environment is Reviewed

2.1 Internal Audit operates to a risk-based audit plan. The audit plan is risk assessed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk.

2.2 This risk-based approach to audit planning results in a comprehensive range of audits being undertaken during the course of the year to support the overall opinion on the control environment.

2.3 The Audit Plan for 2023-24 continued the shift in focus away from a plan based solely on the Audit Universe to a totally risk focused plan which has been used over a number of years.

2.4   It is believed that sufficient work has been undertaken on which to provide an opinion.

Internal Audit Opinion for 2023-24 and the Annual Governance Statement (AGS)

2.5   Regulation 3 of the Accounts & Audit Regulations 2015 require that the Council:

"must ensure that it has a sound system of internal control which-
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk.

2.6   In addition regulation 6 of the Accounts and Audit Regulations 2015 requires that the Council:-

"must, each financial year-
(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
(b) prepare an annual governance statement;"

2.7   Internal Audit has a responsibility to provide assurance from the work they undertake during the year in respect of the control environment operating within the Council to feed into this review.

2.8   Alongside the traditional audit work undertaken, the opinion this year has also placed reliance on observations and awareness of the Council's processes from work undertaken by the Internal Audit Team to offer advice and guidance to services in revising processes to deal with the recovery from the pandemic and the changes to the working practices including hybrid working.

2.9   In addition to the work carried out by Internal Audit, the Opinion is also based on other knowledge and information collected by the Chief Internal Auditor. This will include key risks of the organisation, other work and activities of the Council such as performance information and accident reports, awareness of the progress and delivery of key projects, topics discussed by Leadership Team and Members.

2.10   This year the opinion has taken into account the findings set out in the External Auditor's Value for Money report. This included a statutory recommendation relating to the Finance system and its implementation and a number of other recommendations. The External Auditors relied heavily on the work of Internal Audit and repeated existing Internal Audit recommendations; they also cited the lack of progress made by management to implement Internal Audit recommendations as an influence on their view on the Council which led to the report.

2.11   Management has developed an improvement plan which has been approved by Cabinet and Audit Committee. Internal Audit has also spent some time on areas in the action plan to help clarify the issues and to support management in the development of actions to address the recommendations.

2.12 Based on the work undertaken during the year and the implementation by management of the audit recommendations, Internal Audit can provide **Limited assurance** that the Council's governance arrangements including risk management and systems of internal control were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy.

!

2.13 No Audits were given No Assurance in the year and 6 Audits were given Limited Assurance. More details on the common issues identified in the audit work which have fed into this opinion can be found in paragraph 3.8 below.

2.14 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

3. SIGNIFICANT ISSUES ARISING 2023-24

3.1 Each system/area audited is given a level of assurance based on the presence and effectiveness of the controls in place. Four levels of assurance are currently used and the definitions for each are contained in appendices 1a to 1d.

3.2 A summary of the level of assurance given to each audit is given in the table below.

		Substantial Assurance	Partial Assurance	Limited Assurance	No Assurance	No Opinion
Number of Audits		11	9	6	0	1
Reference for further information		See Appendix 1d	See Appendix 1c	See Appendix 1b	See Appendix 1a	See paragraph 3.3

3.3 One area was reviewed but the nature and depth of the work meant that it was not appropriate to issue a formal opinion on the level of assurance. This was a review of Procurement and spend analysis. Whilst no assurance was given a number or recommendations were made particularly around the need to explore the use of contracts for regular/repeat works.

3.4 In addition to the main audit work the section also followed-up the progress made in relation to Audit Recommendations where the audit was not issued with a Substantial opinion. Follow-ups are generally undertaken around 6 months after the report has been finalised.

3.5   14 follow-ups were completed for 11 audit areas in the year (3 areas were followed-up twice). After the follow-up had been completed:

- One audit had improved from Limited to Partial Assurance;
- One audit had improved from Partial to Substantial Assurance; and
- Eleven audits remained as Partial Assurance.

3.6   In total 47 recommendations were followed-up. The breakdown of status of recommendations is:

- 19 recommendations (40.4%) had been implemented;
- 25 recommendations (53.2%) were in progress at the time of the follow-up; and
- 3 recommendations (6.4%) had no progress at the time of the follow-up.

More details on the follow-ups can be found in Appendix 2.

3.7   This year has seen a drop in the number of recommendations implemented in full at the time of the follow-up to around 40% compared to 57% in 2022-23. Approximately 6% had no progress which is the same as last year. Overall 94% of the recommendations followed up were in-progress of being implemented or completed in full at the time of the follow-up compared to 93% in 2022-23 which is a slight improvement.

3.8   In relation to the key finance systems:

- there was one issue identified in relation to Payroll around inappropriate access levels which led to a limited assurance; and
- due to resource implications and continuing work on the implementation of the finance system, limited work has done on finance systems.

3.9   Some common reoccurring themes were identified from the audit work in the year and these mirrored themes found in previous years and referenced in the External Auditor's VFM Report with limited evidence of improvements being made to address the issues. These were:

- Procurement processes not always being followed correctly and an overreliance on the use of waivers. This meant that contracts were not always market tested fully or work was issued outside of contract agreements or on contracts that had expired.
- Lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works.
- Incomplete, out of date or missing written procedures and work programmes for services leading to a lack of clarity and awareness of correct processes to follow/work to be completed.
- Paperwork not fully completed to evidence work carried out and key documentation not always retained on file.
- Weaknesses in the reconciliation of income for services carried out.
- Employees lack of awareness of key governance documents including Financial Regulations, Procurement Regulations, Schemes of Delegation and the Code of Conduct.

- Data Protection Impact Assessments and Confidentiality Agreements not always completed when data is transferred to third parties.
- Key policies and strategies not being in place or being out of date leaving employees with limited guidance and lack of clear direction.
- Lack of clarity over responsibilities for buildings and their maintenance and routine compliance inspections.

4   AUDIT PERFORMANCE

4.1   The table below indicates the Section's performance against the audit plan for 2023-24.

	2023-24 Planned	2023-24 Actual	2023-24 Actual %	2023-24 Target %	2022-23 Actual
Revised Audit Plan	23	**27**	**117%**	90%	**N/A**
Original Audit Plan	26	**27**	**103%**	90%	**91%**

4.2   The need for a revised audit plan was agreed by the Audit Committee in December 2023 due to the resignation of a member of the team. However, Twenty seven audits were completed in the year out of the twenty-three planned for in the 2023-24 revised Audit Plan. This overachievement was due to a significant number of audits from the 2022-23 plan being completed in 2023-24.

4.3   Included in the completed audits figure above are eleven audits which were originally part of the 2022-23 audit plan which had not been completed in that year, these are:

- Housing Benefits 2022-23
- Council Tax 2022-23
- National Non-Domestic Rates 2022-23
- Asset Management Plans
- Procurement
- Wireless Network Security (IT)
- Critical Application Security
- IT Resilience
- Remote Working
- Agency Staff & Consultants
- Property Management & Rentals

4.4   A further 2 audits had commenced but not been completed in the year. These are:
- Capital Programme
- Cloud Computing

Both of these audits are being delivered by the Contractor. The delays in completion of the audits are down to 2 main factors:

- Staffing and scheduling issues of the contractor which is in part due to the back-log of audits that they carried forward from 2022-23.
- Delays in departments answering queries and supplying information to auditors due to ongoing workloads and pressures.

4.5   Two audits planned for the year had not commenced at the end of the year

- Asset Management Plans
- Car Parking Arrangements

These will be rolled-over to 2024-25 audit year.

4.6   In addition to the audit plan the Section has also carried out a number of other pieces of ad hoc work and consultancy exercises during the year, these included advice on system changes and new systems. This included advice and consultancy work on some of the changes in processes and a detailed piece of work with IT to help establish an IT Risk Register

5 FRAUD & IRREGULARITY WORK

Pro-active Fraud work

5.1   The Internal Audit section takes a proactive approach to the prevention / detection of fraud and corruption, within the resources available. During the year it has:-

- Continued as a Founding Member of the Staffordshire Counter Fraud Partnership
- Continued membership of the Midlands Fraud Sub Group, and sharing of information at Internal Audit Management Groups;
- Carried out Verification work of Covid Grants and followed up on a number of alleged fraudulent applications.
- Been alert to fraud risks in the audits carried out in the year

- **Fraud/Irregularity Investigations**

5.2   The team has not been involved in any special investigations relating to fraud or irregularities in the year relating to Stafford Borough Council. Although some input has been provided into other investigations relating to the conduct of employees.

5.3   No allegations have been received via Confidential Reporting or Anti-Fraud & Corruption policies

National Fraud Initiative Data Matching

5.4 The Council is a statutory participant in the Cabinet Office's National Fraud Initiative (NFI) exercise which is carried out every 2 years. The 2022-23 matches were released in January 2023 and are in the process of being reviewed, some areas have been slow to review the data matches and some areas have not been reviewed at all due to staffing shortages and other work priorities. These include the Creditor Data Matches and Council Tax Single Person Discount Matches, the latter are never reviewed due to the team undertaking alternative data matching which matches to additional information sources.

5.5 No significant issues have been identified from the work carried out to date.

Audits Planned and Completed in 2023-24 by Assurance Level

No Assurance

Definition	One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks.
✖	Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan

There were no audits which were classified as No Assurance in the year.

Appendix 1b

Limited Assurance Audits

Definition	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 9 or higher. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
!	

Audit Area	Service Lead Officer	No of High/Medium Recommendations
Property Management & Rentals	Housing & Corporate Assets	7
Pest & Dog Control	Operations/Regulatory Services	5
Climate Change	Regulatory Services	6
Environmental Protection & Pollution Control	Regulatory Services	9
Agency Staff & Consultants	Transformation & Assurance	8
Payroll	Transformation & Assurance	9

Partial Assurance Audits

Definition	One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.
▲	

Audit Area	Service Lead Officer	No of High/Medium Recommendations
S106 Agreements and Projects	Economic Development & Planning	6
Bereavement Services	Operations	2
Landscape/Leisure Projects	Operations	1
Land Charges Transfer to Land Registry Project	Regulatory Services	5
IT Resilience	Transformation & Assurance	4
Office 365	Transformation & Assurance	4
Remote Working	Transformation & Assurance	6
Replacement Customer Relationship Management System Project	Transformation & Assurance	2
Risk Management	Transformation & Assurance	5

Substantial Assurance Audits

Definition ✔	All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively. No action is required by management.

Audit Area	Service Lead Officer
Council Tax	Deputy Chief Executive (Resources) and s151 Officer
Council Tax 2022-23	Deputy Chief Executive (Resources) and s151 Officer
Council Tax Reduction Scheme	Deputy Chief Executive (Resources) and s151 Officer
Housing Benefits	Deputy Chief Executive (Resources) and s151 Officer
Housing Benefits 2022-23	Deputy Chief Executive (Resources) and s151 Officer
National Non-Domestic Rates	Deputy Chief Executive (Resources) and s151 Officer
National Non-Domestic Rates 2022-23	Deputy Chief Executive (Resources) and s151 Officer
Treasury Management	Deputy Chief Executive (Resources) and s151 Officer
Economic Regeneration Projects	Economic Development & Planning
UK Shared Prosperity Fund SBC	Economic Development & Planning
Disabled Facilities Grants County Assurance Statement	Wellbeing

Results of Follow-ups Undertaken in the Year By Assurance Level

This table shows the assurance level at the end of the year. Where more than one follow-up of the same audit has been carried out only the assurance level at the end of the latest follow-up is shown.

Audit	Head of Service	Original Assurance	Implemented	In Progress	Not Implemented	Total	Revised Assurance
Development Management	Economic Development & Planning	Limited !	4	0	1	5	Partial ▲
Change Control (IT) 1st	Transformation & Assurance	Limited !	2	3	0	5	Partial ▲
S106 Monitoring & Delivery	Economic Development & Planning	Partial ▲	1	3	0	4	Partial ▲
Streetscene	Operations	Partial ▲	4	6	0	10	Partial ▲
Building Control	Regulatory Services	Partial ▲	4	1	0	5	Partial ▲
IT Asset Management	Transformation & Assurance	Partial ▲	1	1	0	2	Partial ▲
Cyber & Network Security (2nd Follow Up)	Transformation & Assurance	Partial ▲	0	1	0	1	Partial ▲
IT Strategy Resources and operational plans	Transformation & Assurance	Partial ▲	0	0	1	1	Partial ▲
Document Retention & IT Records	Transformation & Assurance	Partial ▲	0	3	1	4	Partial ▲
IT Third Party Supplier Management & External Data Sharing (2nd Follow-up)	Transformation & Assurance	Partial ▲	0	2	0	2	Partial ▲
Change Control (IT) 2nd	Transformation & Assurance	Partial ▲	0	3	0	3	Partial ▲

Audit	Head of Service	Original Assurance	Implemented	In Progress	Not Implemented	Total	Revised Assurance
Cyber & Network Security (2nd Follow Up)	Transformation & Assurance	Partial ▲	0	1	0	1	Partial ▲
Document Retention & IT Records (2nd Follow-up)	Transformation & Assurance	Partial ▲	0	1	0	1	Partial ▲
Corporate Complaints	Law & Governance	Partial ▲	3	0	0	3	Substantial ✓

IMPROVEMENT PLAN FOR INTERNAL AUDIT – 2023-24

PROGRESS ON 2022-23 ACTION PLAN

Source	Actions	Person Responsible for Implementation	Timescale	Progress Comments
Annual Review & EQA 2022-23	Internal Audit will look at progressing some mapping of Assurance provided by others and how this can be taken into account.	Chief Internal Auditor & Risk Manager	Ongoing	Some work has been undertaken to identify other sources of assurance but this has been delayed due to the VFM Report actions and the management restructure.
Annual Review & EQA 2022-23	The Head of Transformation & Assurance to seek views from the Audit Committee Chairs in advance of the Chief Internal Auditors Performance Development Review	Head of Transformation & Assurance	Next PDR Cycle	This will be picked up as part of the next cycle. PDRs were delayed for Service Managers pending the management restructure
Annual Review & EQA 2022-23	Audit Charter and Quality Assurance & Improvement Programme to be updated and approved. To include a refresh of Key Performance Indicators for Internal Audit.	Chief Internal Auditor & Risk Manager	June 2023 Audit Committee	Completed - although KPIs remain under review and development.
Annual Review & EQA 2022-23	Internal Audit to map their work against the Code of Governance, the Risk Management Systems and the Council's Fraud Risks.	Chief Internal Auditor & Risk Manager	September 2023	Some work has been undertaken to identify other sources of assurance but this has been delayed due to the VFM Report actions and the management restructure also pending the review of the Council's code of Governance. This will be rolled forward.
EA Annual Report 2020-21	Internal Audit to provide periodic updates to Leadership Team on outstanding Audit Recommendations	Chief Internal Auditor & Risk Manager	September 2023	Completed - ad hoc reports have been provided. Will be done quarterly for 2024/25 onwards.

Annual Review & EQA 2022-23	The Audit Manual and other procedure documents to be reviewed and updated to reflect the use of the Electronic Working Papers System.	Chief Internal Auditor & Risk Manager	September 2023	Completed - the updates identified have been completed but there is a need for continuous review.

2023-24 ACTION PLAN

Source	Actions	Person Responsible for Implementation	Timescale
Annual Review & EQA 2023-24	To review the Global Internal Audit Standards and new Public Sector/Local Government Standards when they are issued, and update processes and documentation as required	Chief Internal Auditor & Risk Manager	March 2025

Agenda Item 3(c)

VFM Progress Report 2023/24

Committee: Audit and Accounts Committee

Date of Meeting: 19 June 2024

Report of: Head of Transformation and Assurance

Portfolio: Resources Portfolio

The following matter was considered by Cabinet at its meeting held on 6 June 2024 and is submitted to the Audit and Accounts Committee as required.

1   Purpose of Report

1.1   To advise Members on the progress in the delivery of the VFM Improvement Plan at the end of 2023-24. This is the first progress report since the Improvement Plan was approved.

2   Recommendations

2.1   To note the progress at the end of the 2023-24 in the delivery of the VFM Improvement Plan set out at **APPENDIX 1.**

         Reasons for Recommendations

2.2   The information allows Cabinet to ensure that all appropriate steps are being taken to address the findings of the External Auditors and improve the Council's governance arrangements.

3   Key Issues

3.1   The Council's External Auditor's Annual Report (AAR) for 2021/22 and 2022/23, highlighted several significant issues relating to the Council's financial, governance and asset arrangements and made recommendations for addressing these.

3.2   An improvement plan to address the issues was drawn up and approved by the Audit and Accounts Committee (13 February 2024) and subsequently by Council (27 February 2024).

3.3   This report sets out the progress made at the end of 2023-24 and is the first progress update since the improvement plan was approved.

3.4   Good progress has been made in delivering the actions set out for quarter 4 of 2023-24, with 47% of the actions having been completed in full and work is in progress on the remaining actions.

4   Relationship to Corporate Priorities

4.1   Good governance and financial management specifically links to the Council's priority to be "a well-run, financially sustainable and ambitious organisation, responsive to the need of our customers and communities and focussed on delivering our outcomes". It also underpins the delivery of the Council's other corporate priorities and operational services.

5   Report Detail

Background

5.1   As part of the work of the External Auditors, they are required to undertake a review of the Council's arrangements for Value for Money and their finding are set out in the Annual Audit Report for 2021/22 and 2022/23.

5.2   The AAR for 2021/22 and 2022/23 identified several areas of concern primarily:

(i)   the delay in preparation of and audit of final accounts and budget monitoring; and

(ii)   weaknesses in our arrangements for our IT systems, fraud, procurement, performance management and managing our workforce.

5.3.   None of the issues themselves are new; they were identified in the previous AAR, have been raised in reports issued by Internal Audit and/or have been raised as significant governance issues in the Annual Governance Statement over the same period. However, the External Auditors have raised the profile of these issues and the need to address them to prevent significant governance failings. One statutory recommendation has been made and this is being progressed as a priority.

5.4   The External Auditors acknowledged that there has been a lack of capacity in key service areas to address these issues. The Council has sought to address this by agreeing additional funds as part of the budget process for the Finance and Transformation Teams.

5.5   A VFM improvement plan has been produced to address the issues raised in the AAR and this is attached at **APPENDIX 1.**

5.6   A commentary on progress for each of the actions for quarter 4 of 2023-24 is set out in **APPENDIX 1.** Overall progress is summarised in the table below:

Table 1: Summary of Progress - VFM Improvement Plan

Quarter	★	✓	⚠	✖	No longer applicable	Total Number of Projects
	Action completed	Work on target	Work < 3 months behind schedule	Work > 3 months behind schedule		
Q4 2023/24	7		7		1	**15**

5.7   At the end of quarter 4, of the 15 actions planned for delivery in 2023/24:

• 47% have been completed;
• 47% are being progressed but are slightly behind schedule; and
• 6% are no longer applicable.

Good progress has been made in 2023/24 with 7 key actions having been completed. Work is in progress on the other 7 actions. Most of these relate to the updating of policies and work is nearing completion on these; it is anticipated that they will be submitted to Leadership Team for approval in Quarter 1.

5.8   Progress in delivering the actions set out in the improvement plan are being overseen by:

• The Leadership Team; and
• Audit and Accounts Committee.

The Audit and Accounts Committee will escalate any concerns to Cabinet and the Cabinet will also receive periodic updates.

6   Implications

6.1   Financial

There are no direct financial implications arising from the report.

6.2   Legal

None

6.3   Human Resources

None

6.4   Risk Management

Failure to deliver the improvement plan and address the External Auditor's recommendations has been included in the Council's Strategic Risk Register.

6.5   Equalities and Diversity

None

6.6   Health

None

6.7   Climate Change

None

7   Appendices

Appendix 1: VFM Improvement Plan - Summary of Progress

8   Previous Consideration

Cabinet - 6 June 2024 - Minute No CAB5/24

9   Background Papers

Report to Audit and Accounts Committee 13 February 2024

Contact Officer: Judith Aupers

Telephone Number: 01543 464411

Ward Interest: Nil

Report Track: Cabinet 6 June 2024

                              Audit and Accounts Committee 19 June 2024

Key Decision: No

VFM Improvement Plan - Progress Report

Summary of Progress at 31 March 2024

Quarter	★	✔	▲	✖	No longer applicable	Total Number of Projects
	Action completed	Work on target	Work < 3 months behind schedule	Work > 3 months behind schedule		
Q4 2023/24	7		7	0	1	15
Q1 2024/25						9
Q2 2024/25						15
Q3 2024/25						18
Q4 2024/25						7
2025/26						3

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
	Quarter 4 2023-24					
1.	Financial Sustainability (Statutory Rec 1)	Medium Term Financial Strategy for 2024/25 to 2026/27 drafted and approved by Cabinet and Council. Modelling, assumptions and risk assessment included as part of the budget report. MTFS includes assessment of likely future government funding.	Deputy Chief Executive (Resources) and S151 Officer		Completed	★
2.	Financial Sustainability (Statutory Rec 1)	Capital Strategy to be updated in accordance with the revised Prudential Code.	Deputy Chief Executive (Resources) and S151 Officer		Completed	★
3.	Financial Sustainability (Statutory Rec 1)	Bring treasury strategy and its reporting to members up to date	Deputy Chief Executive (Resources) and S151 Officer		Completed	★
4.	Financial Sustainability (Statutory Rec 1)	Produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively. (Decision to be made on outstanding audits as there is a consultation taking place	Deputy Chief Executive (Resources) and S151 Officer	This is to be discussed with Azets as to approach	Agreed with Azets not to audit the 21/22 and 22/23 accounts. This is in line with the national statutory dispensation.	N/A

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
		as to how to clear the backlog of audits nationally at present)				
5.	Financial Sustainability (Statutory Rec 1)	Draft accounts published up to 2023/24	Deputy Chief Executive (Resources) and S151 Officer	Quarter 4 - 2023/24	Publication of the draft accounts is currently under review due to competing demands on the Finance Team from the wider organisation.	▲
6.	Corporate Service Transformation and Efficiency Programme (Key Rec 1)	Consultation to take place with stakeholders as part of development of new corporate plan and priorities.	Deputy Chief Executive (Resources) and Head of Transformation and Assurance	To be done for new Corporate Plan (s) and any savings exercises going forwards	Work on the new corporate plan has been delayed to Q1.	▲
7.	Corporate Service Transformation and Efficiency Programme (Key Rec 1)	Align the MTFS to the corporate priorities in the Council's Business Plan including the costed climate change actions	Deputy Chief Executive (Resources) and Head of Transformation and Assurance		Completed as part of budget setting 2024/25 To be revisited in Quarter 2 2024/25	★

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
8.	IT (Key Rec 2)	Implement outstanding recommendation from Cyber and Network Security Audit - staff to complete cyber training	Chief Technology Officer and Information Manager	Quarter 4 - 2023/24	In progress - chasing small number of outstanding staff who haven't completed training. To be brought to LT in May	△
9.	IT (Key Rec 2)	Finalise the change management strategy	Chief Technology Officer	Quarter 4 - 2023/24	Currently in draft to be presented to Leadership team in May	△
10.	IT (Key Rec 2)	Finalise Information Governance Framework	Head of Law and Governance	Quarter 4 - 2023/24	Completed - approved by Cabinet	★
11.	Risk Management (Improvement Rec 2)	Review of risks in annual budget report to be consistent with corporate process	Deputy Chief Executive (Resources) and S151 Officer		Completed	★
12.	Other Related Actions	Review of Audit Reporting to Leadership Team and escalation protocols	Head of Transformation and Assurance and Chief Internal Auditor and Risk Manager	Quarter 4 2023/24	Completed - quarterly progress reports to be discussed at Leadership Team	★

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
13.	Risk Management (Improvement Rec 2)	Review of risk management policy and framework - includes review of format of the Strategic Risk Register (SRR)	Head of Transformation and Assurance and Chief Internal Auditor and Risk Manager	Quarter 4 - 2023/24	Currently in draft to be presented to leadership team in May/June 2024)	▲
14.	Risk Management (Improvement Rec 2)	Review of guidelines on risk implications for committee reports	Head of Transformation and Assurance and Chief Internal Auditor and Risk Manager	Quarter 4 - 2023/24	Currently in draft to be presented to leadership team in May/June 2024)	▲
15.	Procurement and Contract Management (Improvement Rec 5)	Update the contracts register and ensure it is compliant with transparency requirements	Head of Transformation and Assurance and Leadership Team	Quarter 4 - 2023/24 (this will be the first draft to be revisited Quarter 3 2024/25)	Work in progress. Draft to be issued to Heads of Service for updating in June.	▲

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
	Quarter 1 2024-25					
16.	Financial Sustainability (Statutory Rec 1)	Restructure of the Finance Team and creation of additional capacity	Deputy Chief Executive (Resources) and S151 Officer	Quarter 1 - 2024/25	Restructure agreed and job descriptions being drafted	✔
17.	Financial Sustainability (Statutory Rec 1)	Regular performance monitoring to be re-established with budget managers and Leadership Team.	Deputy Chief Executive (Resources) and S151 Officer	Quarter 1 - 2024/25		
18.	Financial Sustainability (Statutory Rec 1)	Reporting on the delivery of savings to be established and discussed at Strategic Leadership Team meetings. Where appropriate, project plans will be developed to support the delivery of significant/complex savings.	Deputy Chief Executive (Resources) and S151 Officer	Quarter 1 - 2024/25		
19.	IT (Key Rec 2)	Update IT security policy and adopt a cyber security policy	Head of Transformation and Assurance and Chief Technology Officer	Quarter 1 - 2024/25	Policy being updated and will include cyber security	✔

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
20.	IT (Key Rec 2)	Provide refresher training to ensure compliance with process for 3rd party data transfers and completion of privacy impact assessments	Chief Technology Officer and Information Manager	Quarter 1 - 2024/25		
21.	IT (Key Rec 2)	Complete the IT strategy	Deputy Chief Executive (Resources)	Quarter 1 - 2024/25	Strategy drafted - to come to LT in June 24	✔
22.	HR related issues (Improvement Recs 1 and 3)	Establish our culture, values and type of organisation we want to be. This work will inform the following actions:	Deputy Chief Executive (Resources) and S151 Officer and Head of Transformation and Assurance	Quarter 1 2024/25		
23.	HR related issues (Improvement Recs 1 and 3)	Complete review of hybrid working. This will inform the development of the workforce strategy and the review of the Code of Conduct as well as support the development of an asset strategy.	Head of Transformation and Assurance and HR Manager	Quarter 1 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
24.	Risk Management (Improvement Rec 2)	Training for Leadership Team, managers, team leaders/principal officers on risk management	Head of Transformation and Assurance and Chief Internal Auditor and Risk Manager	Quarter 1 - 2024/25		
Quarter 2 2024-25						
25.	Financial Sustainability (Statutory Rec 1)	Commence recruitment to new Finance team structure	Deputy Chief Executive (Resources) and S151 Officer and Deputy S151 Officer	Quarter 2 - 2024/25		
26.	Financial Sustainability (Statutory Rec 1)	Lesson learnt exercise to be undertaken of implementation of the finance system	Deputy Chief Executive (Resources) and S151 Officer	Quarter 2 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
27.	Financial Sustainability (Statutory Rec 1)	Training of managers in budget management and use of the new finance system.	Deputy Chief Executive (Resources) and S151 Officer	Quarter 2 - 2024/25	Presentation drafted	✔️
28.	Financial Sustainability (Statutory Rec 1)	Review of Financial Regulations	Deputy Chief Executive (Resources) and S151 Officer	Quarter 2 - 2024/25		
29.	Financial Sustainability (Statutory Rec 1)	Training for managers on Financial Regulations	Deputy Chief Executive (Resources)	Quarter 2 - 2024/25		
30.	IT (Key Rec 2)	Develop assurance reporting for IT eg report on outcome of annual health check / penetration testing to Leadership Team and Audit Committee	Head of Transformation and Assurance and Chief Technology Officer	Quarter 2 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
31.	IT (Key Rec 2)	Review of what we include in procurements re ICT controls and information governance	Head of Transformation and Assurance, Chief Technology Officer, Head of Law and Governance and Information Manager	Quarter 2 - 2024/25		
32.	Performance Management (Key Rec 4)	Establish a Corporate Project Management Methodology. Provide templates, guidelines, and training for key officers (LT, Service Managers and key Principal Officers/Team Leaders).	Deputy Chief Executive (Resources) and S151 Officer and Head of Transformation and Assurance	Quarter 2 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
33.	Performance Management (Key Rec 4)	Establish corporate project resources to support transformation work (funding allocated in 2024/25 budget)	Deputy Chief Executive (Resources) and S151 Officer and Head of Transformation and Assurance	Quarter 2 - 2024/25	Job descriptions are being drafted	✔
34.	Performance Management (Key Rec 4)	Review of all projects, the current governance arrangements and establish project reporting to Leadership Team	Deputy Chief Executive (Resources) and Deputy Chief Executive (Place)	Quarter 2 - 2024/25		
35.	Risk Management (Improvement Rec 2)	Develop risk registers for each Directorate and ICT	Deputy Chief Executive (Resources), Deputy Chief Executive (Place) and Head of Transformation and Assurance	Quarter 2 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
36.	Risk Management (Improvement Rec 2)	Establish escalation process between other risk registers and the SRR eg services, projects	Head of Transformation and Assurance and Chief Internal Auditor and Risk Manager	Quarter 2 - 2024/25		
37.	Procurement and Contract Management (Improvement Rec 5)	Review and update the Procurement Regulations	Deputy Chief Executive (Resources), Head of Transformation and Assurance and Head of Law and Governance	Quarter 2 - 2024/25		
38.	Procurement and Contract Management (Improvement Rec 5)	The key elements of the procurement strategy will be built into the procurement regulations rather than as a stand-alone document.	Head of Transformation and Assurance	Quarter 2 - 2024/25		
39.	Procurement and Contract Management (Improvement Rec 5)	Provide training for managers on procurement and contract management	Head of Transformation and Assurance	Quarter 2 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
	Quarter 3 2024-25					
40.	Financial Sustainability (Statutory Rec 1)	Follow-on zero-based budgeting session with managers to continue work started as part of the 2024/25 budget setting process	Deputy Chief Executive (Resources) and S151 Officer	Quarter 3 - 2024/25		
41.	Corporate Service Transformation and Efficiency Programme (Key Rec 1)	Process to be established for developing a service transformation and efficiency programme. Initial steps for both: • a discussion with the Cabinet to review priorities and key projects; • engagement with Heads of Service and Service Managers to review current service levels for statutory and discretionary services (to include high level benchmarking) - this will be a pre-cursor to bringing the services together and establish the baseline for service transformation (this will build on the initial work done on SLAs). • Range of options for efficiency savings and transformation	Deputy Chief Executive (Resources) and Head of Transformation and Assurance	Quarter 3 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
		Transformation: • Transformation options to be assessed and added to transformation programme for prioritisation. Will need to consider any investment required to deliver savings/service improvements; resourcing to deliver the changes, etc • Project Manager and Project support officer to be recruited to support delivery of transformation programme, funding allocated in budget 2024/25 to fund posts; • Training of managers and key officers in transformation techniques				
42.	Corporate Service Transformation and Efficiency Programme (Key Rec 1)	Consultation and engagement to be embedded into the planning for the delivery of key projects where appropriate to ensure schemes meet community needs eg regeneration projects, redevelopment of play areas	Deputy Chief Executive (Resources) and Head of Transformation and Assurance	Quarter 3 - 2024/25		
43.	Fraud (Key Rec 3)	Review Anti - Fraud and Bribery Policy	Chief Internal Auditor and Risk Manager	Quarter 3 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
44.	Fraud (Key Rec 3)	Review of Confidential Reporting Policy	Chief Internal Auditor and Risk Manager	Quarter 3 - 2024/25		
45.	Fraud (Key Rec 3	Assess compliance against Cipfa 2014 Code for Fraud and develop an action plan as necessary	Chief Internal Auditor and Risk Manager	Quarter 3 - 2024/25		
46.	HR related issues (Improvement Recs 1 and 3)	Develop a hybrid working policy and review other related policies and processes.	Head of Transformation and Assurance and HR Manager	Quarter 3 2024/25		
47.	HR related issues (Improvement Recs 1 and 3)	Review and update the Employee Code of Conduct	Head of Transformation and Assurance and Head of Law and Governance	Quarter 3 2024/25		
48.	Procurement and Contract Management (Improvement Rec 5)	Work with managers and the County's Procurement Team to develop a procurements pipeline	Head of Transformation and Assurance and Leadership Team	Quarter 3 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
49.	Procurement and Contract Management (Improvement Rec 5)	Process to be established for publication of key data on the Council's website to meet transparency requirements re spend data, contracts register	Deputy Chief Executive (Resources) and Head of Transformation and Assurance	Quarter 3 - 2024/25		
50.	Other Related Actions	Establish an inventory of key policies and a programme of periodic reviews	Leadership Team	Quarter 3 - 2024/25		
	Quarter 4 2024-25					
51.	Financial Sustainability (Statutory Rec 1)	Implementation of remaining module of the finance system, ongoing development and maximising use of system functionality	Deputy Chief Executive (Resources) and S151 Officer	Quarter 4 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
52.	Financial Sustainability (Statutory Rec 1)	Performance reporting for Cabinet and Scrutiny to be developed. This will be done alongside the review and development of performance and risk reporting.	Deputy Chief Executive (Resources) and S151 Officer	Quarter 4 - 2024/25		
53.	Fraud (Key Rec 3)	Assess fraud risks and include in risk registers as appropriate	Chief Internal Auditor and Risk Manager and Leadership Team	Quarter 4 - 2024/25		
54.	Performance Management (Key Rec 4)	Develop and adopt a performance management framework to establish golden thread from Corporate Plan to service plans through to employee reviews. Framework to include protocols for ensuring data quality	Head of Transformation and Assurance	Quarter 4 - 2024/25		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
55.	Performance Management (Key Rec 4)	Review our performance report style - delivery plans and KPIs. To consider the development of performance outcome measures	Head of Transformation and Assurance	Quarter 4 - 2024/25		
56.	Performance Management (Key Rec 4)	Performance reporting for waste and leisure: • review of KPIs for monitoring and reporting on performance; • establish internal validation process of contract performance; and • review information reported to Cabinet / Scrutiny	Head of Transformation and Assurance, Head of Operations and Head of Wellbeing	Quarter 4 - 2024/25		
57.	Other Related Actions	Review of Code of Governance	Head of Transformation and Assurance	Quarter 4 - 2024/25		
	2025-26					
58.	Fraud (Key Rec 3)	Review the information we report on fraud work (including data matching) to the Audit Committee.	Chief Internal Auditor and Risk Manager	2025/26		

No	Theme	Action	Lead Officer	Timescale	Progress Update	Progress Rating
59.	HR related issues (Improvement Recs 1 and 3)	Development of a workforce strategy that links to long term transformation / shared services	Head of Transformation and Assurance and HR Manager	2025/26		
60.	Other Related Actions	Development of Assurance Model	Head of Transformation and Assurance and Chief Internal Auditor and Risk Manager	2025/26		

Agenda Item 3(d)

Annual Governance Statement 2023-24

Committee: Audit and Accounts

Date of Meeting: 19 June 2024

Report of: Head of Transformation and Assurance

Portfolio: Resources Portfolio

1   Purpose of Report

1.1   To set out the Annual Governance Statement for the year 2023-24.

2   Recommendations

2.1   That the Committee approves the Annual Governance Statement for 2023-24 set out at **APPENDIX 1.**

2.2   That the Committee approves the updated Improvement Plan set out at **APPENDIX 2**.

       Reasons for Recommendations

2.3   The publication of an annual governance statement is a statutory requirement and the review of the Council's governance arrangements is essential in ensuring that they are maintained up to date and operate effectively

3   Key Issues

3.1   The Accounts and Audit Regulations 2015 require the Council to review the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).

3.2   The Council's draft Annual Governance Statement (AGS) for 2023-24 is attached as **APPENDIX 1**.

3.3   The draft AGS has been compiled by the Leadership Team. The AGS has been drafted using various sources of assurance which together form the review of the Council's governance arrangements. The key sources of assurance are:

       (i)   assurances from Leadership Team:
       (ii)   assurances from the 3 statutory officers;
       (iii)   the risk management reports;
       (iv)   the annual internal audit report / opinion; and

(v)   external assurance reports.

3.4   The review of the Council's governance arrangements has concluded that limited assurance can be given that the framework is operating adequately in practice. The areas identified for improvement are set out in the "Significant Governance Issues" section of the AGS at **APPENDIX 1**.

4   Relationship to Corporate Priorities

4.1   The Council's corporate governance arrangements and internal control framework cuts across all corporate priorities.

5   Report Detail

5.1   The Council's Code of Governance was updated in June 2017 to reflect the latest guidance from CIPFA/SOLACE. A copy of the full Code of Governance can be found on the Council's website.

5.2   The preparation and publication of an annual governance statement is necessary to meet the statutory requirement set out in the Audit and Accounts Regulations 2015 which requires authorities to "conduct a review of the effectiveness of system of internal control" and to "prepare an annual governance statement".

5.3   The Annual Governance Statement has been prepared using information from the sources of assurance outlined in 3.3. This year's review has focussed on the core elements of the Council's governance framework and the findings from the External Auditor's Value for Money Report for 2021-22 and 2022-23.

5.4   The Leadership Team has been consulted on the draft AGS to ensure that:

- all of the significant issues have been identified and included, so far as is reasonably possible; and

- all of the issues included are considered to be significant.

5.5   It is not possible to give a single definition as to what constitutes a "significant governance issue" and judgement has to be exercised. CIPFA/SOLACE has not provided guidance on this in their new Framework so reference continues to be made to the guidance given in the previous framework. Factors used in making such judgements include:

- the issue has or could seriously prejudice or prevent achievement of a principal objective;

- the issue has or could result in a need to seek additional funding to allow it to be resolved, or has/could result in significant diversion of resources from another service area;

- the issue has or could lead to a material impact on the accounts;

- the Chief Internal Auditor has reported on it as significant, for this purpose, in the Internal Audit Annual Report;

- the issue, or its impact, has or could attract significant public interest or seriously damage the reputation of the Council;

- the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

5.6   The review of the Council's governance arrangements has concluded that limited assurance can be given that the framework is operating adequately in practice. This reflects the External Auditors' opinion set out in the Value for Money report for 2021-22 and 2022-23 which identifies five significant weaknesses and has resulted in the issuing of one statutory recommendation and four key recommendations.

5.7   The areas identified for improvement are set out in the AGS at **APPENDIX 1** and actions have been included in the updated Improvement Plan attached at **APPENDIX 2**.

5.8   With regard to the issues identified in the AGS for 2022-23, whilst some progress has been made, the outstanding actions have been incorporated into the Improvement Plan and progress against this is included in a separate report on the Committee's agenda.

5.9   Progress in addressing the significant issues identified in the Annual Governance Statement will be monitored through reports presented to the Audit and Accounts Committee.

5.10   Following approval of the Annual Governance Statement it will be signed by the Chair of the Audit and Accounts Committee, the Leader and the Chief Executive.

6   Implications

6.1   Financial

None

6.2   Legal

None

6.3   Human Resources

None

6.4   Risk Management

As set out in report and Appendices

6.5   Equalities and Diversity

None

6.6   Health

None

6.7   Climate Change

None

7   Appendices

Appendix 1: Annual Governance Statement 2023-24

Appendix 2: Improvement Plan - Updated May 2024

8   Previous Consideration

None

9   Background Papers

Annual Internal Audit Report 2023-24

Strategic Risk Register at 1 April 2024

External Auditors VFM Report January 2024

The Council's Response to the External Auditors VFM Report February 2024

Contact Officer:	Judith Aupers
Telephone Number:	01543 464411
Ward Interest:	Nil
Report Track:	Audit and Accounts 19/06/2024 (Only)
Key Decision:	No

<div style="text-align: center">

**STAFFORD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2023-24**

</div>

1   Scope of Responsibility

1.1   Stafford Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2   In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3   The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which require all relevant authorities to prepare an annual governance statement.

2   The Purpose of the Governance Framework

2.1   The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2   The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the Annual Governance Statement.

3 The Governance Framework

3.1 The Council has adopted a local Code of Governance, which can be found on the Council's website. The Code is comprised of 6 key principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

2. Ensuring openness and comprehensive stakeholder engagement.

3. Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes.

4. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

5. Managing risks and performance through robust internal control and strong public financial management.

6. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

4 Review of effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by the Head of Transformation and Assurance who has responsibility for the development and maintenance of the Code of Governance. The review is informed by the work of Members, the senior officers within the Council and also by comments made by the External Auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

4.2 **The Authority -** the Deputy Chief Executive - Resources, the Head of Transformation and Assurance and the Monitoring Officer, on behalf of the Council, undertake periodic reviews of the Council's governance arrangements on an ongoing basis. Work to support this includes a self-assessment review against the Code of Governance, reviews of the Constitution and key policies, processes and practices throughout the year.

Last year's self-assessment identified a number of concerns with the effective operation and compliance with key components of the Council's governance framework. A programme of work was set out covering 2023/24 to 2024/25. Whilst some progress has been made in addressing these issues, further work is still required. These issues and a number of others were identified by the External Auditors in their VFM report for 2021/22 and 2022/23. This is covered in more detail in 4.10.

4.3 **The Executive** - the Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance, financial and strategic risk management reports. Individual Cabinet members receive regular feedback from senior officers on the delivery of services and the achievement of objectives and targets. Issues of strategic and corporate importance are referred to the Cabinet.

4.4 **Overview and Scrutiny Committees** - the Council has 3 Scrutiny Committees. The Scrutiny Committees review decisions made by Cabinet and areas of concern. They can "call-in" a decision that has been made by the Cabinet when they consider the decision is not in accordance with the Council's Constitution. The Scrutiny Committees:

(i) determine their own work programme at the beginning of each year and this includes the provision of updates, briefings and reviews of services/activities; and

(ii) consider regular performance management information from senior management.

4.5 **The Audit and Accounts Committee -** is responsible for overseeing the Council's governance arrangements. The Committee monitors the effectiveness of risk management, reviews corporate governance issues, the work of Internal Audit and the anti fraud and corruption arrangements throughout the year. The Audit and Accounts Committee receives quarterly reports on:

- the work of internal audit in reviewing the systems and processes to ensure that they are adequate; and

- updates on the management of the Council's strategic risks. A strategic risk register is in place, which identifies and evaluates the risks faced by the Council in delivering its objectives. Work is ongoing to review and address these risks and update the risk register accordingly.

4.6 **The Standards Committee** - is responsible for the ethical framework of the Council. The Committee works closely with the Monitoring Officer in dealing with complaints about Members conduct and promoting high standards of conduct.

4.7 **Internal Audit** - is responsible for reviewing the effectiveness of the Council's governance arrangements, including the system of internal control, and reporting on its adequacy. Internal Audit is a key source of assurance for the Annual Governance Statement and operates in accordance with the Public Sector Internal Audit Standards.

Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. The work on the Audit Plan for 2023-24 has been used to provide an independent view on the adequacy of the governance framework.

In the annual report to the Audit and Accounts Committee, the Chief Internal Auditor has independently assessed the Council's internal control environment and given a "**limited assurance**" opinion that the Council's governance arrangements were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy.

Where deficiencies in internal control were identified during reviews, assurance was provided that these had been or would be resolved in an appropriate manner. Such cases will continue to be followed-up as part of the routine operation of the Internal Audit function.

The Chief Internal Auditor has highlighted a number of recurring issues in the Annual Audit Report, relating to non-compliance with and or awareness of key components of the Council's governance arrangements. These issues align with the findings of the self-assessment of the Governance Framework and the External Auditors VFM report.

4.8 **Risk Management -** during 2023-24 the Audit and Accounts Committee received regular progress reports regarding the management of strategic risks. The strategic risks facing the Council were reviewed as at 1 April 2024 and there are currently two red risks for inclusion as significant governance issues:

- Finance Risk - the funding available to the Council from central Government resulting from potential changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with increases in inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves.

- Meeting the Homelessness Statutory Duty - demand on the Homelessness Service is at the highest level recorded with an increase in presentations of over 100% between 2021/22 and 2023/24. Most are approaching the service having been served notice from their private rented accommodation, or, having been asked to leave their home by friends or family. The ability to place households in settled accommodation is increasingly challenging with delivery of affordable housing lower than previous years and the private rented sector being largely unaffordable for those on benefits. There is an increasing number of people approaching the service with many complex needs. The Council is incurring significant temporary accommodation costs and may fail to deliver its statutory duty, in particular relating to families in B&B for less than 6 weeks.

4.9 **Assurance from the Statutory Officers** - assurances have been sought, through discussions with the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Law and Administration) and the s151 Officer (Deputy Chief Executive - Resources) with regard to their responsibilities for governance.

- The Head of Paid Service has overall responsibility for the organisation, appointment and management of staff.

- The Chief Financial Officer (s151 Officer) has overall responsibility for the financial management of the Council. Throughout the year the s151 Officer ensures that the financial position of the Council is monitored, that consideration is given to financial implications when taking decisions and with the support of internal audit that financial processes are complied with.

- The Monitoring Officer has overall responsibility for:

  1. reporting on matters they believe are, or are likely to be, illegal or amount to maladministration;
  2. matters relating to the conduct of Members and officers; and
  3. the operation of the Council's constitution.

The Statutory Officers have identified the following as significant governance issues:

- the ongoing capacity issues in the Finance Team and with the IT system;
- project management arrangements for Town Centre transformation work; and
- the backlog of planning applications, the overspend which was incurred during 2023-24 in reducing the backlog and the lack of transformation work to improve this situation in future years.

4.10 **External Audit / Other Review Agencies -** the External Auditors issued their VFM report for 2021/22 and 2022/23 in January 2024. The report raised five significant concerns about the Council's value for money arrangements resulting in one statutory recommendation and four key recommendations being made.

As a result of the External Auditor's report, a comprehensive improvement plan was produced and approved by the Council in February 2024. Progress in delivery of the improvement plan is being monitored by the Audit & Accounts Committee and the Cabinet.

4.11 **Leadership Team** - in addition to the Statutory Officers assurances, the members of Leadership Team have been consulted on the draft annual governance statement and the significant governance issues that should be included within it.

The Leadership Team has identified the following as significant governance issues:

- delivery of the improvement plan in response to the External Auditors VFM report (see 4.10);
- capacity to deliver the above and other operational and corporate priorities; and
- the delivery of shared services transformation.

5   Opinion on the Governance Framework

5.1 The review of the effectiveness of the governance framework shows that there are a number of significant concerns and as such only **limited**

assurance can be given that the framework is operating adequately in practice.

5.2   The weaknesses in the governance framework are outlined in section 6.

5.3   The Audit and Accounts Committee will have responsibility for ensuring the delivery of the actions needed to improve the Council's governance framework.

6   Significant Governance Issues

6.1   The Council's key governance issues are outlined below. As the majority of these issues have already been identified and included in the Improvement Plan arising from the VFM review, a separate action plan has not been produced. Any additional issues identified below have been added to the existing improvement plan or are being monitored through the Strategic Risk Register. The updated Improvement Plan is attached at Appendix 2.

Ref	Issue	Improvement Plan X-Ref
1.	**Governance Framework** Review and updating of key elements of the Governance Framework, to include:	
	• Review of the Code of Governance.	9.1
	• Values and Operating Principles;	6.1
	• Scheme of Delegations;	9.5 (new)
	• Procurement Regulations;	8.1
	• Financial Regulations;	1.15
	• IT Strategy;	3.8
	• IT Security Policy & Cyber Security	3.1
	• Risk Management Policy and Strategy;	7.1
	• Workforce Development Framework;	6.4
	• Project Management Toolkit;	5.4
	• Performance Reporting Framework;	5.1
	• Contracts Register;	8.3
	• Confidential Reporting Framework and Fraud Policy	4.2
	• Employees Code of Conduct	6.1
2.	**Financial Risk** The funding available to the Council from central Government resulting from potential changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with fluctuations in	Being actioned and monitored

Ref	Issue	Improvement Plan X-Ref
	inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves.	via the Strategic Risk Register
3.	**Meeting Homelessness Statutory Duty** Demand on the Homelessness Service is at the highest level recorded with an increase in presentations of over 100% between 2021/22 and 2023/24. Most are approaching the service having been served notice from their private rented accommodation, or, having been asked to leave their home by friends or family. The ability to place households in settled accommodation is increasingly challenging with delivery of affordable housing lower than previous years and the private rented sector being largely unaffordable for those on benefits. There is an increasing number of people approaching the service with many complex needs. The Council is incurring significant temporary accommodation costs and may fail to deliver its statutory duty, in particular relating to families in B&B for less than 6 weeks.	Being actioned and monitored via the Strategic Risk Register
4.	**Finance Team and System** The Finance Team are continuing to experience capacity issues, partly due to vacancies and partly due to the additional work created by successful funding bids which generate projects, primarily the town centre transformation schemes. This has impacted on the closure of the accounts. Problems also continue with the finance system, which needs further development work and training of users.	1.1 and 1.2 1.3, 1.4 and 1.5
5.	**Project Management of Town Centre Transformation Work** The Council has ambitious plans and projects to deliver transformation work in Stafford Town Centre and the surrounding area. However, project planning is not yet sufficiently robust or co-ordinated to ensure the successful delivery of the schemes or effective management of slippage. This is being hampered by a lack of capacity in various teams supporting the delivery of the projects.	9.6 (new)

Ref	Issue	Improvement Plan X-Ref
6.	**Development Management** - Backlog of Planning Applications and Budget Overspend There is a significant the backlog of planning applications. Whilst the backlog has reduced from 946 to 442, this has only been achieved through the use of additional staffing and consultants and has incurred a budget overspend. There has been a lack of transformation work to improve this situation in future years.	9.7 (new)
7.	**Officer Capacity** Resources continue to be stretched between the delivery of essential services, key projects and the introduction of new services/responsibilities upon the Council. Difficulties in recruitment are exacerbating the situation.	2.1
8.	**Shared Services Transformation** The Shared Leadership Team has now been in place for just over 12 months. The service manager restructure has been completed and comes into effect on 1 June 2024. This will allow work to commence on the development of the transformation programme, which will take 2-3 years to implement.	2.1

Signed:

Chair of the Audit and Accounts Committee   Date

....

Leader of the Council   Date

....

Chief Executive   Date

on behalf of Stafford Borough Council

SBC Improvement Plan

Ref	Action	Lead Officer	Timescale
1	**Financial Sustainability (Statutory Recommendation 1)**		
1.1	Restructure of the Finance Team and creation of additional capacity	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
1.2	Commence recruitment to new Finance team structure	Deputy Chief Executive (Resources) & S151 Officer and Deputy S151 Officer	Quarter 2 - 2024/25
1.3	Lesson learnt exercise to be undertaken of implementation of the finance system	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
1.4	Implementation of remaining module of the finance system, ongoing development and maximising use of system functionality	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2024/25
1.5	Training of managers in budget management and use of the new finance system.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
1.6	Follow-on zero-based budgeting session with managers to continue work started as part of the 2024/25 budget setting process	Deputy Chief Executive (Resources) & S151 Officer	Quarter 3 - 2024/25
1.7	Medium Term Financial Strategy for 2024/25 to 2026/27 drafted and approved by Cabinet and Council. Modelling, assumptions and risk assessment included as part of the budget report. MTFS includes assessment of likely future government funding.	Deputy Chief Executive (Resources) & S151 Officer	Completed

Ref	Action	Lead Officer	Timescale
1.8	Capital Strategy to be updated in accordance with the revised Prudential Code.	Deputy Chief Executive (Resources) & S151 Officer	Completed
1.9	Bring treasury strategy and its reporting to members up to date	Deputy Chief Executive (Resources) & S151 Officer	Completed
1.10	Regular performance monitoring to be re-established with budget managers and Leadership Team.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
1.11	Performance reporting for Cabinet and Scrutiny to be developed. This will be done alongside the review and development of performance and risk reporting.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2024/25
1.12	Reporting on the delivery of savings to be established and discussed at Strategic Leadership Team meetings. Where appropriate, project plans will be developed to support the delivery of significant/complex savings.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
1.13	Produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively. (Decision to be made on outstanding audits as there is a consultation taking place as to how to clear the backlog of audits nationally at present)	Deputy Chief Executive (Resources) & S151 Officer	This is to be discussed with Azets as to approach
1.14	Draft accounts published up to 2023/24	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2023/24
1.15	Review of Financial Regulations	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25

Ref	Action	Lead Officer	Timescale
1.16	Training for managers on Financial Regulations	Deputy Chief Executive (Resources)	Quarter 2 - 2024/25
2	**Corporate Service Transformation & Efficiency Programme (Key Recommendation 1)**		
2.1	Process to be established for developing a service transformation and efficiency programme. Initial steps for both: • a discussion with the Cabinet to review priorities and key projects; • engagement with Heads of Service and Service Managers to review current service levels for statutory and discretionary services (to include high level benchmarking) - this will be a pre-cursor to bringing the services together and establish the baseline for service transformation (this will build on the initial work done on SLAs). • Range of options for efficiency savings and transformation Transformation: • Transformation options to be assessed and added to transformation programme for prioritisation. Will need to consider any investment required to deliver savings/service improvements; resourcing to deliver the changes, etc	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Quarter 3 - 2024/25

Ref	Action	Lead Officer	Timescale
	• Project Manager and Project support officer to be recruited to support delivery of transformation programme, funding allocated in budget 2024/25 to fund posts; • Training of managers and key officers in transformation techniques		
2.2	Consultation to take place with stakeholders as part of development of new corporate plan and priorities.	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	To be done for new Corporate Plan (s) and any savings exercises going forwards
2.3	Consultation and engagement to be embedded into the planning for the delivery of key projects where appropriate to ensure schemes meet community needs eg regeneration projects, redevelopment of play areas	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Quarter 3 - 2024/25
2.4	Align the MTFS to the corporate priorities in the Council's Business Plan including the costed climate change actions	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Completed as part of budget setting 2024/25 to be revisited Quarter 2 2024/25
3	**IT (Key Recommendation 2)**		
3.1	Update IT security policy and adopt a cyber security policy	Head of Transformation & Assurance and Chief Technology Officer	Quarter 1 - 2024/25

Ref	Action	Lead Officer	Timescale
3.2	Develop assurance reporting for IT eg report on outcome of annual health check / penetration testing to Leadership Team and Audit Committee	Head of Transformation & Assurance and Chief Technology Officer	Quarter 2 - 2024/25
3.3	Implement outstanding recommendation from Cyber and Network Security Audit - staff to complete cyber training	Chief Technology Officer and Information Manager	Quarter 4 - 2023/24
3.4	Provide refresher training to ensure compliance with process for 3rd party data transfers and completion of privacy impact assessments	Chief Technology Officer and Information Manager	Quarter 1 - 2024/25
3.5	Review of what we include in procurements re ICT controls and information governance	Head of Transformation & Assurance, Chief Technology Officer, Head of Law & Governance and Information Manager	Quarter 2 - 2024/25
3.6	Finalise the change management strategy	Chief Technology Officer	Quarter 4 - 2023/24 (currently in draft to be presented to Leadership team in February)
3.7	Finalise Information Governance Framework	Head of Law & Governance	Quarter 4 - 2023/24 (Currently in draft)
3.8	Complete the IT strategy	Deputy Chief Executive (Resources)	Quarter 1 - 2024/25

Ref	Action	Lead Officer	Timescale
4	**Fraud (Key Recommendation 3)**		
4.1	Review Anti - Fraud & Bribery Policy	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
4.2	Review of Confidential Reporting Policy	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
4.3	Assess compliance against Cipfa 2014 Code for Fraud and develop an action plan as necessary	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
4.4	Assess fraud risks and include in risk registers as appropriate	Chief Internal Auditor & Risk Manager and Leadership Team	Quarter 4 - 2024/25
4.5	Review the information we report on fraud work (including data matching) to the Audit Committee.	Chief Internal Auditor & Risk Manager	2025/26
5	**Performance Management (Key Recommendation 4)**		
5.1	Develop and adopt a performance management framework to establish golden thread from Corporate Plan to service plans through to employee reviews. Framework to include protocols for ensuring data quality	Head of Transformation & Assurance	Quarter 4 - 2024/25
5.2	Review our performance report style - delivery plans and KPIs. To consider the development of performance outcome measures	Head of Transformation & Assurance	Quarter 4 - 2024/25

Ref	Action	Lead Officer	Timescale
5.3	Performance reporting for waste and leisure: • review of KPIs for monitoring and reporting on performance; • establish internal validation process of contract performance; and • review information reported to Cabinet / Scrutiny	Head of Transformation & Assurance, Head of Operations and Head of Wellbeing	Quarter 4 - 2024/25
5.4	Establish a Corporate Project Management Methodology. Provide templates, guidelines, and training for key officers (LT, Service Managers and key Principal Officers/Team Leaders).	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 2 - 2024/25
5.5	Establish corporate project resources to support transformation work (funding allocated in 2024/25 budget)	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 2 - 2024/25
5.6	Review of all projects, the current governance arrangements and establish project reporting to Leadership Team	Deputy Chief Executive (Resources) and Deputy Chief Executive (Place)	Quarter 2 - 2024/25
6	**HR related issues (Improvement Recommendations 1 and 3)**		
6.1	Establish our culture, values and type of organisation we want to be. This work will inform the following actions	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 1 2024/25

Ref	Action	Lead Officer	Timescale
6.2	Complete review of hybrid working. This will inform the development of the workforce strategy and the review of the Code of Conduct as well as support the development of an asset strategy	Head of Transformation & Assurance and HR Manager	Quarter 1 2024/25
6.3	Develop a hybrid working policy and review other related policies and processes.	Head of Transformation & Assurance and HR Manager	Quarter 3 2024/25
6.4	Development of a workforce strategy that links to long term transformation / shared services	Head of Transformation & Assurance and HR Manager	2025/26
6.5	Review and update the Employee Code of Conduct	Head of Transformation & Assurance and Head of Law & Governance	Quarter 3 2024/25
7	**Risk Management (Improvement Recommendation 2)**		
7.1	Review of risk management policy and framework - includes review of format of the Strategic Risk Register (SRR)	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 - 2023/24 (currently in draft to be presented to leadership team in February 2024)
7.2	Review of guidelines on risk implications for committee reports	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 - 2023/24

Ref	Action	Lead Officer	Timescale
7.3	Training for Leadership Team, managers, team leaders/principal officers on risk management	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 1 - 2024/25
7.4	Develop risk registers for each Directorate and ICT	Deputy Chief Executive (Resources), Deputy Chief Executive (Place) and Head of Transformation & Assurance	Quarter 2 - 2024/25
7.5	Establish escalation process between other risk registers and the SRR eg services, projects	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 2 - 2024/25
7.6	Review of risks in annual budget report to be consistent with corporate process	Deputy Chief Executive (Resources) & S151 Officer	Completed
8	**Procurement and Contract Management (Improvement Recommendation 5)**		
8.1	Review and update the Procurement Regulations	Deputy Chief Executive (Resources), Head of Transformation & Assurance and Head of Law & Governance	Quarter 2 - 2024/25
8.2	The key elements of the procurement strategy will be built into the procurement regulations rather than as a stand-alone document.	Head of Transformation & Assurance	Quarter 2 - 2024/25

Ref	Action	Lead Officer	Timescale
8.3	Update the contracts register and ensure it is compliant with transparency requirements	Head of Transformation & Assurance and Leadership Team	Quarter 4 - 2023/24 (this will be the first draft to be revisited Quarter 3 2024/25)
8.4	Work with managers and the County's Procurement Team to develop a procurements pipeline	Head of Transformation & Assurance and Leadership Team	Quarter 3 - 2024/25
8.5	Provide training for managers on procurement and contract management	Head of Transformation & Assurance	Quarter 2 - 2024/25
8.6	Process to be established for publication of key data on the Council's website to meet transparency requirements re spend data, contracts register	Deputy Chief Executive (Resources) and Head of Transformation & Assurance	Quarter 3 - 2024/25
9	**Other Related Actions**		
9.1	Review of Code of Governance	Head of Transformation & Assurance	Quarter 4 - 2024/25
9.2	Development of Assurance Model	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	2025/26
9.3	Review of Audit Reporting to Leadership Team and escalation protocols	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 2023/24 (Coming to leadership team February 2024)

Ref	Action	Lead Officer	Timescale
9.4	Establish an inventory of key policies and a programme of periodic reviews	Leadership Team	Quarter 3 - 2024/25
9.5 New AGS 23/24	Review of Scheme of Delegations as part of shared services transformation.	Monitoring Officer and Leadership Team	Quarter 3 - 2024/25
9.6 New AGS 23/24	Review of project management arrangements and project planning for the delivery of the town centre schemes.	Head of Economic Development & Planning	Quarter 2 - 2024/25
9.7 New AGS 23/24	Preparation of a transformation plan for Development Management to further reduce the backlog of planning applications and to manage this within the approved budget.	Head of Economic Development & Planning	Quarter 2 - 2024/25