



Civic Centre, Riverside, Stafford
Contact Jim Dean
Direct Dial 01785 619209
Email jidean@staffordbc.gov.uk

Dear Members

**Reminder - Training
Session for Members
to commence at
5.30pm.**

Audit and Accounts Committee

A meeting of the Audit and Accounts Committee will be held in the **Craddock Room, Civic Centre, Riverside, Stafford on Tuesday 11 June 2019 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.

A handwritten signature in black ink, appearing to read "I. Curran".

Interim Head of Law and Administration

**AUDIT AND ACCOUNTS COMMITTEE -
11 JUNE 2019**

Chair - Councillor A M Loughran

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Membership

Chair - Councillor A M Loughran

M G Dodson	P W Jones
I D Fordham	A M Loughran
R A James	J A Nixon

Cabinet Member - Councillor R M Smith

ITEM NO 3(a)**ITEM NO 3(a)**

Report of:	Head of Governance
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 11/06/19 Cabinet 12/06/19

AUDIT AND ACCOUNTS COMMITTEE

11 JUNE 2019

Risk Management Report**1 Purpose of Report**

- 1.1 To set out details of the Council's Strategic Risk Register as at 1 April 2019.

2 Recommendation

- 2.1 That the Committee note the Strategic Risk Register (to be submitted to Cabinet) and considers the progress made in the identification and management of the strategic risks.

3 Key Issues and Reasons for Recommendation

- 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 Category	Number of Risks at 30 Sept 2018	Number of Risks at 1 Apr 2019
RED	1	1
AMBER	7	8
GREEN	0	0
TOTAL	8	9

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) has been reviewed and the revised policy and strategy was reported to the Audit Committee for endorsement at the March 2016 meeting and to Cabinet for approval at the May meeting.

5.4 Central to the risk management process is the identification, prioritisation and management of strategic risks/opportunities. Strategic Risks are those that have a significant impact on the Council's ability to deliver its Corporate Plan Objectives Strategic risks/opportunities have been identified and prioritised, action plans are in place for their effective management and delivery of the action plans is monitored. A summary of the Council's strategic risk register as at 1 April 2019 is attached as **APPENDIX 1**.

5.5 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)

5.6 The number of strategic risks has increased from 8 to 9 as a decision has been taken to split risk 40 (Failure to deliver phase 1 of the Stone Leisure Strategy on time and within agreed budget and subsequent failure to develop and deliver phase 2 of the strategy) into 2 separate risks so that we can manage Phase 1 and Phase 2 risks separately and to recognise the fact Phase 1 will be complete whilst risks for Phase 2 may remain ongoing.

5.7 All risks have controls in place and these controls have seen a reduction from the Gross Risk to a net risk score. The net risk scores for all risks remain as last reported to the committee. Management have an ongoing programme of actions to manage the risks and all risks have seen some progress in delivering these action plans however the progress in implementing the actions since October 2018 has not led to a revision of the net risk score for any of the risks.

5.8 A progress update for those actions due up to March 2019 is included in the full strategic risk register attached at **APPENDIX 2**. This includes an ‘Overall Progress Summary’ for each risk.

6	Implications
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6.1	Financial	Nil
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	As set out in report and Appendices

6.2	Community Impact Assessment Recommendations	<p>The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-</p> <p>Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.</p>
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Previous Consideration - Nil

Background Papers - File available in Internal Audit and Risk Section
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Summary - Strategic Risk Register as at 1 April 2019

Risk No.	Risk Description	Risk Impact / Consequences	Risk Date	Gross Risk Score	Sept 2018	April 2019	Direction of Travel over period reported
RED RISKS							
39	Viability / Funding of Stafford Borough Council as a result of public expenditure reductions and changes to Government's funding regime	The Council may not be able to maintain the current level of services or is no longer sustainable as an organisation	2014	20 (Red)	12 (Red)	12 (Red)	↔
AMBER RISKS							
34	Impact of Benefit Reform (e.g. Introduction of Universal Credit)	This could lead to an increase in claimants not being able to sustain their housing tenancy leading to an increase in homelessness.	2013	12 (Red)	9 (Amber)	9 (Amber)	↔
35	The failure to manage the changes to town centres as a result of changing trends away from shopping to leisure, living and working office use	This could lead to a reduction in investment from new and existing businesses into the area and a reduction in business rates income	2013	12 (Red)	9 (Amber)	9 (Amber)	↔
38a	Failure to realise and facilitate the expected economic growth and prosperity for Stafford and Stone associated with the development of HS2	This could lead to the delayed delivery of key regeneration projects such as Stafford Gateway and impact on future investment into the area	2014	15 (Red)	10 (Amber)	10 (Amber)	↔
38b	Failure to minimise the impact on the environment from the construction and operation of HS2	This could result in a reduction in the air quality, excessive noise/vibration from the construction activities which may have an impact on people's health and wellbeing	2014	15 (Red)	10 (Amber)	10 (Amber)	↔

Risk No.	Risk Description	Risk Impact / Consequences	Risk Date	Gross Risk Score	Sept 2018	April 2019	Direction of Travel over period reported
40a	Failure to deliver phase 1 of the Stone Leisure Strategy on time and within agreed budget.	This could affect the Council's ability to deliver its Health and Wellbeing agenda, which may impact on people's health.	2016	20 (Red)	10 (Amber)	10 (Amber)	↔
40b	Failure to deliver phase 2 of the Stone Leisure Strategy on time and within agreed budget.	This could affect the Council's ability to deliver its Health and Wellbeing agenda, which may impact on people's health.	2016	20 (Red)	10 (Amber)	10 (Amber)	↔
43	Failure to repel or recover from cyber-attack including targeted ransomware, malware and DDoS attacks	This could result in the Council not being able to deliver services	2017	20 (Red)	9 (Amber)	9 (Amber)	↔
44	Insufficient Capacity/Resilience to deliver the priorities contained in the Corporate Business Plan	This could result in projects being delayed or not delivered. There is also a risk to employees' health & wellbeing through stress.	2018	12 (Red)	9 (Amber)	9 (Amber)	↔
GREEN RISKS							
	There are no current Green Risks						
DELETED RISKS							
	No risks have been deleted						

↓ Risk has decreased

↔ Risk level unchanged

↑ Risk has increased

STRATEGIC RISK REGISTER

APPENDIX 2

Ref No: 34	Risk: Impact of Benefit Reform (eg Introduction of Universal Credit)		
Risk Owner: Head of Finance		Cabinet Member: Resources TBC	
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 3	Total Score: 12 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 3	Impact: 3	Total Score 9 - AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
Monitor impact of Benefit Reform to identify areas of concern	Quarterly, Local Taxation & Benefits Manager	An on-going monitoring routine is in place.
Identifying number of additional people falling into arrears with Council Tax payments and/or not claiming Council Tax Reduction.	Quarterly, Local Taxation & Benefits Manager	This forms part of the overall monitoring and any considerable difference would generate a review of the local scheme.
Review LCTR Scheme in partnership with Staffordshire authorities with a view to streamlining the application, assessment and award processes	Completion of review by 31 March 2020	Agreement in principle amongst Staffs authorities, to undertake review

Overall Progress Summary: The full impact of benefit reform cannot be determined until the phased introduction of Universal Credits. The impacts of existing reforms continue to be monitored.

Ref No: 34	Risk: Impact of Benefit Reform (eg Introduction of Universal Credit)
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Increased demand for services (additional workload, pressure on service delivery, additional resourcing etc.) • Reduced DWP funding • Increase in arrears on Council Tax • Affects Housing Association tenancies 	
<p>Links to Corporate Business Plan – Objective 2:</p> <ul style="list-style-type: none"> • To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing 	
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Monitoring impact of localisation of Council Tax Support • Monitor increasing UC claim load and reducing HB caseload and align resources accordingly. • Liaison with DWP on implementation timetable for Universal Credits (Full Service commenced November 2018) • Liaison with Housing Providers, Advice agencies etc about support available to landlord and tenants. • Liaison with other LAs, ahead of us on the implementation timeline. • Discretionary Housing Payment Policy refreshed December 2018. • Budget advice available, via Citizens Advice for affected residents to better manage their budgets set up 	

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Ref No: 35	Risk: The failure to manage the changes to town centres as a result of changing trends away from shopping to leisure, living and working office use		
Risk Owner: Head of Development		Cabinet Member: Economic Development & Prosperity	
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 3	Total Score: 12 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 3	Impact: 3	Total Score 9 - AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
Targeted actions identified from vacancy monitoring	Quarterly/Economic Development Officer (Town Centres)	Business support and advice being provided to owners and landlords of vacant properties to encourage new investment and uses.
Maintain active dialogue with land and property owners, agents and new investors to town centres	On-going/ Economic Development Officer (Town Centres)	New development opportunities arising in Stafford town centre
New Action: Progress bids for funding to support town centre responding to challenges faced by retail e.g. Future High Street Fund	Head of Development Ongoing	Future High Streets fund bid submitted March 2019 Other bidding opportunities aligned with vision for town centres being monitored
New Action: secure support from partners organisations such as SOT and Staffs Chamber and FSB and European and other funds for town centre businesses	Ongoing Economic Development Officer (town centres)	

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Actions Planned	Timescale/Person Responsible	Progress/Comments
Stafford Town Centre Strategic Development Framework to be produced to integrate outputs from the Eastgate Masterplan, the Northern Town Centre Property, Land and Commercial Strategy and the Station Gateway masterplan into a comprehensive framework for the ongoing regeneration of Stafford Town Centre and to include comprehensive approach to car parking between SBC and SCC - Stafford	Head of Development – Q3 2019/20	Brief agreed April 2019 Out to tender April/May 2019 Completion December 2019
Station Gateway implementation plan to be developed providing a comprehensive approach to delivery of this project.	Q2/ Head of Development	Completion of commercial and Land Strategy Advice being prepared by June 2019. Housing development underway on central section of the Gateway. Implementation plan to be finalised Q2 2019/20
Eastgate Masterplan approved	Q4 2018/19/ Strategic Business Manager	Complete – reported to Cabinet Briefing. Outputs to be incorporated into Stafford Town Centre Strategic Framework
Northern Town Centre Property, Land and Commercial Strategy advice approved - Stafford	Q4/Economic Development Officer (Town Centres)	Work completed March 2019. Outputs to be incorporated into Stafford Town Centre Strategic Framework

Overall Progress Summary:

All of the above actions are as captured in the Development Delivery Plan and the new Corporate Plan which is performance monitored on a monthly basis to identify any developing trends. Over a longer period of time this will build in greater resilience in responding to market changes.

<p>Ref No: 35</p>	<p>Risk: The failure to manage the changes to town centres as a result of changing trends away from shopping to leisure, living and working office use</p>
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Increase in vacant business units in Stafford and Stone • Reduced business rates generation • Reputational damage and subsequent impact on footfall and tourism offer • Reduced investment from new and existing businesses into the area 	
<p>Links to Corporate Business Plan – Objective 1:</p> <ul style="list-style-type: none"> • To deliver sustainable economic and housing growth to provide income and jobs. 	
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Vacancy rates monitored quarterly • Ongoing support in Stafford via the Town Centre Partnership which has a new Chair Business rate reduction scheme launched 2017 for northern end of Stafford Town Centre [REVIEW] • Exploring new development opportunity areas in Stafford around the Station Gateway, Northern end of Town and South eastern end of the town centre and development of an integrated Stafford Town Centre Strategic Framework to direct new investment • MIPIM Conference attended in March 2017, 2018 and 2019 which has generated investment interest in the Borough. • Constellation Partnership Growth Strategy has been developed together with central government to deliver Stafford Gateway and Garden Settlement. • Stone Traders Association set up and Economic Development Officer (Town Centres) supporting work of Association and developing events programme. • Business database in place to improve market intelligence 	

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Ref No: 38a	Risk: Failure to realise and facilitate the expected economic growth and prosperity for Stafford and Stone associated with the development of HS2		
Risk Owner: Head of Development		Cabinet Member: Economic Development & Prosperity	
Gross Risk Score (ie without controls)	Likelihood: 3	Impact: 5	Total Score: 15 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 2	Impact: 5	Total Score 10 - AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
Station Gateway implementation plan to be developed providing a comprehensive approach to delivery of this project.	Q2 2019/20 Head of Development	Completion of commercial and Land Strategy Advice being prepared by May 2019. Housing development underway on central section of the Gateway. Implementation plan to be finalised Q2 2019/20
Government petitioned and ongoing discussions with various Central Government departments. Additional Provisions 2 to Hybrid Bill were published in February 2019 along with a supplementary environmental statement which has provided further opportunity for discussions with HS2	Ongoing/ Head of Development	Ongoing dialogue with HS2 on AP2 and supplementary environmental statement.
Development of new Garden Settlement governance arrangements and programme plan to oversee this potential new development on the back of HS2.	Q1 2019/20	Project details being developed with Partners to progress this. Government announced Stafford successful in securing £750,000 funding to support the development of the Garden community proposal with the support of Homes England

Overall Progress Summary: Station Gateway Masterplan project implementation plan will be developed. The development of a new Garden Settlement is gaining momentum and has secured MHCLG garden communities funding.

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<p>Ref No: 38a</p>	<p>Risk: Failure to realise and facilitate the expected economic growth and prosperity for Stafford and Stone associated with the development of HS2</p>
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Failure to deliver future investment into the area • Delayed delivery of key regeneration projects such as Stafford Gateway • Loss of potential business rate and council tax generation • Failure of Constellation Partnership and reputational damage 	
<p>Links to Corporate Business Plan – Objective 1:</p> <ul style="list-style-type: none"> • To deliver sustainable economic and housing growth to provide income and jobs 	
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Lead officer nominated • Key stakeholder in the Constellation Partnership which aims to deliver 100,000 new homes and 120,000 new jobs as a consequence of the HS2 development • Petition process to ensure HS2 understands and delivers the wider economic benefits for the Borough. • Ongoing partnership development with central government departments and local and regional stakeholders to deliver a new Garden Settlement. • Ongoing partnership development with local, regional and national stakeholders supported by an implementation plan to deliver the Stafford Station Gateway masterplan proposals. 	

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Ref No: 38b	Risk: Failure to minimise the impact on the environment from the construction and operation of HS2		
Risk Owner: Head of Operations		Cabinet Member: Environment & Health	
Gross Risk Score (ie without controls)	Likelihood: 3	Impact: 5	Total Score: 15 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 2	Impact: 5	Total Score 10 - AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
Continued participation in HS2 Noise, Air Quality and land contamination Forums	Ongoing Customer Services Group Manager	Using information gathered at the forums, the Service contributed to the Council's petitioning document: Petition No. HS2-P2A-000152
Look to establish a SBC HS2 project Board	HS2 Lead / Head of Operations	Close working between the Council's Development Manager and the Customer Services Group Manager has enabled better co-ordination on the issues that needed to be petitioned on.
Monitor any preparation work being carried out by HS2 contractors	QTR3+4 2018/19 Customer Services Group Manager	Preparation work undertaken by HS2 monitored without any adverse effect or complaints.
Respond to second "Additional Provision" (AP2), and Statement of Environmental Standards (SES2) amendments from the original hybrid bill that was considered by the House of Commons Select Committee in July 2018.	QTR4 2018/19 Customer Services Group Manager	Officers from the Operations Service commented on the consultation to the second "Additional Provision" (AP2), and Statement of Environmental Standards (SES2) amendments

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Actions Planned	Timescale/Person Responsible	Progress/Comments
Continued participation in HS2 Noise, Air Quality and land contamination Forums	Ongoing Customer Services Group Manager	To ensure officers and elected members are updated on any changes to the scheme
Monitor any preparation work being carried out by HS2 contractors	Ongoing Customer Services Group Manager	To ensure that works are carried out according to any conditions and that any complaints are minimised
Watching brief on the House of Commons Select Committee (Spring 2019), House of Lords Select Committee (Summer 2019) and publication of Royal Assent (end of 2019)	QTRS 1,2 and 3 2019/20 Customer Services Group Manager	To ensure officers and elected members are updated on any changes to the scheme

Overall Progress Summary: Information obtained by officer’s participation in HS2 working groups to address noise, environmental, air quality and planning elements of the route alignment, during construction and subsequent operation, has assisted them in providing an input into the Council’s petitioning document. Continued liaison between the Council’s Development Manager and Customer Services Group Manager has enabled better shared understanding of the issues/risks; and the use of appropriate mechanisms to try and address the areas of concern.

Whilst the hybrid bill has been progressing through Parliament, officers have been providing information to support the Council’s petitioning.

Officers provided the Development Manager with a response to the consultation on the second “Additional Provision” (AP2), and Statement of Environmental Standards (SES2) amendments.

Ref No: 38b	Risk: Failure to minimise the impact on the environment from the construction and operation of HS2
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • A reduction in the air quality from the construction activities. This could arise directly from the construction sites and indirectly from changes in the volume, composition, and location of traffic on the highway network. • Excessive levels of Noise and vibration from construction and operation activities could lead to a significant effect on the residential amenity to domestic premises close to the proposed line. • The negative effects associated with the off-site disposal to landfill of solid waste that will be generated by the construction and operation of the proposed scheme. • The adverse effect of contaminant mobilisation. 	
<p>Links to Corporate Business Plan – Objective 2:</p> <ul style="list-style-type: none"> • To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing 	
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Lead officer nominated • Close working relationship with Staffordshire County Council and other District Council's in Staffordshire on the route • Partnership in forums and working groups to maintain influence with major construction leads – Arup 	

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Ref No: 39	Risk: Medium Term Viability / funding of Stafford Borough Council as a result of public expenditure reductions and changes to Government’s funding regime		
Risk Owner: Head of Finance		Cabinet Member: Resources	
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 4	Impact: 3	Total Score 12 - RED

Actions Planned	Timescale/Person Responsible	Progress/Comments
Responding to Government proposed legislation in relation to key funding regimes	On-going, Head of Financial Management	<p>Work streams of MHCLG/LGA and CIPFA in relation to 75% Business Rates Schemes and pilot areas to be monitored</p> <p>Detailed responses to be submitted in relation to self -sufficient local government, 75% business rates retention and fair funding review as more technical detail becomes available</p> <p>Responses submitted in relation to:</p> <ul style="list-style-type: none"> Business rates - dealing with the financial risks of appeals (June 2018) Local Government Finance Settlement 2019/20 : Technical Consultation (September 2018) Relative Needs and Resources (February 2019) Business Rates Reform (February '19)

As at 01/04/2019

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Actions Planned	Timescale/Person Responsible	Progress/Comments
Review criteria for 2019/20 Business Rates Pilot and subject to approval of partners submit application	Complete	Application to pilot 75% Business Rates Retention in 2019/20 on behalf of the Staffordshire and Stoke on Trent proposed Business Rates Pool/Pilot was successful. SBC to benefit by app £1m in 2019/20
Determine impact of Government proposals for key funding regime	On-going as information becomes available, Head of Financial Management	In Progress
Review impact of Implemented Savings Strands (as contained in Efficiency Statement)	All / Ongoing	
<p>Delivery Plan for Business Objectives of Corporate Plan</p> <ul style="list-style-type: none"> • To deliver sustainable economic and housing growth to provide income and jobs • To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing. • To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives. <p>to be agreed and implemented</p>	Chief Executive / Q2	Delivery Plan in place and Control Framework in place via Corporate Business Flow process

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Actions Planned	Timescale/Person Responsible	Progress/Comments
Implement a rolling programme of service reviews to ensure that resources are aligned to business objectives and are operating as efficiently as they can be	Corporate Business and Partnerships Manager / Q3	Draft report received re joint review into the best model/s for delivering, including the possibility of extending shared services, for environmental services in Cannock and Stafford, Review of all other services to be undertaken
Refresh Budget Strategy to identify alternative scenarios in relation to external funding sources	Head of Financial Management / Q3	Refreshed Financial Plan reported to Cabinet/Council November 2018

Overall Progress Summary: The Council continues to progress the areas within its direct control with balanced budgets set for 2019/20 and 2020/21. A potentially balanced budget, based upon the current Local Government Finance Regime exists for 2021/22, however the key risks and uncertainty relate to the fundamental changes to Government Funding that take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset) whereas ongoing uncertainty exists in relation to the longevity of the New Homes Bonus grant scheme. A potential deficit of £0.645 million exists in 2021/22 , assuming that NHB is replaced and at this stage no grant is received from any new scheme, whereas the deficit could also increase/reduce based upon the methodology for resetting existing business rates growth

Details are unlikely to become clear before the Autumn of 2019 and hence Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.

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Ref No: 39	Risk: Medium Term Viability / funding of Stafford Borough Council as a result of public expenditure reductions and changes to Government's funding regime
<p>Consequences Of Risk:</p> <ul style="list-style-type: none">• Unable to provide desired levels of service• Council size becomes too small to sustain a viable organisation	
<p>Links to Corporate Business Plan – Objective 3</p> <ul style="list-style-type: none">• To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives	
<p>Key Controls in Place:</p> <ul style="list-style-type: none">• Medium term financial plan in place• Annual Financial Plan and Medium Term Financial Strategy to 2021/22 in place• The Revenue Budget for 2019/20 and indicative budgets for 2020/21 and 2021/22 are balanced (via transfer from balances in 2021/22. However the funding regime post 2019/20 is yet to be determined• Reliance on New Homes Bonus is reduced on an annual basis.• Comprehensive Service Review being undertaken to re-align resources to Corporate Plan• Corporate Budget Monitoring• Evaluation of consultations on changes to government funding regimes	

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Ref No: 40a	Risk: Failure to deliver phase 1 of the Stone Leisure Strategy on time and within agreed budget.		
Risk Owner: Head of Operations		Cabinet Member: Leisure	
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 2	Impact: 5	Total Score: 10 - AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
Monthly reviews of the phase 1 project timescale and costs by the Principals Group. Regular Project Board meetings to oversee strategic implementation	Monthly/ Chief Executive and Cultural Services Manager	On track
Contract delivery ref phase 1 being monitored bi-weekly to ensure construction deadlines are met.	Bi-Weekly/ Cultural Services Manager and Property Services Manager	On track
A brief has been prepared for the decommissioning of the Alleyne's swimming pool. Detailed proposals will be developed following the commissioning of building and M&E surveys. Revised cost estimate being prepared by Mace.	Q3 / Cultural Services manager	Cost estimate expected July 2019.

Overall Progress Summary:
 Construction of new leisure centre completed, centre opened 5 April. Consultation on future play, events and leisure in stone completed and Masterplan for Westbridge Park developed. Some work still to complete at Westbridge Park but most of Phase 1 has been delivered.

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Ref No: 40a	Risk: Failure to deliver phase 1 of the Stone Leisure Strategy on time and within agreed budget
Phase 1 – New Leisure Centre completed. Decommissioning of Alleyne’s Swimming Pool – Revised cost plan due April 2019 – Board to agree approach once received	
Links to Corporate Business Plan – Objective 2	
<ul style="list-style-type: none">• To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing.	
Key Controls in Place:	
<ul style="list-style-type: none">• Phase 1 construction of new leisure centre completed	

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Ref No: 40b	Risk: Failure to deliver phase 2 of the Stone Leisure Strategy on time and within agreed budget.		
Risk Owner: Head of Operations		Cabinet Member: Leisure	
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 2	Impact: 5	Total Score: 10 - AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
A detailed consultation exercise has been completed on the future play and leisure needs for Stone and a Masterplan for Westbridge Park developed for consideration by the Stone Leisure Strategy Board.	Q2 / Cultural Services manager and Planning Obligations Monitoring and Implementation Officer	On track
Following development of the Masterplan for Westbridge Park detailed designs and a funding strategy to be developed for phase 2 of the Stone Leisure Strategy.	Q4 / Cultural Services manager and Planning Obligations Monitoring and Implementation Officer	Waiting for outcome of Planning Application on part of the Tilling Drive site.
Detailed mapping of S106 funding availability to support project completed.	Q3 / Head of Development	Completed
Sale of Tilling Drive progressing, subject to completion, this will provide funds towards phase 2 of the strategy and for compensatory playing field provision.	Q3 / Head of Development	Planning Application by developer submitted. Compensatory playing field provision being finalised to mitigate for objection to the Planning Application by Sport England.
Procurement of playing pitch strategy completed and work commenced. Due to be completed by summer 2019.	Q2 2019 / Head of Development	On track

As at 01/04/2019

Overall Progress Summary:

Sale of Tilling Drive approved by Cabinet, Planning Application by developer submitted, Compensatory playing field provision being finalised to mitigate for objection to the Planning Application by Sport England.

Ref No: 40b	Risk: Failure to deliver phase 2 of the Stone Leisure Strategy on time and within agreed budget.
<p>Phase 2 of strategy</p> <p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Additional funding needed to complete the project is not forthcoming • Reputational damage • Impact on delivery of Health and Wellbeing agenda. • Unable to deliver corporate plan objectives 	
<p>Links to Corporate Business Plan – Objective 2:</p> <ul style="list-style-type: none"> • To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing. 	
<p>Key Controls in Place:</p> <p>Phase 2</p> <ul style="list-style-type: none"> • Programme Board in operation which manages financial and legal controls • Dedicated Project Manager overseeing relevant milestones • Project Plan • Professional experts brought in (Consultants) • A detailed consultation exercise has been completed on the future play and leisure needs for Stone and a Masterplan for Westbridge Park developed. Work on detailed designs and funding strategy to commence. Sale of Tilling Drive approved by Cabinet, Planning Application by developer submitted, Compensatory playing field provision being finalised to mitigate for objection to the Planning Application by Sport England. 	

STRATEGIC RISK REGISTER

APPENDIX 2

Ref No: 43	Risk: Failure to repel or recover from cyber-attack including targeted ransomware, malware and DDoS attacks		
Risk Owner: Head of Technology		Cabinet Member: Resources	
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Residual/Net Risk Score (ie with controls in place)	Likelihood: 3	Impact: 3	Total Score 9 -AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
Information Risk Management- Continuous review and work on our information risk management regime	Ongoing/ Head of Technology	Policies under review. Some elements will be dealt these will be reviewed
Monitoring – External and Internal checks. Threat and vulnerability assessment and remediation including Annual IT Health Check by CLAS approved consultant with remedial work carried out	Ongoing/ Head of Technology	Annual Healthcheck completed in March 2019.
Application Security Assessment and Remediation action taken	Annually Head of Technology	The healthcheck will produce an action plan to feed into this.
Threat intelligence, Vulnerability management, Operational management, via internal and external monitoring.	December 2018 Head of Technology	Webfilter system is now part of the new firewalls.
Exploring options to improve security for sharing information with external partners	Ongoing Head of Technology	System procured to share data files.

Overall Progress Summary: Work has been completed and actions are in progress. However, the environment means that new risks and challenges are always developing and attacks are becoming more sophisticated.

Ref No: 43	Risk: Failure to repel or recover from cyber-attack including targeted ransomware, malware and DDoS attacks
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Data, Systems and Applications inaccessible • Inability to deliver Council services • Cybercrime/ Fraud/ Ransom demands/ Financial harm • Reputational damage locally and nationally • Data Loss & breach of Data Protection Act (DPA) • Financial Loss 	
<p>Links to Corporate Business Plan – Objective 3:</p> <ul style="list-style-type: none"> • To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives 	
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Information Risk Management Regime – Assess the risks to our information assets, effective governance structure, Leadership Team engagement with cyber risk, produce supporting information management policies. • Secure configuration – Corporate policies and processes to develop secure baseline builds • Network Security – Protection and secured perimeter of external security threats and untrusted networks • Managing user privileges – All users of ICT systems provided with privileges suitable for their role • User education and awareness – Security policies that describe acceptable and secure use of ICT assets • Incident management – Incident response and disaster recovery capabilities that address the full range of incidents that can occur • Malware prevention – Produce policies that directly address the business processes (such as email, web browsing, removable media and personally owned devices) • Monitoring – Established monitoring taking into account previous security incidents and attacks. Annual IT Health Check and penetration testing conducted by a Council of Registered Ethical Security Tester (CREST)/Communications-Electronics Security Group (CESEG) Listed Advisor Scheme (CLAS) - accredited Government Communication Headquarters (GCHQ) approved consultants. • Removable media controls – Produce removable media policies that control the use of removable media for the import and export of information • Home and mobile working – Assess the risks to all types of mobile working including remote working and develop appropriate security policies 	

STRATEGIC RISK REGISTER

APPENDIX 2

Ref No: 44	Risk: Insufficient Capacity/Resilience to deliver the priorities contained in the Corporate Business Plan		
Risk Owner: Chief Executive		Cabinet Member: Resources	
Gross Risk Score (i.e. without controls)	Likelihood: 4	Impact: 3	Total Score: 12 - RED
Residual/Net Risk Score (i.e. with controls in place)	Likelihood: 3	Impact: 3	Total Score 9 -AMBER

Actions Planned	Timescale/Person Responsible	Progress/Comments
<p>Detailed Service Delivery plans including prioritisation of projects, timescales, key milestones, performance measures and risks to completion feed into to team and individual work programmes. Performance measures and progress are regularly reported to cabinet and scrutiny committees. An end of year report on progress has been written and will be submitted to cabinet and scrutiny. The report shows good progress towards the objectives agreed by members and has not identified significant capacity issues.</p> <p>Service Delivery Plans for 2019/20 are being updated to take account of progress made and any changes resulting from government or council decisions. Cabinet will also be asked to consider a change management/ transformation programme as part of delivering objective 3 of the Business Plan. This will introduce new ways of working that will enhance our performance, reduce costs and make us a more attractive employer. This will be a substantial programme or work and will require detailed planning.</p>	<p>Leadership Team May 2020</p>	<p>This has been translated into a comprehensive business flow document that is monitored through Leadership Team and Management meetings.</p> <p>The change management programme will engage a wide range of staff in its design and implementation.</p>

STRATEGIC RISK REGISTER

APPENDIX 2

Actions Planned	Timescale/Person Responsible	Progress/Comments
<p>The recommendations of the Corporate Peer Review have been largely implemented and will be followed through to ensure that they deliver the full benefit i.e. –</p> <ul style="list-style-type: none"> • Draft Communications Strategy will be submitted to Leadership Team. • The forward plan will be maintained and actively used. • Continue to develop member training and development and review the effectiveness of the new member development programme. • A new Workforce development strategy is key to delivering the planned change management programme and a working group has been set up to lead this • The new local strategic partnership, community wellbeing partnership and economic development partnerships will develop to lead the shared working of the key public, private, voluntary and community organisations. • Follow up visit by the LGA to be organised for December 2019 for the Council to demonstrate the implementation of the recommendations highlighted above. 	<p>Leadership Team March 2020</p>	
<p>Project Management methodology to be reviewed and updated to ensure it matches the requirements of the planned actions. A successful programme of project management training has been delivered in the last year.</p>	<p>Tracy Redpath November 2019</p>	

STRATEGIC RISK REGISTER

APPENDIX 2

Actions Planned	Timescale/Person Responsible	Progress/Comments
A light touch rolling programme of service reviews to be implemented	Tracy Redpath/Bob Kean June 2020	
Corporate organisational development strategy being developed	Neville Raby March 2020	
A change management/ transformation strategy is to be submitted to cabinet with the aim to enhance our performance, reduce costs and make us a more attractive employer.	Tim Clegg/Tracy Redpath Cabinet July 2019, Delivered March 2021	

Overall Progress Summary:

Some work has been carried out but a number of actions are still to be completed. The Change Management/ Transformation programme will increase the capacity/ risk in the short to medium term, but will improve the working of the council longer term and address the capacity issues.

STRATEGIC RISK REGISTER

APPENDIX 2

Ref No: 44	Risk: Insufficient Capacity/Resilience to deliver the priorities contained in the Corporate Business Plan
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • The Corporate plan priorities are not delivered in accordance with the desired timescale • Resources may not be effectively used 	
<p>Links to Corporate Business Plan – Objectives 1, 2 and 3:</p> <ul style="list-style-type: none"> • To deliver sustainable economic and housing growth to provide income and jobs • To improve the quality of life of local people by providing a safe, clean, attractive place to live and work and encouraging people to be engaged in developing strong communities that promote health and wellbeing • To be a well-run, financially sustainable and ambitious organisation, responsive to the needs of our customers and communities and focussed on delivering our objectives 	
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Corporate Plan sets out main priorities and timescales, detailed delivery plans inform team and individual work programmes. • Corporate Business Planning process and MTFS • Performance and Project Management Framework and Scrutiny Process • Business Flow and reporting procedures via Leadership Team; Cabinet; Team meetings and individual 1:1 meetings • Annual Employee Review process • Change management plan drafted. 	

In accordance with the Risk Management Strategy, the green risks below are deemed to be tolerable (with existing controls in place) and will be monitored but require no further action at this time.

GREEN RISKS		
<i>Ref No:</i>	<i>Risk:</i>	<i>Score:</i>
	None at present	

ITEM NO 3(b)**ITEM NO 3(b)**

Report of:	Head of Governance
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 11/06/19 (Only)

AUDIT AND ACCOUNTS COMMITTEE**11 JUNE 2019****Review of the Effectiveness of Internal Audit****1 Purpose of Report**

- 1.1 For members of the Audit and Accounts Committee to consider the findings of the annual review of the effectiveness of internal audit.

2 Recommendation

- 2.1 That Members:

- (i) note the findings of the annual review of the effectiveness of internal audit for 2018-19;
- (ii) note that Internal Audit generally conforms to the Public Sector Internal Audit Standards, is operating effectively and can be relied upon when considering the Annual Governance Statement for 2018-19.

3 Key Issues and Reasons for Recommendation

- 3.1 The Public Sector Internal Audit Standards (PSIAS) require the Council to undertake a periodic review of the effectiveness of its internal audit and demonstrate conformance to the Standards. The Quality Assurance and Improvement Programme states that this will be an annual review for the Shared Internal Audit function.

- 3.2 The review has comprised:

- (a) 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

(b) reference to the External Quality Assessment (EQA) carried out by Cipfa in November 2016. The outcome of this review was presented to the Audit Committee in March 2017.

3.3 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.

4 Relationship to Corporate Priorities

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

- (i) The system of internal control is a key element of the Council's corporate governance arrangements which cut across all corporate priorities.

5 Report Detail

5.1 The Chief Internal Auditor has prepared a self-assessment against conformance of the Public Sector Internal Audit Standards and Local Government Application Note (PSIAS/LGAN as well as updating the self-assessment against the Role of the Head of Internal Audit document. The assessment this year has been a light touch review as revised versions of the Local Government Application Note and Role of the Head of Internal Audit documents have recently been issued. These will be reviewed later in the year to ensure all changes have been picked up for the 2019-20 year.

5.2 For the areas of partial conformance the effectiveness of the section was not considered to be seriously affected; a small number of the areas partial compliance with PSIAS/LGAN is considered to be acceptable due to local circumstances.

5.3 PSIAS/LGAN require any significant non-conformance with the Standards to be disclosed in the Annual Audit Report. One area of significant non-conformance with the standards was identified and this relates to PSIAS 1110 Organisational Independence. The standards require that the "Chief Audit Executive" reports functionally to the Board and indicate that this includes the Audit Committee Chair and Chief Executive commenting on the PDR and the Audit Committee setting remuneration for the "Chief Audit Executive".

5.4 This is not a common practice in Local Government where Members do not routinely get involved in detailed employment matters. There are sufficient other safeguards to the independence of Internal Audit 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. It is therefore considered that this area of non-conformance does not compromise the effectiveness of Internal Audit.

5.5 For the areas of partial conformance the effectiveness of the section was not considered to be seriously affected; a small number of areas of partial conformance with PSIAS/LGAN is considered to be acceptable due to local circumstances.

5.6 Summaries of the reviews of compliance are attached as follows:

- (i) the Public Sector Internal Audit Standards and the Local Government Application Note - attached at **APPENDIX 1**; and
- (ii) the Cipfa paper on the Role of the Head of Internal Audit in Public Service Organisations - attached at **APPENDIX 2**.

5.7 In addition to the compliance with professional standards the section has also reviewed:

- (i) the performance of the service ie the delivery of the audit plan; and
- (ii) the quality of the service

More information on the performance of the Service is contained in the Annual Internal Audit Report.

5.8 The External Auditors have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.

5.9 The review has also consider the outcome and progress made in implementing the recommendation contained in the External Quality Assessment which was carried out in November 2016 and which was reported to the Committee in March 2017.

5.10 From the review a small number of actions have been identified and these are contained in an Improvement Plan which is attached as Appendix 3.

5.11 Overall, the review of the effectiveness of Internal Audit for 2018-19 has shown that Internal Audit is operating effectively and generally conforms to the PSIAS. Therefore the work of the Internal Audit Section can be relied upon when considering the Annual Governance Statement for 2018-19.

6	Implications
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6.1	Financial	None
	Legal	None
	Human Resources	None
	Human Rights Act	None
	Data Protection	None
	Risk Management	None

6.2 Community Impact Assessment Recommendations	The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:- Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
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Previous Consideration - Nil

Background Papers - Files available from the Chief Internal Auditor

7 Appendices to the Report

APPENDIX 1 - Summary of Compliance with the Public Sector Internal Audit Standards and the Local Government Application Note

APPENDIX 2 - Summary of Compliance with Cipfa's paper on the Role of the Head of Internal Audit.

APPENDIX 3 - Improvement Plan

**SUMMARY OF CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) AND LOCAL GOVERNMENT
APPLICATION NOTE (LGAN) – 2018-19**

Conformance with the Standard	Y	P	N	Comments
Mission of Internal Audit				
The PSIAS sets out the Mission of Internal Audit as "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."	✓			The working practices of the Internal Audit function are in accordance with this mission.
Definition of Internal Auditing				
The PSIAS defines Internal Audit as - "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."	✓			Internal Audit has adopted the PSIAS definition and this is included in the Audit Charter
Core Principles for the Professional Practice of Internal Audit				
<p>The PSIAS sets out the Core Principles as follows.</p> <ul style="list-style-type: none"> • Demonstrates integrity. • Demonstrates competence and due professional care. • Is objective and free from undue influence (independent). • Aligns with the strategies, objectives, and risks of the organisation. • Is appropriately positioned and adequately resourced. • Demonstrates quality and continuous improvement. • Communicates effectively. • Provides risk-based assurance. • Is insightful, proactive, and future-focused. • Promotes organisational improvement. 	✓			The section complies with these principles in general. Documented safeguards have been put in place to protect the independence of Audit as the Chief Internal Auditor took on non-audit responsibilities from 1 st April 2017. These safeguards were approved by Audit Committee in June 2018 and were put into effect for the review of Insurance during the 2018-19 year.

Conformance with the Standard	Y	P	N	Comments
Code of Ethics				
<p>The Code of Ethics contained in PSIAS applies to all Internal Auditors working in the Public Sector in addition to any requirements placed on them by other professional bodies. It is aimed at promoting an ethical culture across the profession of Internal Audit and is seen as essential in ensuring the trust placed in Internal Auditors to provide objective assurance about the organisation’s risk management, control and governance arrangements.</p> <p>The Code of Ethics covers the following areas:</p> <ul style="list-style-type: none"> • Integrity • Objectivity • Confidentiality • Competency <p>Public Sector Internal Auditors are also required by PSIAS to have regard to the “Seven Principles of Public Life” as defined by the Committee on Standards in Public Life which cover:</p> <ul style="list-style-type: none"> • Selflessness • Integrity • Objectivity • Accountability • Openness • Honesty • Leadership 	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>Internal Audit complies with the Code of Ethics and a copy of this has been issued to all members of the team.</p>

Conformance with the Standard	Y	P	N	Comments
Attribute Standards				
1000 – Purpose, Authority and Responsibility				
<p>The purpose, authority and responsibility of the internal audit activity must be formally defined in an audit charter. The internal audit charter is a formal document setting out:</p> <ul style="list-style-type: none"> • internal audit's position within the organisation; • its reporting lines; • access to personnel, information and records; • the scope of internal audit activities • define what the term "board" means (It is anticipated that the Audit Committee will generally fulfil the duties assigned to the board for the Council.) <p>The charter must be periodically reviewed and presented to senior management and the board.</p>	✓			The current Charter was approved by the Audit Committee in June 2018 when it was updated to build in safeguards for the audit of areas where the Chief Internal Auditor has operation responsibility outside of audit.

Conformance with the Standard	Y	P	N	Comments
1100 – Independence & Objectivity				
<p>Internal Audit activity must be independent and internal auditors must be objective in performing their work. This comes from the position of Internal Audit in the organisation and ensuring that Internal Audit management has unrestricted access to the Audit Committee and Senior Managers should this be necessary. Internal Auditors should also not be compromised in their work by personal views or having operational responsibility for other areas. Any impairments or potential to independence or objectivity must be reported to appropriate parties.</p> <p>Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:</p> <ul style="list-style-type: none"> • approving the internal audit charter; • approving the risk based internal audit plan; • approving the internal audit budget and resource plan; • receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters; • approving decisions regarding the appointment and removal of the chief audit executive; • approving the remuneration of the chief audit executive; and • making appropriate enquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations. <p>Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the chair of the audit committee.</p>		✓		<p>The Terms of Reference for the Audit Committee reflect their role in approving the Audit Charter.</p> <p>The Chair of the Audit Committee does not have a role in the appointment of the "Chief Audit Executive" or contribute feedback to the PDR. This is outside the scope of normal Council operations and is the only major area of non-conformance with PSIAS. However the Head of Governance who manages the Chief Internal Auditor is directly managed by the Chief Executive and any concerns from the Chief Executive/Managing Director relating to Internal Audit would be raised with her.</p>

Conformance with the Standard	Y	P	N	Comments
1200 – Proficiency & Due Professional Care				
<p>The Internal Audit Team should have the correct knowledge, skills and competencies for the work that it carries out and to ensure they enhance knowledge and skills through Continuing Professional Development. The PSIAS specifically requires the “Chief Audit Executive” to hold a relevant professional qualification. Due professional care must be taken to ensure appropriate work is undertaken to identify risks, support findings and meet the objectives of all work undertaken.</p>	✓			<p>The Chief Internal Auditor and one of the Senior Auditors are Cipfa Qualified and we have 1 ACCA qualified member in the team. The annual PDR process ensures members of the team follow CPD requirements. The Council is currently registered as CPD Accredited body with Cipfa, ACCA and AAT.</p> <p>Where external support is required this is done via the appointment of suitably qualified contractors.</p> <p>Working practices are defined and have been clarified further with the development of the new methodology.</p> <p>A competency framework has been produced and is used to inform the PDR process.</p>

Conformance with the Standard	Y	P	N	Comments
1300 – Quality Assurance and Improvement Programme				
<p>A quality assurance and improvement programme is designed to:</p> <ul style="list-style-type: none"> • allow an assessment of Internal Audit's activity against the PSIAS requirements; • to assess the efficiency and effectiveness of Internal Audit's activity; • identify opportunities for improvement. <p>This requires both internal and external assessments to be performed. The PSIAS requires an independent external assessment to be carried out at least once every five years. Both internal and external assessments have to be carried out by individuals or organisations who have sufficient knowledge of Internal Audit standards and operation.</p> <p>The outcome of the review must be reported to the Board and Senior Management as part of the Internal Audit Annual Report which must disclose any areas of non-conformance with PSIAS. Where these are significant they should be considered for inclusion in the Annual Governance Statement.</p>	✓			<p>A QAIP was approved by the Audit Committee in June 2015.</p> <p>The section had its EQA in November 2016 which stated that there were no areas of non-compliance which would affect the scope or operation of the section. The Report and Action Plan was presented to both Audit Committees in March 2017.</p>

Conformance with the Standard	Y	P	N	Comments
Performance Standards				
2000 – Managing the Internal Audit Activity				
<p>The Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organisation.</p> <p>This includes the development of a risk based audit plan to inform the Annual Audit Opinion. The Plan should be presented to Senior Management and the Board for approval. The Chief Audit Executive should ensure the resources available to the team are sufficient, appropriate and effective to deliver the audit plan and that any limitations which may impact on the plan or the annual audit opinion are reported to the Board.</p> <p>Where possible the work of Internal Audit should be coordinated with other providers of assurance to ensure appropriate coverage and minimise duplication.</p> <p>Internal Audit's activity must be reported to Senior Management and the Board. This should include performance in delivering the audit plan, significant risks or control issues identified and any other relevant matters.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>The team follow a risk based plan which is approved by Leadership Team and the Audit Committee</p> <p>A detailed assurance map has not been developed due to time and resources pressures. An overview of other assurance providers is obtained where possible.</p> <p>Performance is reported quarterly to the Head of Governance and the Audit Committee</p>
2100 – Nature of Work				
<p>Internal Audit's activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</p>	<p>✓</p>			<p>The Internal Audit team provide recommendations as part of their work which will improve the Council's governance framework. In addition ad hoc advice and consultancy is provided in relation to changes in systems.</p>

Conformance with the Standard	Y	P	N	Comments
2200 – Engagement Planning				
<p>A plan/brief should be prepared for each piece of audit work carried out to include the scope, objectives, timing and resource allocation. The scope should be sufficient to contribute to the annual audit opinion. Sufficient and appropriate resources should be identified for each review to achieve the intended objectives of the review.</p>	✓			<p>Internal Audit has defined procedures which include producing and agreeing a brief for each assignment. The annual audit plan is produced to provide adequate coverage to inform the annual audit opinion</p> <p>The revised working practices have shifted the focus of audit work to further improve testing of key risks for areas under review. However limitations in the Council's Risk Management Process have limited the Sections ability to rely on risk registers. Therefore Internal Audit has to perform its own risk identification process as part of each audit.</p> <p>Supervision of engagements is more continuous throughout the audit rather than all being at the end of the work.</p>
2300 – Performing the Engagement				
<p>Internal Auditors should identify sufficient, reliable, relevant and useful information to achieve the objectives of the review. Conclusions should be based on the results of appropriate analysis and evaluation of the evidence and sufficient information documented to allow the testing to be repeated.</p>	✓			<p>All assignments are completed in line with agreed working practices and are subjected to a file review process to verify that the conclusions and recommendations made are supported by sufficient evidence derived from appropriate audit testing.</p>

Conformance with the Standard	Y	P	N	Comments
2400 – Communicating Results				
Results of audit work should be reported and where the section issues an opinion or conclusion it must be supported by sufficient relevant information. Communications must be accurate, clear, concise and timely and issued to appropriate parties. In the Public Sector an annual audit report containing an audit opinion must be issued so that it can be used by the organisation to inform its Annual Governance Statement.	✓			See 2300 above
2500 – Monitoring Progress				
The results of audit work should be monitored to identify that management actions are being effectively implemented or that management accepts the risks of not taking action.	✓			All action plans are agreed by management or acceptance of risks relating to non-implementation is obtained. Internal Audit follow-up areas which are not deemed to be effective to monitor the progress made in implementing the agreed recommendations. The Audit reports refer to the Council's risk management framework/risk appetite when providing audit opinions and classifying recommendations.
2600 – Communicating the Acceptance of Risks				
When the Chief Audit Executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the Chief Audit Executive must discuss the matter with senior management. If the Chief Audit Executive determines the matter has not been satisfactorily resolved they should communicate the information to the board.	✓			A process is in place where such matters would be discussed initially with the relevant member of Leadership Team. Areas where management are accepting a significant risk without some action would be reported to the Audit Committee for consideration. However it is noted that the need for this rarely occurs.

SUMMARY OF COMPLIANCE WITH THE CIPFA PAPER ON THE ROLE OF HEAD OF INTERNAL AUDIT – 2018-19

Adherence to the Standard	Yes	Partial	No
1. The Head of Internal Audit (HIA) in a Local Authority plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.			
Chief Internal Auditor's (CIA) role in governance and how it fits with other key officers (s151, Head of Paid Service & Monitoring Officer) is defined in the Job Description	✓		
Managers do not always adequately consult with Internal Audit on changes to systems or new projects/initiatives to ensure adequate governance arrangements are in place. However most major changes in processes are consulted on.		✓	
The Council have a number of policies in place relating to conduct of employees and governance arrangements. However a number of these are in need of updating and more work needs to be done to promote compliance with the policies across the Council.		✓	
HIA does promote good governance, behaviour and high standards across the authority.	✓		
There is a corporate requirement to report suspected or confirmed frauds to Internal Audit	✓		
2. The HIA in a Local Authority plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.			
Internal Audit is separate to External Audit. IA has defined terms of reference which cover key relationships as well as reporting arrangements. The CIA has arrangements for providing an opinion on the governance arrangements which feeds into the Annual Governance Statement but the HIA is not responsible for writing the AGS. The HIA has operation responsibilities for Insurance, Risk Management and Health Safety (the latter at CCDC only) safeguards have been put in place to ensure that the HIA's conflicts of interest in these areas are managed effectively.	✓		
The Council does not have a clear system to prompt reviews of key policies on a periodic basis. This means that policies which ensure and promote good governance are not always regularly reviewed and updated.		✓	
HIA has responsibility and the remit to review the Council's control environment and governance arrangements including risk management and significant partnerships, the result of audit work is reported and an annual opinion provided. The HIA liaises with External Audit to share knowledge and maximise the use of resources but EA do not direct the work of IA.	✓		
The HIA is able to report in their own name without fear or favour. The HIA works well with other key officers to bring key issues to the attention of the Leadership Team & Audit Committee to ensure significant recommendations are implemented.	✓		

Adherence to the Standard	Yes	Partial	No
3. The HIA in a Local Authority must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.			
HIA functions are generally carried out by the Chief Internal Auditor although some aspects are shared with the Head of Governance. Both these officers are sufficiently senior and independent within the Council's structure to allow the HIA role to be carried out effectively. Internal Audit have unfettered right to documents and to seek explanations.	✓		
The Chief Internal Auditor is managed by the Head of Governance who is part of the Leadership Team. Both officers work to raise the profile of Internal Audit.	✓		
The Council has an audit committee which operates in line with best practice. The terms of reference for the Committee and IA set out the relationships of the Chief Internal Auditor to the committee.	✓		
The Audit Strategy and Audit plan are discussed with the Leadership Team and the Audit Committee prior to being finalised.	✓		
4. The HIA in a Local Authority must lead and direct an internal audit service that is resourced and fit for purpose.			
Internal Audit aims to meet the needs of the council and external stakeholders. IA has established an appropriate quality assurance framework and the team are always looking for ways to develop the effectiveness of the service. The IA team aim to lead by example with high standards including integrity, objectivity, openness, competence and confidentiality.	✓		
Where resources/skills are lacking in-house (eg IT Audit) the section looks to bring in outside expertise. During the Audit Plan process the CIA assesses resources against the need to carry out a satisfactory level of audit work to inform the annual opinion. Adequate recruitment procedures exist to select appropriate employees/suppliers to deliver internal audit work. The skills and needs of the team are assessed and training is sought to maintain/develop appropriate skills.	✓		
5. The HIA in a Local Authority must be professionally qualified and suitably experienced.			
The Chief Internal Auditor is Cipfa qualified and suitably experienced Internal Auditor to effectively perform the role. The CIA adheres to professional and Internal Audit standards.	✓		
The Chief Internal Auditor has sufficient knowledge of the Internal Audit and regulatory environment as well as an awareness of the full range of the Council's activities and processes.	✓		

IMPROVEMENT PLAN FOR INTERNAL AUDIT – 2018-19

Source	Actions	Person Responsible for Implementation	Timescale
LGAN/Role of Head of Audit Document	New editions of the Local Government Application Note and the Cipfa Role of the Head of Internal Audit documents have been issued – these need to be reviewed to ensure all changes can be picked up to ensure compliance for the 2019-20 Review of Audit.	Chief Internal Auditor	December 2019

ITEM NO 3(c)

ITEM NO 3(c)

Report of:	Chief Internal Auditor
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 11/06/19 (Only)

AUDIT AND ACCOUNTS COMMITTEE

11 JUNE 2019

Internal Audit Annual Report

1 Purpose of Report

1.1 To present the Internal Audit Annual Report for 2018-19.

2 Recommendation

2.1 That the Committee note the Internal Audit Annual Report for 2018-19.

3 Key Issues and Reasons for Recommendation

3.1 Based on the work undertaken during the year and the implementation by management of the audit recommendations, Internal Audit can provide Partial assurance that the Council's governance arrangements including systems of internal control were operating adequately.

4 Relationship to Corporate Priorities

4.1 The system of internal control is a key element of the Council's corporate governance arrangements which cuts across all corporate priorities.

5 Report Detail

5.1 Management are responsible for the control environment 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 system of internal control.

5.2 The Internal Audit Annual Report (attached as **APPENDIX 2**) 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 control environment;
- comment on the nature and extent of significant risks; and
- report the incidence of significant control failings or weaknesses.

5.3 The report is a snapshot view 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. Most of the significant findings from the audits have been reported to the Committee in the Quarterly Progress Reports, the significant findings from the audits issued in Quarter 4 are the exception to this and are attached as **APPENDIX 1** for information.

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.

6	Implications
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6.1	Financial	Nil
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	Nil

6.2	Community Impact Assessment Recommendations	<p>The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-</p> <p>Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.</p>
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7	Appendices to the Report
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APPENDIX 1 - Summary of Significant Findings Quarter 4 Audits

APPENDIX 2 - Internal Audit Annual Report for 2018-19



Previous Consideration	None
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Background Papers	File available from the Chief Internal Auditor
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APPENDIX 1

Summary of Significant Findings for Audits Issued in Quarter 4

A summary of the findings is provided in the quarterly reports for any audits not given Substantial Assurance. As there is no Quarter 4 progress report work issued in the final quarter is only included in this Annual Report. For consistency, a summary of the Quarter 4 audits is included below.

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Management of Staff Timekeeping & Leave	HR/ Technology	12	Limited 	<ul style="list-style-type: none"> • A number of issues in relation to compliance with the relevant policies have been identified which suggest a lack of management review • A number of issues have been identified in the operation and set-up of the electronic time recording system being used by the Council. <p>Leadership Team have agreed that:</p> <ul style="list-style-type: none"> • Guidance will be re-issued to Managers; and • Time-recording will be considered as part of the transformation project to reflect different working arrangements eg home working, agile working
Payroll	HR	1	Partial 	The key issue related to a lack of an up-to-date record of authorised signatories which could be used by Payroll to ensure payroll related forms had been signed by appropriate people. It should be noted that this is the responsibility of Heads of Service rather than HR.

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Homeless Provision & Housing Advice	Development	3	Partial 	<ul style="list-style-type: none"> • There was a need to reconcile the records held for the Rent Guarantee Scheme to the Ledger system. • Some issues were also identified in relation to Lone Working and Health & Safety risk assessments.
Information Governance	Law & Admin / Governance & Corporate Services★	9	Partial 	<ul style="list-style-type: none"> • There was a need to establish an Information Governance Framework to complement existing policies for GDPR and IT Security. • There was a need to improve record keeping in relation to Freedom of Information responses and Subject Access Requests. • There was a need to review and improve confidential waste storage & disposal processes. • Consideration should be given to the implementation of a Protective Marking Scheme for documents.
IT Project Management	Technology	6	Partial 	<p>A number of issues were identified in the project management processes in use these include</p> <ul style="list-style-type: none"> • lack of formal business cases for some projects, • lack of clear implementation plans for some projects • lack of a consistent system testing & validation process • limited evidence of contingency planning for missing project delivery dates • project boards not in place for all of the larger projects
Housing Benefits	Financial Management★		Substantial 	
Council Tax	Financial Management★		Substantial 	

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Creditors	Financial Management★		Substantial ✓	
CCTV	Operations		Substantial ✓	
Business Planning & Corporate Plans	Corporate Business and Partnerships Manager		Substantial ✓	
Leisure Major Projects	Operations		N/A	
Parking Services	Operations		N/A	

★ Services led by Cannock Chase District Council as part of Shared Services

Appendix 3 - Audits in Progress

The areas below were in progress but not completed by the end of the year. They will be carried over and completed at the start of the 2019-20 year.

Audit	Head of Service	Comments
Mobile Device Management	Technology	The audit has been completed and a draft report produced. The draft report has not yet been agreed with the Head of Technology
Waste & Recycling	Operations	Work was ongoing but had not progressed sufficiently by the end of the year to complete the audit.
Partnerships	Corporate Business and Partnerships Manager	Work was ongoing but had not progressed sufficiently by the end of the year to complete the audit.
IT Strategy	Technology	The audit was delayed due to scheduling issues between the Audit Contractor and the Client Department

Stafford Borough Council Internal Audit Annual Report 2018-19

June 2019



working together

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	Audits Planned and Completed in 2018-19 by Classification:-	
1a	Limited	9
1b	Partial	10
1c	Substantial	12
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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 2018-19. 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”.


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.

Internal Audit Opinion for 2018-19 and the Annual Governance Statement (AGS)

- 2.3 Regulation 3 of the Accounts & Audit Regulations 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.*
- 2.4 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;”*
- 2.5 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.

<p>2.6 Based on the work undertaken during the year and the implementation by management of the audit recommendations, Internal Audit can provide Partial 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.</p>	
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- 2.7 One system has been given limited assurance, the management of Staff Timekeeping and Leave. Although there are gaps and weaknesses in the controls in this system, no material discrepancies have been found. Consequently it is not considered to be a significant governance issue at this stage. None the less it is essential that the deficiencies in this system are addressed in order to prevent future material discrepancies.
- 2.8 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks. 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 2018-19

- 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.

	Assurance				
	Substantial	Partial	Limited	No Assurance	No Opinion
Number of Audits	7	12	1	0	4
Reference for further information	See Appendix 1d	See Appendix 1c	See Appendix 1b	See Appendix 1a	See paragraph 0

3.3 Four other areas were reviewed but the nature of the work meant that it was not appropriate to issue a formal opinion on the level of assurance. Any findings in relation to these have been taken into account when considering the Annual Opinion contained in this report. These were:

- Parking Services (this focused on the letting of a new contract)
- Pensions Assurance work for Staffordshire County Council,
- Leisure Contract Management (the framework was still being established at the time of the review)
- Leisure Major Projects (a light touch update was carried out)

3.4 The quarterly Internal Audit reports provide a commentary on audits classified as Partial or Limited Assurance. An annex accompanying this report contains the commentary for the audits issued in Quarter 4 which have not featured in one of the quarterly reports.

3.5 The Internal Audit Section did not identify any significant weaknesses in relation to any of the Council's key financial systems and core governance processes which were examined in 2018-19. However we have continued to see signs of supervisory/management controls not being applied regularly or at all in some areas; this was a factor in the Limited Assurance given for the Management of Staff-timekeeping & Leave audit, but not the sole reason for the assurance rating.

3.6 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. This usually occurs around 6 months after the report has been finalised.

3.7 Follow-ups were completed for 4 areas. After the follow-up had been completed

- Three areas improved from Partial to Substantial
- One area remained as Partial Assurance (Private Sector Housing)

In total 10 recommendations were followed-up in relation to Stafford BC work of which 8 or 80% had been implemented and the remaining 2 or 20% were in progress.

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

4 AUDIT PERFORMANCE

4.1 The table below indicates the Section’s performance against the audit plan for 2018-19.

	2018-19				2017-18
	Planned	Actual	Actual %	Target %	Actual
Original Plan	27	24	89%	90%	93%

4.2 Twenty four audits were completed in the year out of the twenty seven planned for in the 2018-19 Audit Plan. A further four audits had commenced but not been completed in the year. These are Mobile Device Management, Waste & Recycling, IT Strategy and Partnerships.

4.3 Included in the completed audits figure above are six audits which were originally part of the 2017-18 audit plan but were not completed in that year. The audits completed this year from the 2017-18 Audit Plan were IT Project Assurance, General Ledger (IT Application), Cyber Security, External Data Transfers, Public Buildings/Facilities Management and Streetscene.

4.4 In addition to the audit plan the Section has also carried out a number of other pieces of ad hoc work and minor consultancy exercises.

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, however it is noted that there are limited resources to devote to fraud risks in the team. During the year it has:-

- Continued membership of the Midlands Fraud Sub Group, and sharing of information at Internal Audit Management Groups;
- 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 fraud or irregularity investigations during the year.

National Fraud Initiative Datamatching

5.3 The Council is a statutory participant in the Cabinet Office’s National Fraud Initiative (NFI) exercise which is carried out every 2 years. The 2018-19 matches which were released in January are currently being examined by teams across the Council but limited progress has been made.

6 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

- 6.1 A review of the effectiveness of the system of Internal Audit has been undertaken within the year as part of the Quality Assurance and Improvement Programme as required by PSIAS. A very light touch review was carried out at this time as new guidance material has been issued to inform the way Internal Audit operates for the 2019-20 year in the form of a revised Local Government Application Note and a revised Role of the Head of Internal Audit in Local Government document. It is proposed to carry out an analysis against the new guidance material later in the year to ensure the section complies with best practice.
- 6.2 There were two key elements to the review this year:-
- i. 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
 - ii. reference to the External Quality Assessment carried out by Cipfa in November 2016. The outcome of this review was presented to the Audit Committee in March 2017.
- 6.3 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. The full results of the review are given in a separate report to the Audit and Accounts Committee.
- 6.4 One 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 and the Audit Committee setting remuneration for the “Chief Audit Executive”.
- 6.5 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. 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.
- 6.6 The Review of Audit has led to an update of the Audit Charter with some minor changes and a more significant change to include the safeguards that have been put in place to deal with audits of areas outside of Internal Audit that the Chief Internal Auditor has operational responsibility for.

- 6.7 The External Auditors, Grant Thornton, have concluded that “the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council”.
- 6.8 In order to ensure the quality of each audit, one of the Senior Auditors, 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 each report to sign it off. These processes form part of the internal quality assurance process and helps to provide a consistent approach between the auditors.

Audits Planned and Completed in 2017-18 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 No Assurance Audits issued in 2017-18

Limited

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
Staff Timekeeping and Leave	HR/Technology	12

Partial**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
Homeless Provision & Housing Advice	Development	3
National Non Domestic Rates	Financial Management★	1
General Ledger (Total) IT Application and Management	Financial Management★/ Technology	4
Insurance	Governance & Corporate Services★	2
Payroll	HR	1
Public Buildings/Facilities Management	HR	1
Information Governance	Law & Admin/Governance & Corporate Services★	9
Food Safety Inspections & Enforcement	Operations	1
IT Project Management	Technology	6
Cyber Security	Technology	2
External Data Transfers	Technology	3

★Services led by Cannock Chase District Council as part of Shared Services

Substantial**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
Business Planning & Corporate Plans	Corporate Business and Partnerships Manager
Housing Benefits	Financial Management★
Council Tax	Financial Management★
Creditors	Financial Management★
Banking Arrangements	Financial Management★
Mayoralty & Mayor's Charity	Law & Admin
CCTV	Operations

★ Services led by Cannock Chase District Council as part of Shared Services

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

This table shows the assurance level at the end of the year. Where a 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	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Private Sector Housing	Development	Partial ▲	1	2	0	3	Partial ▲	Some progress had been made but there was still a need to refine and document procedures for dealing with empty homes.
Tree Management	Operations	Partial ▲	3	0	0	3	Substantial ✓	
Pest Control & Dog Warden	Operations	Partial ▲	3	0	0	3	Substantial ✓	
Public Building Maintenance	HR	Partial ▲	1	0	0	1	Substantial ✓	

★ Services led by Cannock Chase District Council as part of Shared Services

ITEM NO 3(d)

ITEM NO 3(d)

Report of:	Head of Governance
Contact Officer:	Judith Aupers
Telephone No:	01543 464411
Ward Interest:	Nil
Report Track:	Audit and Accounts 11/06/19 (Only)

**AUDIT AND ACCOUNTS COMMITTEE
11 JUNE 2019
Annual Governance Statement 2018-19**

1 Purpose of Report

1.1 To set out the Annual Governance Statement for the year 2018-19.

2 Recommendation

2.1 That the Committee approves of the Annual Governance Statement for 2018-19.

3 Key Issues and Reasons for Recommendation

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 2018-19 (which is current up to May 2019) 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 the Heads of Service;
- (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 identified areas for improvement and these are set out in the action plan contained within the AGS at **APPENDIX 1**.

3.5 An update on the progress in actioning the issues from the 2017-18 AGS is attached at **APPENDIX 2**. In summary, of the 9 items:

- 8 items have been completed or are on target to be completed; and
- work is in progress on 1 item.

Where appropriate, the outstanding issues have been included in the AGS for 2018-19.

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. A diagram illustrating the Council's Governance Framework is appended to the AGS.

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

5.4 The Annual Governance Statement has been prepared using information from the sources of assurance outlined in 3.3. 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 Progress in addressing the significant issues identified in the Annual Governance Statement will be monitored through reports presented to the Audit and Accounts Committee.

6.1	Financial	None
	Legal	None
	Human Resources	None
	Section 17 (Crime Prevention)	None
	Human Rights Act	None
	Data Protection	None
	Risk Management	None

6.2	Community Impact Assessment Recommendations	<p>The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-</p> <p>Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.</p>
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7 Appendices to the Report

- APPENDIX 1 - Annual Governance Statement 2018-19**
- APPENDIX 1, ANNEX 1 - Summary of Governance Framework**
- APPENDIX 2 - Progress Report for AGS 2017-18**

<p>Background Papers -</p> <p>Annual Internal Audit Report 2018-19</p> <p>Strategic Risk Register</p> <p>Heads of Service and Managers Assurance Statements for 2018-19</p> <p>Statutory Officers Assurance Statements for 2018-19</p>

AUDIT AND ACCOUNTS COMMITTEE

11 JUNE 2019

Annual Governance Statement 2018-19

**STAFFORD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2018-19****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 2019 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.
- 3.2 The key components of the Governance Framework are summarised in the diagram at Annex 1.
- 3.3 A key element of the Council's governance arrangements concerns safeguarding. Stafford Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across its services. We are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council. We do this by:
- Completion of the statutory annual Section II Audit
 - Having a Child & Adult Protection Policy and procedure in place endorsed by the Staffordshire Safeguarding Children Board and Staffordshire and Stoke Adult Safeguarding Partnership
 - Having child & adult protection processes which give clear, step-by-step guidance if abuse is identified
 - Safeguarding training programme in place for staff and members

- Carrying out the appropriate level of DBS checks on staff and volunteers
- Working closely with Staffordshire Safeguarding Children Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership

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 Governance 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 Head of Governance and the Monitoring Officer, on behalf of the Council, undertake 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, Financial Regulations, the Scheme of Delegation and policies, processes and practices throughout the year. No new issues have been identified in 2018/19 but there are still 2 outstanding issues from the previous review which have yet to be completed:

- The need to review the Code of Conduct for Employees;
- Development of the Information Governance framework.

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:

- 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
- consider regular performance management information from senior management.

4.5 **The Audit & 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 & corruption arrangements throughout the year. The Audit & 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 undertaken on the annual audit plan for 2018-19 has been used to provide an independent view on the adequacy of the governance framework.

In the annual report to the Audit & Governance Committee, the Chief Internal Auditor has independently assessed the Council's internal control environment and given a "**partial 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. The Chief Internal Auditor has not identified any issues for inclusion in the Annual Governance Statement. 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.

4.8 **Risk Management** - during 2018-19 the Audit & Accounts Committee received regular progress reports regarding the management of strategic risks. There is currently 1 red risk for inclusion as a significant governance issue:

- Viability/Funding of Stafford Borough Council as a result of public expenditure reductions and changes to Government's funding regime; and

4.9 **Statements of Assurance from Heads of Service** - assurances were sought from the Heads of Service as to the effectiveness of a number of aspects of the Governance Framework as it operates in their service areas. No significant governance issues have been identified.

4.10 **Statements of Assurance from the Statutory Officers** - assurances have been sought from the Head of Paid Service (ie Chief Executive), the Monitoring Officer (Head of Law & Administration) and the s151 Officer (Head of Finance) 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:
 - reporting on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
 - matters relating to the conduct of Members and officers; and
 - the operation of the Council's constitution.

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

- Budgetary issues relating to reductions in public expenditure and changes to the Government's funding regime;
- Development of an ambitious Change Management Programme to support the delivery of the Corporate Delivery Plan and in response to the Medium Term Financial Strategy;
- Members Induction - following the all-out elections in May 2019 there will be an influx of new members some of whom will be inexperienced and will need training; and
- Implications arising from EU Exit - there is considerable uncertainty about the effects on legislation as it affects the Council.

4.11 **External Audit / Other Review Agencies** - during the year the Council received the following key reports:

- (i) Audit Findings (dated 30 July 2018 and reported to Audit & Accounts Committee 30 July 2018); and
- (ii) Annual Audit Letter (dated August 2018 and reported to Audit & Accounts Committee 11 December 2018).

The reports offered an unqualified opinion on the Council's financial statements and its arrangements for value for money and effective use of resources. No significant concerns were identified.

The Council underwent a Corporate Peer Challenge during 2018 that was conducted by the Local Government Association and they found:

- The Council is "a well-run authority";
- That "the organisation has strong processes in place to control its finances";
- The "Corporate Business Plan for 2018-21 sets out an ambitious vision for Stafford and that the conditions are present for the Council to grasp the opportunity for it to accelerate its pace to deliver the necessary changes to support those ambitions".

In addition to this it identified 2 key recommendations to enhance the Council's governance arrangements:

- Finalise and publish the long term forward plan setting out the Cabinet's priorities, timescales and milestones;
- Continue to implement new scrutiny structure and ensure appropriate training to enable effective scrutiny and policy development.

4.12 **Leadership Team** – in addition to the individual Heads of Service and 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.

5. **Opinion on the Governance Framework**

5.1 The review of the effectiveness of the governance framework show that the arrangements continue to be fit for purpose and **reasonable assurance** can be given that the framework is operating adequately in practice.

5.2 No review can provide absolute assurance; this statement is intended to provide reasonable assurance that there is an ongoing process for reviewing the governance framework and it's operation in practice.

- 5.3 Whilst the governance framework is considered to be adequate a number of issues have been identified that need to be addressed to further enhance the Council's governance arrangements. These are outlined in section 6 together with the actions to be taken.
- 5.4 The Audit & 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 in the action plan below. This includes a number of items that are ongoing from the previous AGS.

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Financial Regulations</p> <p>The revised Financial Regulations have been agreed by Leadership Team and now need to be approved by Cabinet and Council. Staff will then need to be made aware of the key changes.</p>	<p>Head of Finance</p>	<p>September 2019 for the approval of the Regulations</p> <p>December 2019 for briefing staff.</p>
<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct has been completed. The revised Code needs to be approved by Leadership Team and Council. Once approved, all employees will need to be made aware of the new Code of Conduct.</p>	<p>Head of Human Resources, Head of Law & Administration and Head of Governance</p>	<p>September 2019</p>
<p>Information Governance</p> <p>An Information Governance Framework needs to be developed to complement the existing policy documents.</p> <p>The revision of the Retention of Documents Schedule needs to be completed and all employees made aware of it.</p>	<p>Head of Law and Administration</p>	<p>January 2020</p> <p>October 2019</p>

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Budgetary Issues</p> <p>Financial uncertainty regarding New Homes Bonus and NNDR, rises in inflation, increased costs resulting from other public service partners implementing savings in services, the impact of service the delivery of savings identified in the MTFP.</p> <p>This will be addressed by:</p> <ul style="list-style-type: none"> • Continuing to reduce the cost of our office accommodation by reducing the amount of office space we occupy and sharing the Civic Centre with other organisations • Reviewing the use of the Depot; and • Identifying opportunities to increase income from delivering services to third parties. 	<p>Chief Executive / Head of Finance</p> <p>Corporate Business and Partnerships Manager</p> <p>Head of Operations</p> <p>Leadership Team</p>	<p>Ongoing</p> <p>March 2021</p> <p>June 2020</p> <p>Ongoing</p>
<p>Change Management Programme</p> <p>The Council is developing an ambitious change management programme to enable us to deliver the Corporate Business Plan and in response to the Medium Term Financial Plan and other drivers. We need to assure ourselves that we have the capacity to deliver this programme. This will be achieved by:</p> <ul style="list-style-type: none"> • Developing a clear programme to manage delivery and use project management methodology for each work area. • Identifying additional resources and adjusting the programme as necessary. 	<p>Corporate Business and Partnerships Manager</p>	<p>July 2019</p>

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Member Induction and Scrutiny</p> <p>The Council has all-out elections in May 2019. There will be an influx of new members some of whom will be inexperienced and will need training both in the Council's systems and their role as Councillors.</p> <ul style="list-style-type: none"> • An induction programme has been devised for implementation after the election. • A Member Working Group has been set up to consider ongoing training for members – work programme to be prepared for delivery from May 2020. • Continue to develop appropriate training to enable effective scrutiny and policy development. 	<p>Head of Law & Admin and the Head of Human Resources</p>	<p>July 2019</p> <p>April 2020</p> <p>Ongoing</p>
<p>Implications arising from EU Exit</p> <p>There is considerable uncertainty about the effects of Brexit on legislation as it affects the Council.</p> <p>The effects of Brexit on legislation and how it affects the Council will be monitored and appropriate action taken to ensure continuing compliance.</p>	<p>Leadership Team</p>	<p>Ongoing</p>
<p>Corporate Business Plan</p> <p>Finalise and publish the long term forward plan setting out the Cabinet's priorities, timescales and milestones;</p>	<p>Corporate Business and Partnerships Manager</p>	<p>Completed</p>

Signed:

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Chair of the Audit & Accounts Committee

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Date

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Leader of the Council

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Date

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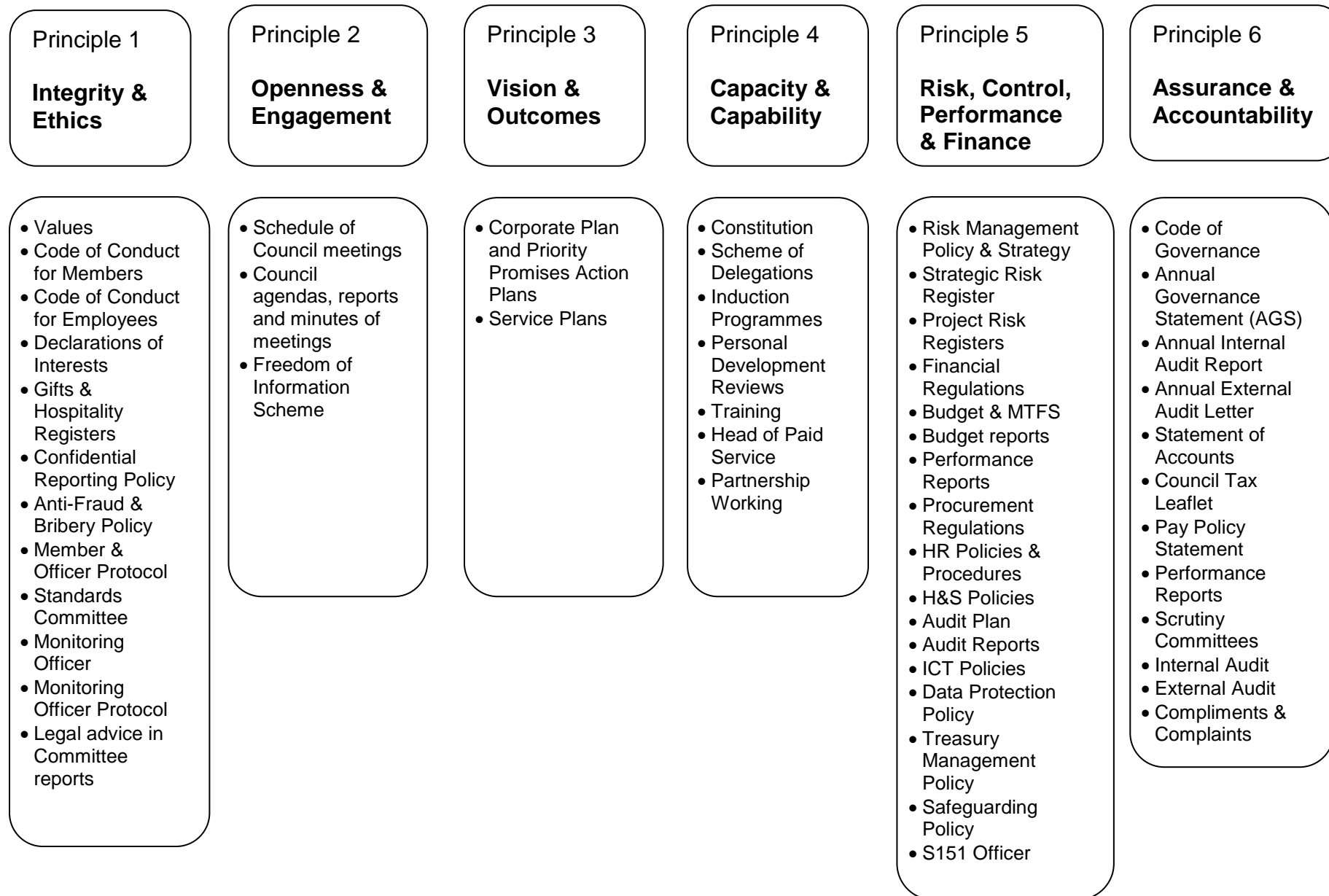
Chief Executive

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Date

on behalf of Stafford Borough Council




GOVERNANCE FRAMEWORK










AUDIT AND ACCOUNTS COMMITTEE


11 JUNE 2019

Annual Governance Statement Progress Report as at 31 May 2019




No.	Issue / Action	Timescale and Lead Officer	Progress/Comments	Status
1	<p>Financial Regulations</p> <p>The Financial Regulations are in need of revision and updating, prior to reporting to Council for approval.</p>	<p>September 2018 Head of Finance</p>	<p>Draft produced and approved by Leadership Team. Updated Regulations to go to Cabinet in July and Council in September 2019</p>	
2	<p>Employees' Code of Conduct</p> <p>The Employees' Code of Conduct is in need of revision and updating.</p>	<p>September 2018 Heads of Human Resources, Law & Administration and Governance</p>	<p>A revised Code of Conduct has been drafted and is due to go to Leadership Team for consideration in July and to Council for approval in September 2019.</p>	
3	<p>Information Governance</p> <p>Following on from the work done to date in implementing the General Data Protection Regulations, there is a need to:</p> <p>(i) provide training for employees and Members; and</p>	<p>September 2018</p>	<p>Training has been provided for employees and Members</p>	

No.	Issue / Action	Timescale and Lead Officer	Progress/Comments	Status
	(ii) revise the Retention of Documents Schedule.	January 2019 Head of Law and Administration	Work is in progress as part of the departmental GDRP audit process. When this has been completed, this will be collated into a Retention of Documents Schedule.	
4	<p>Budgetary Issues</p> <p>The Council continues to progress the areas within its direct control with balanced budgets set for 2018/19 and 2019/20. A potentially balanced budget, based upon the current Local Government Finance Regime exists for 2020/21, however there is uncertainty regarding fundamental changes to Government Funding due to take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset) and ongoing uncertainty exists in relation to the longevity of the New Homes Bonus grant scheme. Details are unlikely to become clear before the Autumn of 2019.</p> <p>Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.</p>	Ongoing Chief Executive / Head of Finance	<p>The Budget was approved by Council in February 2019.</p> <p>Draft report received re joint review into the best model/s for delivering , including the possibility of extending shared services, for environmental services in Cannock and Stafford, Review of all other services to be undertaken</p>	
5	<p>Contract Management of the Outsourced Leisure and Culture Service</p> <p>A Partnership Board is to be set up to manage the outsourced Leisure & Culture Service</p>	July 2018 Cultural Services Group Manager	Completed. The Board has been established and the first meeting was held on 20 August 2018.	

No.	Issue / Action	Timescale and Lead Officer	Progress/Comments	Status
6	<p>Cyber Security</p> <p>With the rise in cyber attacks nationally, it is planned to:</p> <ul style="list-style-type: none"> • Update firewall system • Provide cyber awareness training for users (Members and Employees) 	<p>June 2018</p> <p>October 2018</p> <p>Head of Technology</p>	<p>Completed. The new firewall is in place and is now fully operational.</p> <p>Cyber training has been provided along with the data protection training to all Members and employees.</p>	<p></p> <p></p>
7	<p>Project Management</p> <p>The framework for managing and monitoring projects is to be reviewed and training provided</p>	<p>October 2018</p> <p>Corporate Business and Partnerships Manager, Head of HR and Leadership Team</p>	<p>Completed. The project management training has been completed and the performance reporting against projects has been refreshed.</p>	<p></p>
8	<p>Complaints Policy</p> <p>The complaints policy is to be reviewed alongside the arrangements for recording and managing complaints</p>	<p>Policy – December 2018</p> <p>Head of Law & Administration</p>	<p>Completed. A revised complaints policy has been produced.</p>	<p></p>

No.	Issue / Action	Timescale and Lead Officer	Progress/Comments	Status
9	<p>Corporate Plan and Delivery Plans</p> <p>Development of detailed action plans and a performance management framework to support the delivery of the Council's priorities as set out in the Corporate Plan 2018-21.</p>	<p>Ongoing throughout 2018-19</p> <p>Leadership Team and Corporate Business & Partnerships Manager</p>	<p>Completed. Delivery plans have been formulated and the performance management framework has been completely refreshed and has been rolled out organisation wide.</p>	

KEY TO STATUS INDICATORS:-

STATUS	DESCRIPTION
	<p>The action is making significant progress towards completion or has been completed</p>
	<p>The action is making some progress towards being completed</p>
	<p>Work has not commenced on the action</p>

ITEM NO 3(e)**ITEM NO 3(e)**

Report of:	Interim Head of Law and Administration
Contact Officer:	Jim Dean
Telephone No:	01785 619209
Ward Interest:	Nil
Report Track:	Audit and Accnts 11/06/19 Council 23/07/19

AUDIT AND ACCOUNTS COMMITTEE**11 JUNE 2019****Business Planning Report - Audit and Accounts Committee****1 Purpose of Report**

- 1.1 To review the programme of business considered by the Audit and Accounts Committee in 2018/19 with a view to the report being submitted to the Council.

2 Recommendation

- 2.1 The Committee is recommended to approve this report as its Annual Report to the Council.

3 Key Issues and Reasons for Recommendation

- 3.1 During the past municipal year the Audit and Accounts Committee have considered a number of issues under its remit, as set out in the Council's Constitution.
- 3.2 Representatives of the External Auditor continue to attend each meeting of the Committee, and provide Members with a confidential briefing session prior to each meeting.
- 3.3 The Committee continues to control its own work programme, which is populated with a range of issues for the forthcoming Municipal Year, along with the statutory functions of the Committee.

4 Relationship to Corporate Priorities

- 4.1 This report is most closely associated with the Priority Area "Leading and Delivering for our Communities".

5 Report Detail

5.1 Under its Terms of Reference the Audit and Accounts Committee have exercised its delegated powers as set out in Article 8.5 of the Council's Constitution.

5.2 The Committee has convened on 4 occasions in accordance with the Council's Calendar of Meetings for 2018/19.

5.3 The Committee controls its own work programme and makes appropriate adjustments, taking into account its statutory functions. The work programme has focussed on 4 key areas:-

- (i) Financial matters;
- (ii) Internal Audit;
- (iii) Risk Management; and
- (iv) Governance.

Each of these areas is covered in more detail in the points that follow.

5.4 Financial Matters

5.4.1 The Committee has received the following reports from the Head of Finance:-

- Annual Treasury Management Report 2018/19
- Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2019/20 and Capital Strategy 2018/22.
- Financial Statements Audit 2017/18 - Management Representation Letter
- Statement of Accounts 2017/18.

5.5 Internal Audit

5.5.1 The Committee received the following reports from the Chief Internal Auditor and the Head of Governance:-

- Internal Audit Annual Report
- Internal Audit Progress Reports
- Internal Audit Plan 2019-20
- Review of the Effectiveness of Internal Audit

5.6 Risk Management

5.6.1 The Committee has received the following reports from the Head of Governance:-

- Risk Management Reports

5.7 Governance

5.7.1 The Head of Governance submitted the following reports:-

- Annual Governance Statement and Progress Report

5.7.2 The Head of Law and Administration supplied the following reports:-

- Work Programme
- Business Planning Report

External Audit

5.8 Members have also considered the following reports as submitted by the External Auditor:-

- Planned Audit Fee for 2018/19
- Audit Plan for Stafford Borough Council
- Audit Findings - Year Ending 31 March 2018
- External Audit Plan - Year Ended 31 March 2018
- Progress and Update Report for Stafford Borough Council
- Annual Audit Letter
- Certification Work for Stafford Borough Council for Year ended 31 March 2018

5.9 It is intended that this report, with the addition of any appropriate information concerning the current meeting, be taken to the most appropriate meeting of the Council as the report back from this Committee.

6 Implications	
6.1 Financial	As set out in the report
Legal	Nil
Human Resources	Nil
Human Rights Act	Nil
Data Protection	Nil
Risk Management	As set out in the report
6.2 Community Impact Assessment Recommendations	<p>The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-</p> <p>Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.</p>
Previous Consideration - Nil	
Background Papers - File available in Law and Administration	

ITEM NO 3(f)**ITEM NO 3(f)**

Report of:	Interim Head of Law and Administration
Contact Officer:	Jim Dean
Telephone No:	01785 619209
Ward Interest:	Nil
Report Track:	Audit and Accounts 11/06/19 (Only)

AUDIT AND ACCOUNTS COMMITTEE

11 JUNE 2019

Work Programme - Audit and Accounts Committee**1 Purpose of Report**

- 1.1 The purpose of this report is to present the Audit and Accounts Committee's Work Programme.

2 Recommendation

- 2.1 That the Audit and Accounts Committee considers and comments upon their Work Programme.

3 Key Issues and Reasons for Recommendation

- 3.1 The Committee will continue to consider its normal programme of business and will include provision to address any areas of concern raised by Members.
- 3.2 An up-to-date copy of the Audit and Accounts Committee's Work Programme is provided for Members to consider and comment upon.

4 Relationship to Corporate Priorities

- 4.1 The work of the Audit and Accounts Committee is most closely associated with all of the Council's Corporate Priorities.

5 Report Detail

5.1 At each scheduled meeting of the Audit and Accounts Committee, an up-to-date copy of the Work Programme will be provided for Members to consider and comment upon.

5.2 Accordingly the Audit and Accounts Committee’s current Work Programme is attached as an **APPENDIX**.

6 Implications

6.1 Financial	Nil
Legal	Nil
Human Resources	Nil
Human Rights Act	Nil
Data Protection	Nil
Risk Management	Nil

6.2 Community Impact Assessment Recommendations	<p>The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-</p> <p>Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.</p>
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Previous Consideration - Nil

Background Papers - File available in Law and Administration

AUDIT AND ACCOUNTS COMMITTEE

11 JUNE 2019

Work Programme - Audit and Accounts Committee

TUESDAY 30 JULY 2019 AT 6.30PM

Minutes of Last Meeting: 11 June 2019
Officer Items by: Monday 15 July 2019
Agenda Despatch on: Monday 22 July 2019

Officer Reports	<ul style="list-style-type: none"> • Stafford Borough Planned Audit Fee for 2019/20 Grant Thornton • Audit Progress Report and Sector Update Grant Thornton • Audit Findings Year Ended 31 March 2019 Grant Thornton • Financial Statements Audit - Management Representation Letter Grant Thornton • Statement of Accounts Head of Finance • Annual Treasury Management Report Head of Finance • Work Programme Interim Head of Law and Administration
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TUESDAY 10 DECEMBER 2019 AT 6.30PM

Minutes of Last Meeting: 30 July 2019
Officer Items by: Monday 25 November 2019
Agenda Despatch on: Monday 2 December 2019

Officer Reports	<ul style="list-style-type: none"> • Annual Audit Letter for SBC Grant Thornton • Audit Progress Report and Sector Update Grant Thornton • Treasury Management Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy and Capital Strategy Head of Finance • Annual Governance Statement Progress Report Head of Governance • Internal Audit Quarterly Report Chief Internal Auditor • Risk Management Report
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	Head of Governance • Work Programme Interim Head of Law and Administration
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TUESDAY 17 MARCH 2020 at 6.30pm	
Minutes of Last Meeting:	10 December 2019
Officer Items by:	Monday 2 March 2020
Agenda Despatch on:	Monday 9 March 2020
Officer Reports	<ul style="list-style-type: none"> • Certification work for SBC for the Year Ended 31 March 2019 Grant Thornton • Audit Progress Report and Sector Update Grant Thornton • External Audit Plan - Year Ended 31 March 2019 Grant Thornton • Internal Audit Quarterly Report Chief Internal Auditor • Internal Audit Plan for 2020-21 Chief Internal Auditor • Work Programme Interim Head of Law and Administration

FUTURE ITEMS
<ul style="list-style-type: none"> • Annual Governance Statement Progress Reports • Internal Audit Progress Reports • Risk Management Progress Reports