Stafford
BOROUGH COUNCIL

Civic Centre, Riverside, Stafford

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Dear Members

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 20 June 2023 at 6.30pm** to deal with the business as set out on the agenda.

Please note that this meeting will be recorded.

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

Head of Law and Governance

AUDIT AND ACCOUNTS COMMITTEE

20 JUNE 2023

Chair - Councillor M G Dodson

AGENDA

1   Minutes of 21 March 2023 as circulated and published on 22 March 2023.

2   Apologies

3   Officers' Reports

Chair - Councillor M G Dodson

M G Dodson	A M Loughran
R A James	A R McNaughton
P A Leason	D P Rouxel

Agenda Item 3(a)

Committee:	Audit and Accounts
Date of Meeting:	20 June 2023
Report of:	Chief Internal Auditor & Risk Manager
Contact Officer:	Stephen Baddeley
Telephone Number:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 20/06/2023 (Only)
Key Decision:	N/A

Internal Audit Annual Report

1 Purpose of Report

1.1 To present the Internal Audit Annual Report for 2022-23.

2 Recommendation

2.1 That Committee note the Internal Audit Annual Report for 2022-23.

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 during 2022-23.

4 Relationship to Corporate Business Objectives

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

Assurance

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 1** is the culmination of the work of the Section during the course of the year and seeks to:

- provide an opinion on the adequacy of the control environment;

- comment on the nature and extent of significant risks; and

- report the incidence of significant control failings or weaknesses.

5.3 Work completed in Quarter 4 has not previously been presented to committee and this is included in **APPENDIX 1**.

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

5.5 The Annual Audit Opinion for 2022-23 is **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.

Internal Audit's Performance

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

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

6   Implications

6.1   Financial

None Identified

6.2   Legal

None Identified

6.3   Human Resources

None Identified

6.4   Human Rights Act

None Identified

6.5   Data Protection

None Identified

6.6   Risk Management

None Identified

6.7   Community Impact Assessment Recommendations

Impact on Public Sector Equality Duty:

None

Wider Community Impact:

None

7   Previous Consideration

Nil

8   Background Papers

File available from the Chief Internal Auditor

APPENDIX 1 - Summary of Significant Findings Quarter 4 Audits

APPENDIX 2 - Internal Audit Annual Report for 2022-23

Committee: Audit and Accounts

Date of Meeting: 20 June 2023

Internal Audit Annual Report

Summary of Significant Findings for Audits Issued in Quarter 4 - 2022-2023

Audit Reports Issued in Quarter 4

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments and Key Issues
Building Control	Development	5	Partial ▲	• Verification of payment of inspections fees was limited due to lack of access by the team to the financial system • Dangerous structure forms were not always fully completed and not all visits were recorded. • A regular contractor was used without recent market testing of the service or a current contract in place. • The required trading accounts had not been completed for the last 2 years.

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments and Key Issues
Streetscene	Operations	10	Partial ▲	• Work programmes/schedules for routine works were not documented • There was an overreliance on the use of overtime to run the service due to a lack of overview of the work requirements. • Health and Safety arrangements for the service should be reviewed and actioned in accordance with the Health and Safety audit recently carried out; • Contract arrangements in respect of servicing and maintenance of vehicles and machinery need to be reviewed, alongside fleet replacement arrangements; and • Commercial arrangements should be reviewed in terms of the costings for external works, and also the approach in terms of formalising agreement of these works.
Development Major Projects	Development	0	Substantial ✓	
Covid Business Grants	Financial Management/ Development	0	Substantial ✓	
Procurement	Governance	0	Substantial ✓	

Audit Follow-ups Completed in Quarters 4

Audit	Head of Service	Original Assurance	Implemented	In Progress	Not Implemented	Total	Revised Assurance	Comments
Change Control (IT)	Technology	Limited !	2	3	0	2	Partial ▲	The Change Management Policy had been written but not yet approved by Leadership Team or implemented. This prevented the assurance level from being revised
IT Third Party Supplier Management and External Data Sharing	Technology	Limited !	2	1	0	2	Partial ▲	The task to compile a full IT Contracts Register needs to be completed.
Garden Waste and Blue Bag introduction	Operations	Partial ▲	1	0	0	1	Substantial ✓	

Stafford Borough Council Internal Audit Annual Report 2022-23

June 2023

working together

CONTENTS

1   INTRODUCTION

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

The Annual Reporting Process

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

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

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

1.4   It provides a summary of the work of the Section throughout 2022-23. As such it presents a snapshot picture of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by Managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. Internal Audit routinely follow-up the recommendations that have been made and will bring any relevant areas where significant weaknesses have not been addressed by managers to the attention of the Audit & Accounts Committee if and when it is deemed appropriate.

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

Requirement for Internal Audit

1.6   The requirement for an Internal Audit function derives from local government legislation, including section 151 of the Local Government Act 1972 which requires authorities to "make arrangements for the proper administration of their financial affairs". Proper administration is interpreted in this legislation to include Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance".

Review of Internal Audit

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

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

1.9 The review concluded that Internal Audit is effective and conforms sufficiently with the requirements of PSIAS/LGAN to ensure that the opinion given in this Annual Report can be relied upon for assurance purposes. Where actions have been identified these are attached in Appendix 3 at the end of this report. The review has identified a need to review the Audit Charter and the Quality Assurance and Improvement Programme. These will be presented to Committee separately for approval.

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

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

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

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

1.14 As part of the Review of Internal Audit, a Satisfaction Survey was issued to Managers and Heads of Service. A total of 25 responses were received covering approximately 50% of Managers. The results of the survey questions are set out below:

Question	Average Score (out of 5)
How satisfied are you with the support that you get from Internal Audit?	4.2
How satisfied are you that work of Internal Audit Reports adds benefit to your management of the services that you deliver	4.2
Do you agree that Internal Audit recommendations are realistic and relevant to the operation of your service	4.2

2 REVIEW OF CONTROL ENVIRONMENT

How the Control Environment is Reviewed

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

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

2.3 The Audit Plan for 2022-23 took into account the impact from the Covid Pandemic alongside the changes that the Council was implementing to recover. In addition the shift in focus away from a plan based on the Audit Universe to a totally risk focused plan was retained. It is believed that sufficient work has been undertaken on which to provide an opinion.

Internal Audit Opinion for 2022-23 and the Annual Governance Statement (AGS)

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

"must ensure that it has a sound system of internal control which—
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

> *(b) ensures that the financial and operational management of the authority is effective; and*
> *(c) includes effective arrangements for the management of risk.*

2.5 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;"*

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

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

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

2.9 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.	▲

2.10 No Audits were given No Assurance in the year and 2 Audits were given Limited Assurance. More details on the common issues identified in the audit work which have fed into this opinion can be found in paragraph 3.6 below.

2.11 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 2022-23

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

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

	Substantial Assurance	Partial Assurance	Limited Assurance	No Assurance
Number of Audits	9	9	2	0
Reference for further information	See Appendix 1d	See Appendix 1c	See Appendix 1b	See Appendix 1a

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

3.4 Nine follow-ups were completed for eight audit areas in the year. After the follow-up had been completed:

- Three areas had improved from Limited to Partial Assurance;
- Two areas had improved from Partial to Substantial Assurance; and
- The other areas all remained as Partial Assurance.

3.5 In total 30 recommendations were followed-up;. The breakdown of status of recommendations is:

- 17 recommendations (57%) had been implemented;
- 11 recommendations (37%) were in progress at the time of the follow-up
- 2 recommendations (6%) had no progress at the time of the follow-up

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

3.7 Some common reoccurring themes were identified from the audit work in the year and these mirrored themes found in previous years. These were:

- Procurement processes not always being followed correctly and an overreliance on the use of waivers. This meant that contracts were not always market tested fully or work was issued outside of contract agreements or on contracts that had expired.
- Lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works.

- Incomplete, out of date or missing written procedures and work programmes for services leading to a lack of clarity and awareness of correct processes to follow/work to be completed.
- Paperwork not fully completed to evidence work carried out and key documentation not always retained on file.
- Weaknesses in the reconciliation of income for services carried out.
- Employees lack of awareness of key governance documents including Financial Regulations, Procurement Regulations, Schemes of Delegation and the Code of Conduct.
- Data Protection Impact Assessments and Confidentiality Agreements not always completed when data is transferred to third parties.
- Key policies and strategies not being in place or being out of date e.g. IT Strategy, Protective Marking Scheme leaving employees with limited guidance and lack of clear direction.

4   AUDIT PERFORMANCE

4.1   The table below indicates the Section's performance against the audit plan for 2022-23.

	2022-23 Planned	2022-23 Actual	2022-23 Actual %	2022-23 Target %	2021-22 Actual
Audit Plan	22	**20**	**91%**	90%	**74%**

4.2   Twenty audits were completed in the year out of the twenty-two planned for in the 2022-23 Audit Plan.

4.3   A further seven audits had commenced but not been completed in the year. These are:

- Property Management & Rentals
- Housing Benefits
- Council Tax
- National Non-Domestic Rates
- Agency Staff & Consultant use
- Wireless Network security
- Critical applications security

4.4   One of these audits is being carried out by the in-house team the remainder are audits that are being delivered by the Contractor. The delays in completion of the audits are down to 2 main factors:

- Staffing and scheduling issues of the contractor; this is in part due to the back-log of audits that they carried forward from 2021-22.
- Delays in departments answering queries and supplying information to auditors due to ongoing workloads and pressures.

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

- IT Resilience
- Remote Working
- Capital Programme
- Asset Management Plans

These will be rolled-over to 2023-24 audit year.

4.6 Included in the completed audits figure above are ten audits which were originally part of the 2021-22 audit plan which had not been completed in that year these are:

- Change Control (IT)
- Asset Management/Future building requirements
- NNDR 2021-22
- Council Tax 2021-22
- Covid Business Grants
- s106 Monitoring and Delivery
- Garden Waste and Blue Bag introduction
- Document Retention and IT Records
- IT Health Check/ IT Assurance / Vulnerability Scanning / Cyber Assurance Arrangements
- IT Third Party Supplier Management and External Data Sharing (including access controls)
- Development Management

4.7 In addition to the audit plan the Section has also carried out a number of other pieces of ad hoc work and consultancy exercises during the year, these included advice on system changes and new systems.

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

Fraud/Irregularity Investigations

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

5.3   One fraud/bribery allegation has been received in the year as a referral from the Police who had been approached by the complainant. This was dealt with as Confidential Reporting Allegation in the first instance. The initial review deemed that there was no substance to the allegation and that the complainant and situation was already known to the Council, and it appears that they had approached the Police as they had not been satisfied with previous responses from other Council complaints/enforcement processes.

National Fraud Initiative Data Matching

5.4   The Council is a statutory participant in the Cabinet Office's National Fraud Initiative (NFI) exercise which is carried out every 2 years. The 2022-23 matches were released in January 2023 and are in the process of being reviewed. No significant issues have been identified from the work carried out to date.

Audits Planned and Completed in 2022-23 by Assurance Level

No Assurance

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

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

APPENDIX 1B

Limited Assurance Audits

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

Audit Area	Service Lead Officer	No of High/Medium Recommendations
Change Control (IT)	Technology	5
IT Third Party Supplier Management and External Data Sharing	Technology	3

<div align="right">**APPENDIX 1C**</div>

Partial Assurance Audits

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

Audit Area	Service Lead Officer	No of High/Medium Recommendations
Building Control	Development	5
Development Management	Development	6
s106 Monitoring & Delivery	Development	4
Corporate Complaints	Law and Admin	3
Garden Waste & Blue Bag introduction	Operations	1
Streetscene	Operations	10
Document Retention and IT Records	Technology	3
IT Strategy Resources and operational plans	Technology	5
Replacement Customer Relationship Management Project	Technology/Operations	7

APPENDIX 1D

Substantial Assurance Audits

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

Audit Area	Service Lead Officer
Project Governance Arrangements	Corporate Business and Partnerships
Development Major Projects	Development
Council Tax 2021-22	Financial Management
NNDR 2021-22	Financial Management
Covid Business Grants	Financial Management/ Development
Procurement	Governance
Payroll	HR
Leisure Contract Monitoring Arrangements	Operations
IT Health Check / IT Assurance / Vulnerability Scanning / Cyber Assurance Arrangements	Technology

APPENDIX 2

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

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

Audit	Head of Service	Original Assurance	Implemented	In Progress	Not Implemented	Total	Revised Assurance
Cyber & Network Security	Technology	Limited !	4	0	1	5	Partial ▲
Change Control (IT)	Technology	Limited !	2	3	0	5	Partial ▲
IT Third Party Supplier Management & External Data Sharing	Technology	Limited !	2	1	0	3	Partial ▲
Debtors	Financial Management	Partial ▲	2	3	0	5	Partial ▲
Staff Expenses	HR	Partial ▲	3	1	0	4	Partial ▲
Tree Management	Operations	Partial ▲	1	0	0	1	Partial ▲
Critical Information Systems Not Supported by IT (2nd Follow-up)	Technology	Partial ▲	2	1	0	3	Partial ▲
Garden Waste & Blue Bag introduction	Operations	Partial ▲	1	0	0	1	Substantial ✓
Critical Information Systems not Supported by IT	Technology	Partial ▲	2	1	0	3	Substantial ✓

APPENDIX 3

IMPROVEMENT PLAN FOR INTERNAL AUDIT – 2022-23

Source	Actions	Person Responsible for Implementation	Timescale
Annual Review & EQA	Internal Audit will look at progressing some mapping of Assurance provided by others and how this can be taken into account in their work.	Chief Internal Auditor & Risk Manager	Ongoing
Annual Review & EQA	The Head of Transformation & Assurance to seek views from the Audit Committee Chairs in advance of the Chief Internal Auditors Performance Development Review	Head of Transformation & Assurance	Next PDR Cycle
Annual Review & EQA	Audit Charter and Quality Assurance & Improvement Programme to be updated and approved. To include a refresh of Key Performance Indicators for Internal Audit.	Chief Internal Auditor & Risk Manager	June 2023 Audit Committee
Annual Review & EQA	Internal Audit to map their work against the Code of Governance, the Risk Management Systems and the Council's Fraud Risks.	Chief Internal Auditor & Risk Manager	September 2023
EA Annual Report 2020-21	Internal Audit to provide periodic updates to Leadership Team on outstanding Audit Recommendations	Chief Internal Auditor & Risk Manager	September 2023
Annual Review & EQA	The Audit Manual and other procedure documents to be reviewed and updated to reflect the use of the Electronic Working Papers System.	Chief Internal Auditor & Risk Manager	September 2023

Committee:	Audit and Accounts
Date of Meeting:	20 June 2023
Report of:	Chief Internal Auditor & Risk Manager
Contact Officer:	Stephen Baddeley
Telephone Number:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 20/06/23 (Only)
Key Decision:	N/A

Internal Audit Charter and Quality Assurance and Improvement Programme

1   Purpose of Report

1.1   To present to the Audit and Accounts Committee the updated Internal Audit Charter and Quality Assurance and Improvement Programme. These are key documents for the management and operation of the Internal Audit Section and are requirements of the Public Sector Internal Audit Standards.

2   Recommendation

2.1   The Audit and Accounts Committee approve the updated Internal Audit Charter;

2.2   The Audit and Accounts Committee note the contents of the updated Quality Assurance and Improvement Programme.

3   Key Issues and Reasons for Recommendation

3.1   The Internal Audit Charter is a formal document required by the Public Sector Internal Audit Standards which sets out the purpose, authority, and responsibility of the Internal Audit activity at the Council. The Charter covers the authority and access rights to allow Internal Audit to carry out its role at the Council. It also sets out the relationships between Internal Audit, Management and Members. It requires approval by the Audit and Accounts Committee.

3.2   The Council's Internal Audit Section is required by the Public Sector Internal Audit Standards to have a Quality Assurance and Improvement Programme (QAIP) which sets out how the section will assess its conformance with the Standards and to provide a mechanism to assess the effectiveness and efficiency of the Internal Audit function and where necessary identify opportunities for improvement. The QAIP sets out the performance management framework for Internal Audit and its provision for ensuring the staff remain up-to-date and adequately trained. The Audit and Accounts Committee should have oversight of these arrangements.

4   Relationship to Corporate Business Objectives

4.1   The system of internal control reviewed by Internal Audit 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, procedures, and controls to help ensure that the system is functioning appropriately. The Charter sets up the access rights and authority for Internal Audit to carry out its role and the QAIP helps to ensure that the Internal Audit Team is effective.

5.2   The Internal Audit Charter is a key requirement of the Public Sector Internal Audit Standards (PSIAS).

5.3   The Charter is a formal document that defines Internal Audit's purpose, authority, and responsibility. The internal audit charter establishes the service's position within the organisation; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

5.4   The Charter was last updated in 2016. The External Quality Assessment (EQA) and Internal Review of Internal Audit have identified a need to update the Charter to reflect a number of changes since that time and to reflect the new Shared Management Structure and wider sharing of services at the Council.

5.5   The Audit and Accounts Committee and Leadership Team are required to approve the Charter.

5.6   The Chief Internal Auditor is required to produce a QAIP for Internal Audit by PSIAS. The current QAIP was produced and presented to Audit Committee in 2015 and needs updating following the EQA last year. The QAIP sets out the way the service will monitor its compliance with PSIAS and the quality of its work. It also sets out the key performance indicators that have been agreed for the team. These include key performance indictors that will be reported to

the Audit and Accounts Committee as well as others which will be used by the Chief Internal Auditor & Risk Manager on a day-to-day basis.

6 Implications

6.1 Financial

None

6.2 Legal

None

6.3 Human Resources

None

6.4 Human Rights Act

None

6.5 Data Protection

None

6.6 Risk Management

None

6.7 Community Impact Assessment Recommendations

Impact on Public Sector Equality Duty:

None

Wider Community Impact:

None

7 Previous Consideration

Nil

8 Background Papers

Files with the Chief Internal Auditor & Risk Manager

APPENDIX 1 - Internal Audit Charter

APPENDIX 2 - Internal Audit Quality Assurance & Improvement Programme

Internal Audit Charter

June 2023

working together

1 Introduction

1.1 The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility. The charter establishes Internal Audit's position within the organisation, including the nature of the Chief Internal Auditor's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities. It provides a framework for the conduct of the service and has been approved by the Council's Leadership Team and the Audit Committee[1].

2 Mandate for Internal Audit

2.1 The requirement for an Internal Audit function derives from local government legislation, including section 151 of the Local Government Act 1972 which requires that all Local Authorities must "make arrangements for the proper administration of their financial affairs".

2.2 More specific requirements are set out in the Accounts and Audit Regulations 2015 which require the Council to "undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector Internal Auditing standards or guidance". This is reinforced in the Council's Financial Regulations.

2.3 For Local Authorities the relevant standards are considered to be the Public Sector Internal Audit Standards (PSIAS) and the Cipfa Local Government Application Note (LGAN).

3 Purpose of Internal Audit

3.1 The definition provided in the Public Sector Internal Audit Standards[2] (PSIAS) is:

"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."

3.2 Internal Audit is therefore an assurance function which primarily provides an independent and objective opinion to the Council on its governance arrangements and internal controls.

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[1] The term Audit Committee is used throughout the document - this will refer to the Audit & Governance Committee at Cannock Chase DC and the Audit & Accounts Committee at Stafford BC

[2] Public Sector Audit Standards 2017 Public sector internal audit standards PSIAS | CIPFA

3.3   The Internal Audit Section does this by conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole of the Council and to all levels of management.

3.4   The PSIAS also includes a Mission for Internal Audit which is *"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."* The policies and processes established by Internal Audit will work towards the delivery of this Mission. These include complying with the Core Principals for the Professional Practice of Internal Audit which are also set-out in the PSIAS.

4   Objectives of Internal Audit

4.1   The objective of the Internal Audit Section is to give assurance to the Council on the adequacy of its governance arrangements. The key elements of this are:

- To provide advice and support to ensure an effective control environment is maintained including completeness, reliability and integrity of financial, performance, risk and other management information and the methods for safeguarding assets;

- To contribute to the achievement of Corporate objectives by recommending improvements in control and performance of the systems established;

- To ensure compliance with corporate and departmental policies and procedures and legislative requirements; and

- To provide advice and guidance to ensure Leadership Team have developed effective arrangements to promote appropriate ethics and values within the Council and arrangements to prevent and detect fraud and corruption, this will include input into the key policies such as the Code of Conduct, Financial Regulations and Anti-fraud & Bribery Frameworks.

5   Scope and Authority of Internal Audit

5.1   All of the Council's activities, regardless of funding source, may be subject to review by Internal Audit. Internal Audit work will cover all of the operational and management controls within the Council. This does not imply that all systems will be subjected to review in any given year, but that all systems will be included in the audit planning process and hence be considered for review following the assessment of risk.

5.2   The scope of audit work extends to services provided through partnership arrangements (including Shared Services). The Chief Internal Auditor will decide, in consultation with all parties, whether Internal Audit will conduct the work to derive the required assurance themselves or rely on assurance provided by other auditors. Where relevant, appropriate access rights will be negotiated and included in contracts and partnership agreements to ensure that Internal Audit can obtain access to the personnel and records within the partner organisation to obtain the necessary assurances.

5.3   From April 2023 the Councils are looking to develop fully shared services with the exception of Housing at CCDC and Elections at both Councils. The Councils are currently in a period of transition with only the Heads of Service fully shared with work planned to transform and fully integrate services below to follow. Wherever possible audits will aim will cover both Council's provision of the service within one audit review.

5.4   The Internal Audit Section will consider the adequacy of the controls established by managers to secure propriety, economy, efficiency and effectiveness in all areas.

5.5   It is not the remit of the Internal Audit Section to question the appropriateness of policy decisions. However, the Section is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed, how policies are applied by the Council and also compliance with agreed policies.

5.6   The Internal Audit Section may also conduct any special reviews, provide independent and objective services, such as consultancy and fraud related work as requested by Management. There will always be due consideration in planning this work to ensure that the Section maintains its objectivity and independence. The impact of taking on additional large pieces of work in addition to the agreed audit plan will be taken into account and where necessary reported to the Head of Transformation & Assurance and the Audit Committee for approval.

5.7   Internal Audit does not have responsibility for the prevention and detection of fraud or corruption. It is the responsibility of all Managers to ensure appropriate procedures are put in place to prevent and detect fraud. Internal Auditors should however, be alert in all their work to risks and exposures that could allow fraud or corruption to occur and to any indications that fraud or corruption may have been occurring.

5.8   In line with the Council's Anti-fraud and Corruption Framework, the Chief Internal Auditor should be notified of all suspected or detected fraud, corruption or impropriety within the Council. Where relevant the Internal Audit Section will advise and assist Managers in the investigation of the fraud and corruption.

6 Responsibility of Internal Audit

6.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements and producing an Annual Governance Statement. The review of the effectiveness of the governance arrangements is informed by:
- the work of the Internal Auditors;
- information from the managers within the authority who have responsibility for the development and maintenance of governance arrangements; and
- comments made by the external auditors and other review agencies and inspectorates.

6.2 To assist with this review the Chief Internal Auditor will produce an annual Internal Audit report summarising the areas that have been subject to Internal Audit review in the year. This annual report will include an opinion, based on the areas examined, on whether the Council's governance arrangements, including those for economy, efficiency and effectiveness, are adequate and have been properly applied in the year.

6.3 In order to provide the required opinion the Internal Audit Section will undertake a programme of work on the advice of the Chief Internal Auditor. The programme of work will aim to achieve the following objectives:

- to appraise the soundness, adequacy, and application of the whole internal control system;
- to ascertain the extent to which the systems of internal control ensure compliance with current policies and procedures;
- to ascertain the extent to which assets and interests entrusted to or funded by the Council are properly controlled and safeguarded from losses arising from fraud, irregularity or corruption;
- to ascertain that accounting and other information is reliable as a basis for the production of accounts, and financial, statistical and other returns;
- to ascertain the integrity and reliability of financial and other information provided to management, including that used in the decision making processes;
- to ascertain that systems of control are laid down and operate to promote the economic and efficient use of resources;
- to investigate, where appropriate, frauds or significant breaches of the internal control system.

6.4 Managers, and not Internal Audit, have ultimate responsibility for ensuring that internal controls throughout the Council are adequate and effective. This responsibility includes the duty to continuously review internal controls and ensure that they remain suitable in design and effective in operation. The existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control to ensure that activities are conducted in a secure, efficient and effective manner.

6.5   Responsibility for the response to advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it accepting the risks involved in doing so. Internal Audit advice and recommendations are given without prejudice to the right of Internal Audit to review and offer an opinion on the relevant policies, procedures and operations at a later stage.

7   Statutory Requirement and Standards of Approach

7.1   The work of the Internal Audit Section will be performed with due professional care and in accordance with the Accounts and Audit Regulations 2015 (as amended), the Public Sector Internal Audit Standards 2017, Cipfa's Local Government Application Note and any subsequent guidance which updates or replaces these.

7.2   The Internal Audit Section will adopt a predominantly risk based systems approach to auditing in order to meet its primary objective of reviewing the governance arrangements of the Council. In undertaking its work the Section will:

- identify all elements of control systems on which it is proposed to place reliance;
- evaluate those systems, identify inappropriate or inadequate controls and recommend improvement in procedures or practices;
- provide advice on the management of risk, predominantly but not exclusively surrounding the design, implementation and operation of systems of internal control;
- produce clear reports that provide management with an opinion on the soundness, adequacy and application of internal controls;
- ascertain that those systems of internal control are designed and operate to achieve the most economic, efficient, and effective use of resources;
- draw attention to any apparently uneconomical or unsatisfactory results flowing from decisions, practices or policies;
- contribute to the general management and conduct of business through the provision of expertise on appropriate working-groups and participation in ad-hoc exercises, subject to adequate resources being available in the audit plan; and
- liaise with External Auditors.

7.3   All Internal Auditors working in Local Government are required to comply with the Nolan Principles of Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership and the Code of Ethics contained in PSIAS in addition to any requirements placed on them by the Council or any other Professional Body that they are members of. The PSIAS Code of Ethics covers 4 principles, Integrity, Objectivity, Confidentiality and Competency. Compliance with the Code of Ethics will be monitored as set out in the QAIP.

7.4 The Internal Audit Section will also work in accordance with the Core Principles for the Professional Practice of Internal Audit as set out in the PSIAS. These are set out below:

- 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.

8 Independence of Internal Audit

8.1 The Internal Audit Section will remain independent of the systems and procedures which are subject to its review. Internal Audit will also remain free from interference by any element of the Council and the scope of its work will not be restricted in any way.

8.2 To enable the auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations Internal Audit staff will not be responsible for activities outside of Internal Audits main responsibilities. All audit staff will act with due professional care ensuring that they are fair and objective, free from any conflicts of interest and abide by professional standards and guidelines.

8.3 In seeking to provide an independent and objective opinion it is accepted that, being located within the organisation, the Internal Audit function cannot be wholly independent of all management. Internal Audit's independence will therefore be achieved through its organisational status and from the fact that the Chief Internal Auditor has alternative reporting lines which can be used if necessary to report information.

8.4 The Chief Internal Auditor reports to the Head of Transformation & Assurance but has the right to report directly to the s151 Officer; Chief Executive; Monitoring Officer; Chair of the Audit Committee or External Auditor where it is deemed necessary. The Head of Transformation and Assurance has other areas of responsibility which may compromise their independence when these areas are subjected to audit, where this occurs the Chief Internal Auditor will look to report significant issues directly to the Deputy Chief Executive (Resources)

8.5   Since 2017 the Chief Internal Auditor has taken on operational responsibility for Risk Management and Insurance for both Councils and Health & Safety at Cannock Chase DC only. Where these areas are to be audited the Chief Internal Auditor will act as the client and the Principal Auditor will lead the audit reporting directly to the Head of Transformation and Assurance. Wherever possible an external contractor will be asked to carry out to the audit to bring further independence to the review.

8.6   The Chief Internal Auditor will make the Audit Committee aware if the independence of Internal Audit is impaired or appears to be impaired. The nature of such a disclosure will depend upon the nature of the impairment.

8.7   Internal Audit staff are often consulted during system, policy or procedure development. This is a good practice as it enables comments to be made on potential control weaknesses and tries to ensure that systems, policies or procedures are adequate prior to be being introduced. However, this does not preclude Internal Audit staff from reviewing and making comments for improvements during routine audits or other reviews where they were consulted during the system, policy or procedure development stage.

8.8   The Internal Audit Section determines its work priorities in consultation with Leadership Team, the s151 Officer and the Audit Committee.

8.9   The Chief Internal Auditor reports to the Audit Committee in relation to the delivery of the Internal Audit Plan, the Internal Audit Annual Report and periodic updates of Internal Audit work.

8.10   The Chief Internal Auditor is responsible for the content of all written reports produced by the Section. The Chief Internal Auditor has the right to report in his own name and offer an audit opinion without "fear or favour" to all officers and members and in particular to those charged with governance at the Council.

9   Authority and Rights of Access

9.1   In order to perform their duties Internal Audit has the authority, as set out in the Council's Financial Regulations, to:

- enter at all reasonable times, any Council premises or land;
- have access to all records, documents, correspondence and computer systems relating to the Council and its activities;
- require and receive such explanations as necessary concerning any matter under examination;
- require any employee of the Council to produce records, cash, stores or any other Council property under their control, necessary to carry out their duties;
- have the right to direct access to the s151 Officer; Chief Executive; Chair of the Audit Committee, Leader of the Council and External Auditors, where it is deemed necessary.

These powers are supported by the Accounts & Audit Regulation 2015.

9.2 Where necessary such rights of access may be called upon and should be granted to Internal Auditors on demand and not subject to prior notice or approval.

9.3 All employees are required to assist Internal Audit in fulfilling its roles and responsibilities.

9.4 The Internal Audit Section will comply with any requests from External Auditors for access to any information, files or working papers obtained or prepared during the audit work that they need in order to discharge their responsibilities.

10 Objectivity and Confidentiality

10.1 Internal Auditors must demonstrate the highest level of professional objectivity in gathering, evaluating and communicating information about the function or process being examined. They must make a balanced assessment of all relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

10.2 All records, documentation and information accessed in the course of undertaking Internal Audit activities shall be used solely for that purpose. The Chief Internal Auditor and individual Internal Auditors (including contractors and external providers performing work on behalf of Internal Audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

10.3 All Internal Audit reports are confidential and written for management however they may be requested by the public under freedom of information legislation. The Chief Internal Auditor must be consulted before making the report available under the Freedom of Information Act and where necessary elements of the report can be redacted.

10.4 The Chief Internal Auditor should also be consulted before any Internal Audit Report or extracts from it are included in a committee report or released to any other party and subject to applicable exemptions under the Act, apply redactions where required.

11 Internal Audit Resources

11.1 The Council has a duty to provide sufficient resources to allow an adequate and effective Internal Audit service to be provided. Where it is felt that the resources are inadequate to meet the objectives of the Internal Audit Section, the Chief Internal Auditor in conjunction with the Head of Transformation and Assurance, will formally report this to the s151 Officer, Chief Executive and the Audit Committee.

11.2   The staffing structure of the section will comprise a mix of professional and technician posts in order to provide a wide knowledge and skills base.

11.3   The Chief Internal Auditor will hold a relevant professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. The s151 Officer has the right to be involved in the recruitment and selection of the Chief Internal Auditor.

11.4   The Chief Internal Auditor is responsible for ensuring that Internal Auditors receive appropriate training and experience to fulfil their duties and that levels of competence are maintained via the use of continual professional development.

11.5   Where necessary access to appropriate specialists from other departments or external sources should be made available to the Internal Audit Section to assist in any audit or investigation requiring detailed specialist knowledge.

12   Internal Audit Management

12.1   The Chief Internal Auditor is responsible for the day-to-day management of the Internal Audit Section and fulfils the requirements of the "Chief Audit Executive" role required by the PSIAS. The Chief Internal Auditor will:

- prepare an audit plan to review all relevant areas, and to update the plan regularly to account for changes in Council priorities and risks. The plans will be presented to the Audit Committee annually;
- manage a portfolio of work for each auditor to achieve the annual audit plan;
- ensure the issue of an Audit Brief for each assignment undertaken setting out the scope and objectives of the work, timescales and reporting arrangements;
- ensure that relevant testing is carried out on which sound judgements can be based;
- ensure that work is undertaken, completed and issued in a timely manner;
- ensure that a written report is produced for each assignment giving an opinion on the control environment and identifying actions to address any weaknesses;
- ensure that follow-up work is undertaken, where appropriate, to monitor the implementation of agreed management actions;
- ensure that all audit work is completed to high standards in accordance with relevant professional standards;
- establish and maintain effective relationships with managers of all levels and obtain feedback from them on the work of the section including the use of user satisfaction surveys;

- monitor the work of the Audit Committee and consider, where appropriate, whether changes need to be made to the Internal Audit Plan as a result of the issues arising from the work of the Audit Committee.
- establish and maintain effective relationships with the External Auditors;
- monitor the effectiveness of the service delivered to clients and compliance with relevant standards:
- undertake an annual review of the development and training needs of Internal Audit employees and arrange for appropriate training to be provided to address the needs where possible: and
- develop and maintain a quality assurance and improvement programme covering all aspects of Internal Audit Activity.

13   The Internal Audit Plan

13.1   The work of the Internal Audit Section is based on the delivery of a risk based Audit Plan and is conducted on a predominantly risk based systems audit approach. The Section prepares a new Audit Plan each year in line with the requirements of the PSIAS.

13.2   The Audit Plan is derived from all of the areas that have been identified for review following an assessment of the risks relating to each area. This is referred to as the "Audit Universe".

13.3   Account is taken of the risks identified in the Council's strategic risk register and from other sources of assurance such as external inspections and performance management information. Internal Audit also undertakes its own assessment of the risks inherent in the potential areas for audit review based on a number of criteria adapted from a risk scoring model developed by the Institute of Internal Auditors.

13.4   Each area of activity is scored across a range of criteria which include income, expenditure, complexity of regulations, sensitivity of the system, and known issues/weakness.

13.5   The resulting scores are banded into three risk categories
- High
- Medium; and
- Low.

13.6   The risk scores are reviewed each year. The review results in some scores increasing, some decreasing and some remaining unchanged. This in turn has an effect on the risk category assigned to each area, for example a medium risk this year could become a high risk or a low risk next year.

13.7   Once the risk scores have been updated the audits are ranked in accordance with the risk scores and this is compared to the resources available within the Section to determine the areas that can be reviewed in the year. The Section will usually review all High Risk areas and a selection of Medium Risk areas each year.

13.8   Discussions will be held with all members of Leadership Team each year to obtain input into the identification of the Audit Universe and in the compilation of risk scores. In addition views on the timings of reviews will also be sought from the relevant member of Leadership Team.

13.9   Where emerging risks become dominant or the Council is going through a major period of change the Chief Internal Auditor can determine, in consultation with the Head of Transformation & Assurance and/or the s151 Officer, that the focus of the Audit Plan is based on the emerging risks and set-aside all or part of the Audit Universe assessment of risk as appropriate.

13.10 The Internal Audit Plan is presented to the Audit Committee for approval, usually in March each year.

13.11 In addition to the main Internal Audit Plan a separate IT Audit plan is produced and reported to the Audit Committee. This will cover the key technical IT areas.

13.12 Where resources allow and the team have the relevant skills the Internal Audit Section may provide work for other organisations. This can include supporting neighbouring authorities with reviews where additional independence is required or to support other key organisations for the Council, e.g. the Section is currently carrying out Internal Audit work for Cannock Chase DCs Leisure Provider, IHL. Any such work will be notified to the Audit Committee and managed to reduce any material impact on the the Teams ability to provide its core responsibilities to Cannock Chase DC and Stafford BC.

14   Other Operational Work

14.1   In addition to the delivery of the Internal Audit Plan and following-up the implementation of recommendations made the section also carries out some other operational work. The main types of other operational work are categorised as follows

- **Ad-Hoc Advice** – this is the answering of queries from managers and other employees normally relating to the application of financial regulations, corporate policies or other procedures. These are normally small pieces of work taking less than 2 hours to complete.

- **Consultancy** – consultancy work is something which is a bit more detailed than the provision of ad hoc advice and will take longer to complete. Consultancy work usually comes from a request from management for Internal Audit to look at an area or provide more detailed advice. Typical examples include – review of changes to processes to ensure adequate controls are built into the system or a review of a minor control failure. Consultancy assignments can range from half a day to several weeks work and require the approval of the Chief Internal Auditor.
- **Special Investigations** – These are more detailed reviews into control failures, suspected breaches of financial regulations, fraud & corruption offences or other disciplinary offences which involve the misuse of Council assets.
- **Value-for-Money (VFM) Reviews** – These are specific reviews to determine whether Council processes and systems are providing value-for-money. Due to limited capacity in the team it is now rare for specific VFM Reviews to be carried out by Internal Audit. (However Internal Audit does have consideration to VFM factors during planned audit work and in the making of recommendations.)

15   Reporting Lines

15.1   The Chief Internal Auditor reports to the Head of Transformation and Assurance for line management purposes. However, alternative reporting lines are available to the Chief Internal Auditor where these are deemed necessary as set out in 8.4.

15.2   The Chief Internal Auditor will report to the Audit Committee on the section's performance in terms of the Internal Audit Plan and the reporting of the outcome of the work including the issuing of an annual report and opinion.

15.3   The Chief Internal Auditor will present the annual audit plan to members of Leadership Team, the s151 Officer and the Audit Committee. This plan will be approved by both Councils Audit Committee.

15.4   An Annual Report will be presented to the Audit Committee covering the work of the Internal Audit Section at the conclusion of the year. This report will also be a key source of assurance for the Council's Annual Governance Statement (AGS) and must be presented no later than the meeting at which the AGS is considered and approved.

15.5   The Chief Internal Auditor will monitor and report on the work of the team on a regular basis. Regular reports outlining progress against the Internal Audit Plan and summarising the assurances given for completed audits will be presented to the Audit Committee.

15.6   The Internal Audit Section will produce a written report for all assignments addressed to the relevant Head of Service. Where it is relevant reports may be addressed to Leadership Team or the Chief Executive/Deputy Chief Executives.

15.7   The Chief Internal Auditor will be responsible for reviewing the implementation of recommendations. The Audit Committee will be informed of the results of all Internal Audit work carried out to follow-up recommendations.

15.8   Periodic reports on the implementation of recommendations will be presented to Leadership Team. At the Chief Internal Auditor's discretion the failure to implement fundamental recommendations or a significant number of recommendations will be reported to the s151 Officer, Monitoring Officer, Deputy Chief Executives, Chief Executive, and relevant members of Leadership Team.

15.9   The Chief Internal Auditor will report to the s151 Officer any serious weaknesses or significant fraud identified from the course of Internal Audit work or reported to Internal Audit. The matter may also be reported to the Chief Executive, Monitoring Officer, relevant member of Leadership Team, the External Auditors and the Audit Committee as appropriate.

16   Quality Assurance and Improvement Programme

16.1   The Chief Internal Auditor will develop and maintain a Quality Assurance and Improvement Programme (QAIP) in accordance with PSIAS.

16.2   The QAIP will form the basis of the annual review of the system of Internal Audit as required by the PSIAS. For Internal Audit Sections operating in Local Government proper practice is now deemed to be PSIAS plus the Local Government Application Note (LGAN).

16.3   The QAIP will show conformance with PSIAS/LGAN requirements and will offer explanations where conformance with PSIAS/LGAN is not achieved. An action plan may be developed as a result of the QAIP to achieve or improve levels of conformance. The outcome of the review and any resulting action plan will be reported to the Audit Committee and a statement regarding conformance with the PSIAS will be included in the Internal Audit Annual Report.

16.4   An independent external review of Internal Audit will be carried out as part of the QAIP at least once every five years. The Head of Transformation and Assurance and/or s151 Officer will act as sponsor to agree the scope and nature of the external review with the Chief Internal Auditor and the external reviewer.

16.5 Where non-conformance with PSIAS/LGAN impacts on the overall scope or operation of Internal Audit activity the nature of the impact will be disclosed to the Audit Committee. Serious deviations from conformance will need to be considered for inclusion in the Council's Annual Governance Statement.

17 Relationship With Elected Members

17.1 The Head of Transformation and Assurance and the Chief Internal Auditor will maintain a working relationship with the Chair and other members of the Audit Committee. The Chief Internal Auditor will have direct access to the Chair of the Audit Committee as required.

17.2 Unless stated elsewhere, the Audit Committee will fulfil the roles and responsibilities of "The Board" for the purposes of the PSIAS.

18 Relationship with Senior Management

18.1 The members of Leadership Team will fulfil the role of "Senior Management" as defined in the PSIAS. The Chief Internal Auditor will work to maintain an on-going relationship with all members of Leadership Team.

18.2 A written report will be produced for each assignment and presented to the relevant Head of Service. This report will:-

- include an overall opinion on the adequacy of the internal control environment for the area under review;
- identify any areas of weaknesses in the control environment and risks which have not been addressed;
- make recommendations for the necessary improvements needed to address the weaknesses identified;
- detail management's response and timescales for corrective action to be taken.

18.3 The Internal Audit Plan, quarterly progress reports and the Annual Audit report will be circulated to Leadership Team prior to being submitted to the Audit Committee.

19 Relationship with Statutory Officers

19.1 Internal Audit will maintain a close relationship with the Statutory Officers of the Authority (Head of Paid Service, s151 Officer and Monitoring Officer) and others with Assurance or Governance responsibilities.

19.2   The Statutory Officers will support the work of Internal Audit and provide the necessary backing to ensure that key weaknesses are addressed and recommendations implemented and support Internal Audit's position in upholding good governance within the Council. The Statutory Officers should also ensure that the Internal Audit Section is provided with all necessary advice, explanations and information needed for them to effectively carry out their role.

19.3   The "Role of the Chief Financial Officer in Local Government" guidance document produced by Cipfa places a direct responsibility on the s151 Officer "to support the Council's Internal Audit arrangements" and to ensure that they are "effectively resourced and maintained" to comply with the Accounts and Audit Regulations.

20   Review of the Internal Audit Charter

20.1   The Chief Internal Auditor will regularly review the Audit Charter and any revision will be presented to the Leadership Team and Audit Committee for approval.

Last Updated June 2023

Internal Audit Service
Quality Assurance and Improvement Programme

1   Introduction

In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

As defined in the Audit Charter for Stafford Borough Council and Cannock Chase District Council the Chief Internal Auditor and Risk Manager fulfils the of the CAE.

Internal Audit's Quality Assurance Improvement Programme is designed to provide reasonable assurance to the various stakeholders (the Audit Committee, Senior Management, the External Auditor and Operational Managers etc) that Internal Audit:

- Conforms with the Definition of Internal Auditing, the Code of Ethics and the Standards;

- Has an adequate internal audit charter, goals, objectives, **policies** and procedures;

- Contributes to the organisation's governance, risk management and control processes;

- Has complete coverage of the audit universe;

- Complies with applicable laws, regulations and other standards that the internal audit activity may be subject to;

- Has identified the risks affecting the operation of the internal audit activity itself;

- Has an effective continuous improvement activity in place and adopts best practice; and

- Adds value to improve the organisations operations and contributes the attainment of the organisations objectives.

The QAIP helps the Chief Internal Auditor to address two areas of risk for the function:

- Conformance Risk - Does the function and its processes conform to the IIA Standards and apply the Code of Ethics and other sector specific requirements and to the activity's own internal audit methodology?

- Opinion Risk - Has the right audit work been performed and the right interpretation of results made to support the conclusions reached and the opinions issued?

The Chief Internal Auditor is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consultancy. The QAIP includes both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments will be undertaken at least once every five years, in order to meet statutory requirements.

The QAIP is reviewed on an annual basis.

2 Internal Assessments

Internal Assessments are made up of both ongoing reviews and periodic reviews.

Ongoing reviews

Ongoing reviews provide assurance that the processes in place are working effectively to ensure that quality is delivered on an audit by audit basis. This includes continuous monitoring of:

- Engagement planning and supervision (pre-approval of the audit scope, innovative best practices, budgeted hours, and assigned staff);

- Standard working practices (including working paper procedures, sign off, report review, checklists to ensure that the audit process has been followed);

- Feedback from other clients and stakeholders; and

- Analysing performance metrics to measure audit plan completion and stakeholder value (satisfaction surveys).

Periodic reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, the quality of the audit work and supervision, policies and procedures supporting the internal audit activity, the added value to the organisation and the achievement of performance standards.

Periodic assessments will be conducted through:

- Working paper reviews for conformance to the definition of Internal Auditing, the Code of Ethics, the Standards, and internal audit policies and procedures

- Self-assessment of the internal audit activity with objectives established as part of the QAIP components – Governance, Professional Practice and Communication

- Review of internal audit performance measures and benchmarking of best practices. Periodic activity and performance reporting to the Audit Committee and other stakeholders as deemed necessary.

- Annual self-review of conformance to the PSIAS.

The periodic self-assessment should identify the quality of ongoing performance and opportunities for improvement and to check and validate the objectives and criteria used in the QAIP. The self-assessment will be completed on an annual basis and the results reported to the Audit Committee and Senior Management.

3 External Assessment

The External Assessment will consist of a broad scope of coverage that includes the following:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements.

- Expectations of Internal Audit as expressed by the Board and Senior Management

- Integration of the Internal Audit activity into the governance process

- The mix of staff knowledge, experiences, and disciplines, including use of tools and techniques, and process improvements

- A determination as to whether Internal Audit adds value and improves the Council's operations.

An external assessment will be conducted every five years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be agreed with the Audit Committee, Head of Transformation and Assurance and/or 151 Officer.

Assessment scale

In accordance with the IIA Quality Assessment Manual Scale, the scale to assess the level of conformance of the internal audit activity with the standards is as follows:

- Generally Conforms;

- Partially Conforms; or

- Does Not Conform

Reporting on the Quality Programme

Internal Assessments – reported to the Audit Committee and Senior Management on an annual basis. The internal assessment will be contained in the Annual Audit Report which will be accompanied by a written action plan in response to significant findings and recommendation contained in the report.

External Assessments – reported to the Audit Committee and Senior Management. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow up – The Chief Internal Auditor will implement appropriate follow up actions to ensure that recommendations made in the reports and action plans developed are implemented in a reasonable timeframe.

4 Ethics

As with all Public Sector employees the Internal Audit team have to comply with the Nolan Principles of Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership. This is done by following the Council's Code of Conduct and the PSIAS Code of Ethics. The PSIAS Code of Ethics has 4 principles:

- Integrity - measured through the recruitment processes and the ongoing review of the team and the work they deliver by the Chief Internal Auditor.

- Objectivity - monitored through specific annual declarations by the team and the allocation of work to avoid conflicts of interest. In addition specific controls have been put in place to manage the conflicts due to the Chief Internal Auditor and Risk Manager having operational responsibility for areas outside of Internal Audit.

- Confidentiality - monitored through specific annual statements of confidentiality for the team.

- Competency - monitored through file review processes, Performance Development Reviews, training and Continuing Professional Development.

5   Internal Audit Plan

The work of the Internal Audit Section is directed by the Audit Plan which is compiled by the Chief Internal Auditor and Risk Manager after discussions with key stakeholders including Members of Leadership Team. The Audit Plan is presented to and approved by Leadership Team and Audit Committee who have the power to question but not direct the content of the audit plan.

The broad scope for each review is determined and included in the Internal Audit Plan.

Once the plan has been approved the work is allocated out to the Auditors and scheduled in with the relevant managers. Performance against the plan is reported to Audit Committee throughout the year in the Progress Reports as well as at year end in the Annual Report.

At the start of each Audit the auditor will meet with the relevant Service Manager to agree the final scope of the review as well as determining the key risks for the area under review.

6   Internal Audit Assignments

Each assignment will be carried out in line with the agreed Internal Audit Process as set-out in the Audit Manual. From April 2023 the team have introduced an electronic working paper system which has the audit process built into its workflow.

Each assignment requires sign-off at predetermined points which are evidenced on the system. This aims to ensure that the audit remains on track with the intended objectives as well as ensuring that the work has been performed to an appropriate standard and in line with agreed working practices to ensure the section remains compliant with PSIAS.

Each audit has a supervisor allocated who will support the auditor and provide initial file reviews, the Senior Auditors and Principal Auditor act in the capacity of supervisor. The Chief Internal Auditor and Risk Manager maintains overview of the Audit and formally signs off the work at each stage.

Stage	Reviewer
Audit Brief	Chief Internal Auditor
Walkthrough of Key Controls	Supervisor and Chief Internal Auditor
Testing Schedule Developed	Supervisor and Chief Internal Auditor
Summary of Findings	Supervisor and Chief Internal Auditor
Draft Report	Supervisor and Chief Internal Auditor
Final Report	Chief Internal Auditor

File Review points are documented and retained on the system for each stage of the review. These are reviewed and regularly or commonly identified issues can be raised with the Auditor and where necessary additional support or training can be provided.

7 Continuing Professional Development

The Internal Audit Team takes training and development of its staff very seriously and it is important that staff stay up to date with current practices. In order to do this the team has put a number of measures in place:

- Annual Performance Development Reviews to identify training needs

- Ongoing review of allocated work used to identify training/development areas.

- The Team has a subscription to the Cipfa Better Governance Forum which provides advice, guidance and training courses.

- Membership of networking groups e.g. Midland District Chief Auditors Group, Staffordshire Chief Auditors Group and networking with peers at other Local Authorities. These groups share best practice and provide peer support and advice.

- Identification of other Professional Training courses

- In-house training and attendance at corporate training sessions

- Attendance at information meetings internally

8 Team and Individual Performance

Performance of the team and of individual auditors is monitored through the use of Key Performance Indicators as set out in Appendix 1 as well as through file review process and annual Performance Development Reviews (PDR).

Targets for the Team are set and reported to the Audit Committee through the Audit Plan and Annual Report. Targets and performance for individual Auditors are set and reviewed formally each year by the Chief Internal Auditor at the Annual PDRs as well as informally through one-to-one meetings.

The performance and targets for the Chief Internal Auditor are reviewed by the Head of Transformation and Assurance via one-to-one meetings and the annual PDR. In addition in advance of the Chief Internal Auditor's PDR the Head of Transformation and Assurance will consult with the Audit Committee Chairs to obtain their views of the performance of the CIA.

9   Client Satisfaction Surveys

The section does not send out routine satisfaction surveys at the completion of each audit as it was found that the return rate was poor and responses were of limited value. Instead in early 2023 a satisfaction survey was sent to all managers and Heads of Service with the results to be reported in the Annual Audit Report in June 2023. The intention is that this will be repeated each year with a number of key questions being retained to allow the level of satisfaction over time to be monitored, whilst retaining some consistency.   The annual survey will also allow the section to add in other questions to obtain information from managers which may be useful to the team; for example in 2023 we sought information in relation to other sources of assurance that the managers receive information from.

(Approved June 2023)

Internal Audit - Key Performance Indicators

Team Performance Indicators (PI)	Description	Target	Reported to
Completion of the Audit Plan	The number of audits completed in a year compared to the number of audits planned. Progress reported in year but Annual PI.	90%	Audit Committee (Progress Updates and Annual Report)
Section Conformance with PSIAS	Annually reported following Review of IA - taking into account results of Internal Review and External Quality Review if held in the year.	Generally Conforms	Audit Committee (Annual Report)
Annual Satisfaction Survey Results	A range of questions on the overall satisfaction with the work of Internal Audit are asked.	4 out of 5	Audit Committee (Annual Report)

| Individual Performance Indicators (PI)	Description	Target	Reported to
Completion of the Audit Plan Allocation	The number of audits completed in a year compared to the number of audits allocated to the Auditor	100%	Annually to CIA in PDR
Audits completed within budgeted time	Each audit is completed within the allocated time budget	80%	Annually to CIA in PDR and Audit Software
Exit Meeting within 20 days of end of Fieldwork	The exit meeting is completed promptly after the fieldwork is completed	100%	Each Assignment to CIA in Audit Software
Draft audit reports issued within 10 days of Exit Meeting	Draft reports should be issued promptly after the exit meeting	100%	Each Assignment to CIA in Audit Software
Draft Report agreed within 7 days of issue	As most issues should have been discussed and management comments agrees at Exit meeting agreement of the Draft Report should be quickly achieved	100%	Each Assignment to CIA in Audit Software

Individual Performance Indicators (PI)	Description	Target	Reported to
Final Audit Reports issued within 5 days from agreement of draft report	Final Reports should be issued promptly after the Draft has been agreed.	100%	Each Assignment to CIA in Audit Software

Other Information Reported to Audit Committee.

Information	Notes relating to reporting
Number of recommendations Followed up and number implemented at the time of the follow-up. (Progress Reports and Annual Report)	The implementation of recommendations is a measure of management's performance rather than the performance of the Internal Audit Section.
Progress and Results of National Fraud Initiative Data matching (Annual Report)	The Chief Internal Auditor and Risk Manager acts as the Key Contact and the results are an indicator of the Council's exposure to and detection of fraud. However the majority of the work is carried out by other sections and therefore this information is not a measure of performance of the Internal Audit Section.

APPENDIX 2

QAIP Framework
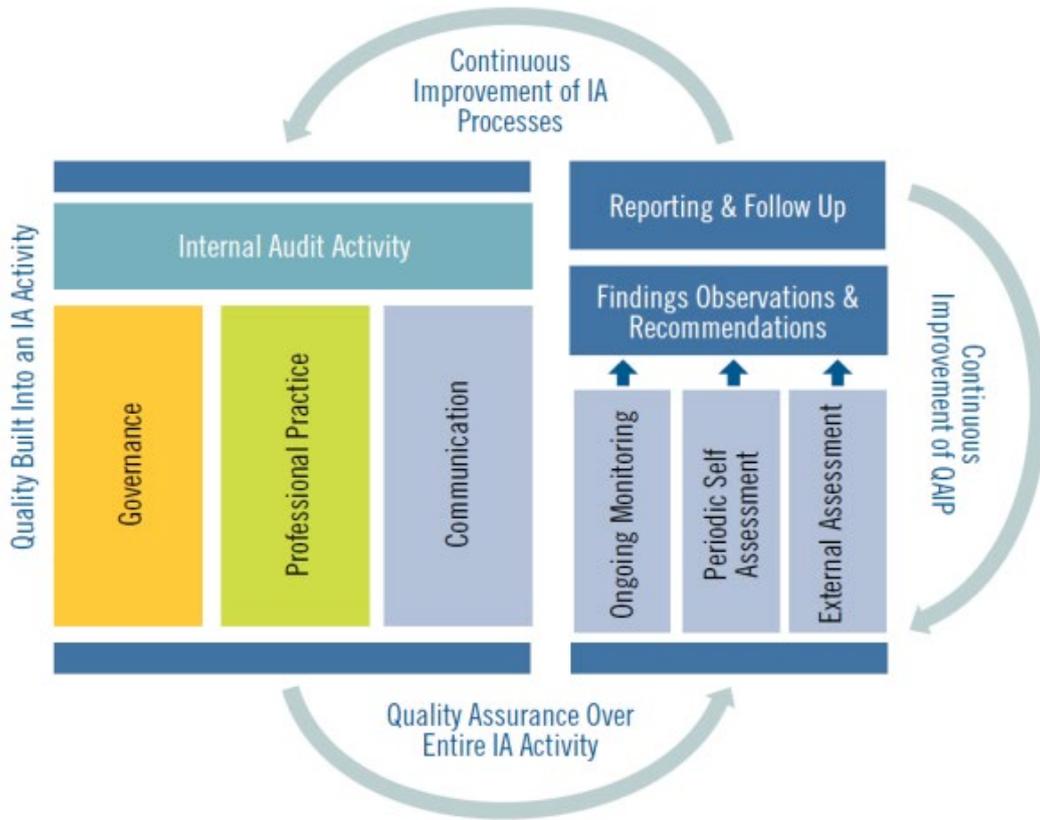
Institiute of Internal Auditors

Agenda Item 3(c)

Committee:	Audit and Accounts
Date of Meeting:	20 June 2023
Report of:	Head of Transformation and Assurance
Contact Officer:	Stephen Baddeley
Telephone Number:	01543 464415
Ward Interest:	Nil
Report Track:	Audit and Accounts 20/06/2023 Cabinet 08/06/2023
Key Decision:	N/A

The following matter was considered by Cabinet at its meeting held on 8 June 2023 and is submitted to the Audit and Accounts Committee as required.

Strategic Risk Register

1 Purpose of Report

1.1 To set out details of the Council's Strategic Risk Register as at 1 April 2023

2 Recommendation

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

3 Key Issues and Reasons for Recommendations

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

Risk Status	Number of Risks 30 Sept 2022	Number of Risks 1 April 2023
Red (High)	3	1
Amber (Medium)	5	7
Green (Low)	0	0
TOTAL	**8**	**8**

3.2 Whilst the overall total number of risks remains the same at 8 two risks have reduced their scores and moved from being a Red risk to an Amber risk.

4   Relationship to Corporate Business Objectives

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

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

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

5   Report Detail

5.1   The Accounts and Audit Regulations 2015 state that:-

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

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

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

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

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

   Management of Strategic Risks/Opportunities

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

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

5.5   The risk register has been updated as at 1 April 2023 and a summary is attached as **APPENDIX 1**.

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

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

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

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

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

- Risk C2 "The economy of the Borough is adversely impacted limiting the ability to deliver the Economic Growth Strategy for the Borough" has had its risk score decreased from a 15 Red to 9 Amber. This is due to a better economic outlook as the Borough's economy continues to be resilient, with unemployment rates at a stable level and a large number of job vacancies available. Major investments such as the Stafford Town centre transformation and UK Shared Prosperity Fund will support the prosperity and growth of the District.

- Risk C5 "The Council's key contractors remain sustainable and continue to provide value for money" has reduced from a 15 Red to a 10 Amber. This is due to the situation for Contractors improving especially for the Waste Contractor and whilst still being a challenging time due to the cost of energy and cost of living impact the support from the Government via grants and a forecast drop in prices means the risk to the Leisure contractor has also diminished.

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

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

6   Implications

6.1   Financial

Nil

6.2   Legal

Nil

6.3   Human Resources

Nil

6.4   **Human Rights Act**

Nil

6.5   **Data Protection**

Nil

6.6   **Risk Management**

As set out in the report and appendices.

6.7   **Community Impact Assessment Recommendations**

Impact on Public Sector Equality Duty:

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

Wider Community Impact:

No wider community impact

7   Previous Consideration

Cabinet - 8 June 2023 - Minute No CAB5/23

8   Background Papers

File available in Internal Audit and Risk Section

Stafford Borough Council
Summary of the Strategic Risk Register as at 1 April 2023

Summary of Red Risks

Risk No	Risk Name	Risk Owner	Date Added to Register	Residual Risk Score at Sept 2022	Residual Risk Score at April 2023	Direction of Travel over period reported
C1	Finance Risk	Deputy Chief Executive Resources	May 2020	20 RED	20 RED	↔

Summary of Amber Risks

Risk No	Risk Name	Risk Owner	Date Added to Register	Residual Risk Score at Sept 2022	Residual Risk Score at April 2023	Direction of Travel over period reported
C2	Economy Risk	Head of Economic Development and Planning	May 2020	15 RED	9 Amber	↓
C4	Partnership Risk	Head of Wellbeing	May 2020	9 AMBER	9 AMBER	↔
C5	Key Contractors Risk	Head of Operations / Head of Wellbeing	May 2020	15 RED	10 Amber	↓
C6	Organisational Resilience Risk	Chief Executive	May 2020	9 AMBER	9 AMBER	↔
C7	Cyber Attack Risk	Head of Transformation and Assurance	May 2020	9 AMBER	9 AMBER	↔
38b	Impact of HS2 Risk	Head of Regulatory Services and Head of Economic Development and Planning	2014	10 AMBER	10 AMBER	↔
40b	Westbridge Park Transformation Risk	Head of Economic Development and Planning	2016	6 AMBER	6 AMBER	↔

Key to Direction of Travel

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

Cannock Chase District Council – Strategic Risk Register Key Information as at 1 April 2023

Ref No:	C1
Risk Name	**Finance Risk**
Risk Description:	The funding available to the Council from central Government resulting from changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with increases in inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves.
Risk Owner:	Deputy Chief Executive Resources
Portfolio:	Resources
Gross Risk Score (Without Controls in Place)	Likelihood: 4 Impact: 5 Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 4 Impact: 5 Total Score 20 - RED**
Overall Progress Summary:	The medium-term financial stability of the Council is dependent upon its ability to set a 2024-25 budget that does not draw upon reserves, and the impact of changes arising from the future funding regime for local government. Details in relation to the implementation of 50% Business Rates Retention and Fair Funding and Business Rates Reset are still awaited. The funding available to the Council from central Government resulting from changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with increases in inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves. A consultation document in relation to the Future of New Homes Bonus was published in February 2021 (a response from the Council was submitted in advance of the closing date). The Council is awaiting details of the financial Settlement for 2024-25, including New Homes Bonus, to be provided by Central Government, likely in the Autumn. It is therefore clear that the Government's plans for reviews of Business Rates, New Homes Bonus and Fair Funding have a potentially significant impact on the Budget and Medium-Term Financial Strategy (MTFS); and currently there is little information as to outcomes. This uncertainty creates financial risk for the Council. This could result in savings being delivered, in anticipation of a poor Settlement, that are not required; or conversely, sub-optimal decisions taken in haste to balance the Budget if the Settlement is worse than expected.

In addition to Government policy, there are risks related to inflation and interest rates, both of which have risen since the last financial plan, with predictions they will be more persistent than previously thought by economists. The Council's ability to increase its income in line with rising expenditure is restricted, even if it is willing to do so. Therefore this places a further potential burden on the Budget and MTFS.

The rapidly rising cost of living will have a direct impact on our residents and businesses. This, in turn, has the potential to place additional burdens on already stretched Council services. It may also lead to reduced income from fees and charges as residents limit their discretionary spending, and non-payment of Council Tax and Business Rates.

Ref No:	C2
Risk Name:	**Economy Risk**
Risk Description:	The economy of the Borough is adversely impacted limiting the ability to deliver the Economic Growth Strategy for the Borough
Risk Owner:	Head of Economic Development and Planning
Portfolio:	Economic Development and Planning
Gross Risk Score (Without Controls in Place)	Likelihood: 3 Impact: 5 Total Score: 15 - Red
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score: 9 - Amber**
Overall Progress Summary:	Immediate and longer terms interventions identified and being implemented; minor disruption to major projects and Future High Streets Fund bid updated to reflect impact of Covid-19. Local Plan progression under regular review. Emerging pressures linked to global supply chain issues and costs of goods, services and labour impacting on contracts/delivery. Economic conditions remain challenging, due largely to the current cost of living pressures and inflation growth, but the situation locally has remained stable during the last quarter. The Borough's economy continues to be resilient, with unemployment rates at a stable level and a large number of job vacancies available. The Council will continue to monitor local economic conditions and respond if the situation worsens.

Major investments such as the Stafford Town centre transformation and UK Shared Prosperity Fund will support the prosperity and growth of the District. Furthermore, the Borough has a strong pipeline of projects and ambitious plans for a new Garden Community at Meecebrook. |

Ref No:	C4
Risk Name:	**Partnerships Risk**
Risk Description:	**Failure to work in partnership to sustain support to vulnerable residents**
Risk Owner:	Head of Wellbeing
Portfolio:	Community
Gross Risk Score (Without Controls in Place)	Likelihood: 4 Impact: 3 Total Score: 12 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score: 9 - AMBER**
Overall Progress Summary:	- The Community Wellbeing Partnership and other organisations including parish councils and community groups continue to support vulnerable residents in the borough and services commissioned have been sustained. - The council has supported a local CIC to set up a food distribution HUB that works in partnership with foodbanks across the borough. - The Council engaged with community groups over winter 2022/23 to deliver the Warm Space scheme. The Warm Space scheme provided support to residents and volunteers were upskilled to provide effective signposting and advice where appropriate. One scheme is looking to continue through the summer due to the ongoing high level of demand. - Council webpages continue to be updated and they now encompass a broad range of signposting information for residents under the 'Talk to Us' pages and also information for community groups and parish councils. Webinars have been specifically designed for community groups, volunteers, parish councillors and elected members to enable them to respond to resident queries and effectively signpost to support services. These are also available on the SBC website. - The Council has brought the delivery of Disabled Facilities Grants back in house, as a shared service with South Staffordshire District Council. The service works alongside CCDC on the procurement of labour contractors, equipment suppliers and Occupational Therapy services. A key partnership with Homes Plus has been established to provide funded adaptations to their eligible tenants efficiently with the RP as the resident's main point of contact. - Increasing numbers of people are seeking housing assistance, many have multiple support needs.This increases demand on temporary accommodation. There is increased pressure on partner agencies who work in partnership with the housing options team to address support needs to assist a resident into sustainable accommodation.

Ref No:	C5
Risk Name:	**Key Contractors Risk**
Risk Description:	The Council's key contractors remain sustainable and continue to provide value for money
Risk Owner:	Head of Operations / Head of Wellbeing
Portfolio:	Environment / Leisure / Resources
Gross Risk Score (Without Controls in Place	Likelihood: 4 Impact: 5　　Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 2　　　　Impact: 5　　Total Score: 10 - Amber**
Overall Progress Summary:	• Risk is not at the same level with all contractors. • We are concentrating on the monitoring and financial support to the Leisure contractor which currently carries the highest risk. • Services have been re-introduced following the lifting of Government Covid-19 restrictions/return of work force. • Prioritisation of service have been reintroduced based on "open book" process**.** • The other emergent issue has been the significant increase in energy prices coupled with rising inflation arising from marked increases in the prices of fuel, goods, and services. During the Covid pandemic lockdown periods and associated restrictions the Council worked with its contractors to support them in implementing their recovery plans (in accordance with Cabinet Office Action Note PPN04/20 Procurement Policy Note - Recovery and transition from COVID –19). However, the rises in energy prices, taken together with rising inflation, has emerged as a significant risk, particularly to the Leisure contractor. The Council is providing some support to its leisure and culture service provider with its energy costs, based on an open book approach. The Government has announced plans to provide a level of support for leisure providers with swimming pools, as part of the recent budget but the council is awaiting further details of that support to be published. Along with the above, the forecasted energy costs for 2023 appear to be positive, which therefore reduces the likelihood of service failure, as shown by the revised likelihood score of 2 from a 3. That said, the leisure contract remains a strategic risk due to uncertainty in energy markets.

Ref No:	C6
Risk Name:	**Organisational Resilience Risk**
Risk Description:	Reduced Organisational resilience may lead to reduced resources to support Council's service delivery and transformation.
Risk Owner:	Chief Executive
Portfolio:	Resources
Gross Risk Score (Without Controls in Place	Likelihood: 3 Impact: 5 Total Score: 15- RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score 9- Amber**
Overall Progress Summary:	The majority of services are operating normally but some services are continuing to experience capacity issues due to vacancies and problems in recruiting new staff and others have taken on additional duties over the last few months e.g. support for Ukrainian families. Officer capacity continues to be reviewed and work prioritised. The Council has had a number of interim Heads of Service covering key work areas over the last year but following the decision to proceed with shared services a new senior management structure came into effect on 1 April 2023.It will take time to establish the new Leadership Team as we recruit to the vacant posts. This will help with strategic capacity and resilience. The next stage will be to review the operational management tier.

Ref No:	C7
Risk Name:	**Cyber Attack Risk**
Risk Description:	Failure to repel or recover from cyber-attack including targeted ransomware, malware, and Distributed Denial of Service attacks
Risk Owner:	Head of Transformation and Assurance
Portfolio:	Resources
Gross Risk Score (Without Controls in Place	Likelihood: 4 Impact: 5 Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 3 Impact: 3 Total Score 9 - AMBER**
Overall Progress Summary:	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. The move to homeworking has increased the risks in this area The Technology Team has achieved Cyber Essentials Plus. About Cyber Essentials - NCSC.GOV.UK A Security Officer role has been created within the team as part of the localised restructure. Cyber Essentials Plus renewal is underway. PSN certification has been renewed. Working with National Cyber Security Centre (NCSC) on our Cyber action plan, meetings held quarterly.

Ref No:	38b
Risk Name:	**Impact of HS2 Risk**
Risk:	Failure to minimise the impact on the environment from the construction and operation of HS2
Risk Owner:	Head of Regulatory Services and Head of Economic Development and Planning
Portfolio:	Environment / Economic Development and Planning
Gross Risk Score (Without Controls in Place	Likelihood: 3 Impact: 5 Total Score: 15 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 2 Impact: 5 Total Score 10 - AMBER**
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 Regulatory Services Manager has enabled better shared understanding of the issues/risks; and the use of appropriate mechanisms to try and address the areas of concern. The hybrid bill has received Royal Assent Officers are now working closely with HS2 on the processing of relevant planning proposals and the mechanism associated with section 61 notices under the Control of Pollution Act 1974 which require contractors to state mitigation measures for adverse effects of the construction phase. Section 61 notices have been received by Officers and reviewed, negotiated, and subsequently approved.

Ref No:	**40b**
Risk Name	**Westbridge Park Transformation Risk**
Risk Description:	Failure to deliver Westbridge Park Open Space transformation
Risk Owner:	Head of Economic Development and Planning
Portfolio:	Economic Development and Planning
Gross Risk Score (Without Controls in Place	Likelihood: 4 Impact: 3 Total Score: 12 - RED
Residual/Net Risk Score (i.e. with controls in place)	**Likelihood: 2 Impact: 3 Total Score: 6 - AMBER**
Overall Progress Summary:	The £1.5m transformation of Westbridge Park is progressing. The development will include facilities for toddlers and youngsters, a multi-use games area and wheeled sports provision, natural play trail through the woodland area, picnic and seating spaces, toilets, enhanced pathways and landscaping - with key space for local events and football pitches. Planning consent has been granted for the scheme. Contractors have been appointed and are now fully mobilised with works underway. It is anticipated that the scheme will be completed during Q4 of 2023.

<div align="right">**Agenda Item** 3(d)</div>

Committee:	Audit and Accounts
Date of Meeting:	20 June 2023
Report of:	Head of Transformation and Assurance
Contact Officer:	Judith Aupers
Telephone Number:	01543 464411
Ward Interest:	Nil
Report Track:	Audit and Accounts 20/06/2023 (Only)
Key Decision:	N/A

Annual Governance Statement 2022-23

1   Purpose of Report

1.1   To set out the Annual Governance Statement for the year 2022-23.

2   Recommendation

2.1   That Committee approve the Annual Governance Statement for 2022-23.

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 2022-23 is attached as **APPENDIX 1**.

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

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

3.4   The review of the Council's governance arrangements has 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 2021-22 AGS is attached at **APPENDIX 2**. In summary, of the 9 items:

- 6 items have been completed or are on target to be completed;
- 1 item is in progress;
- work has not commenced on 1 item; and
- 1 item is not due for action until 2023-24.

A number of these issues are ongoing and have also been included in the AGS for 2022-23. Two of the issues will not be carried forward; their progress will instead continue to be managed via the Strategic Risk Register.

4   Relationship to Corporate Business Objectives

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 and 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. This year's review has focussed on the core elements of the Council's governance framework rather than the wider issues arising from the Council's operations. A self-assessment has identified a number of concerns with the effective operation and compliance with key components of the Council's governance framework. None of these are considered significant at this time, but early action will reduce the risk of the situation deteriorating.

5.5   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.

5.6   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.

5.7   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   Implications

6.1   Financial

Nil

6.2   Legal

Nil

6.3   Human Resources

Nil

6.4 Human Rights Act

Nil

6.5 Data Protection

Nil

6.6 Risk Management

As set out in report and Appendices

6.7 Community Impact Assessment Recommendations

Impact on Public Sector Equality Duty:

None

Wider Community Impact:

None

7 Previous Consideration

Nil

8 Background Papers

Annual Internal Audit Report 2022-23, Strategic Risk Register

APPENDIX 1 – Annual Governance Statement 2022-23

APPENDIX 2 - Progress Report for AGS 2021-22

Committee: Audit and Accounts

Date of Meeting: 20 June 2023

Annual Governance Statement 2022-23

STAFFORD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2022-23

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 2023 and up to the date of approval of the Annual Governance Statement.

3   The Governance Framework

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

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

2.   Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

4   Review of effectiveness

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

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

This year's self-assessment has identified a number of concerns with the effective operation and compliance with key components of the Council's governance framework. None of these are considered significant at this time, but early action will reduce the risk of the situation deteriorating.

Furthermore, with the expansion of shared services with Cannock Chase Council proceeding in 2023-24, it is considered timely to review and update key elements of the governance framework, including the Code of Governance, over the next 2-3 years alongside the transformation programme. A timetable for future reviews is also to be prepared.

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

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

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

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

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

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

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

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

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

Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. The work on the Audit Plan for 2022-23 has been used to provide an independent view on the adequacy of the governance framework.

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

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

4.8   **Risk Management -** during 2022-23 the Audit and Accounts Committee received regular progress reports regarding the management of strategic risks. The strategic risks facing the Council were reviewed as at 1 April 2023 and as there is currently one red risk for inclusion as significant governance issue:

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

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

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

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

- The Monitoring Officer has overall responsibility for:

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

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

- Ongoing financial pressures;
- The implementation of the decision to extend the sharing of services with Cannock Chase Council; and
- The effective project management of key capital and revenue schemes.

4.10 **External Audit / Other Review Agencies -** a report has not yet been received from the external auditors on the Council's governance arrangements during 2022-23.

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

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

6   Significant Governance Issues

6.1   The Council's key governance issues are outlined in the action plan below.

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
Code of Governance Review of the Code of Governance.		September 2023
Governance Framework Review and updating of key elements of the Governance Framework, to include: • Values and Operating Principles; • Scheme of Delegations; • Procurement Regulations; • Financial Regulations; • IT Strategy; • Risk Management Policy and Strategy; • Workforce Development Framework; • Project Management Toolkit; • Performance Reporting Framework; • Contracts Register; • Confidential Reporting Framework and Fraud Policy	Deputy Chief Executive - Resources, Head of Law and Governance and Head of Transformation and Assurance	2023-24 2023-24 2023-24 2024-25 2023-24 2023-24 2023-24 2024-25 2024-25 2024-25 2024-25 2024-25
Financial Stability The funding available to the Council from central Government resulting from changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with increases in inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves. There are potential financial pressures arising form the significant capital projects that are currently underway. For example, should the Future High Streets Fund project overspend its resource allocation the Council may have to use its own resources to continue the project if it cannot be value engineered appropriately.		

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
This has been/ will be addressed by: • Approval of the 2023-24 budget;	s151 Officer	Complete
• Implementing a savings plan to help bridge the budget gap for 2023-24;	s151 Officer	
• Monitoring of spend on major projects with appropriate reporting and actions being taken	s151 Officer	
• Monitoring reserves over the medium term and setting a Medium Term Financial Strategy that does not reduce unallocated reserves;	s151 Officer	
• Refreshing the Medium Term Financial Strategy.	s151 Officer	
• Reinforcement of good financial management at senior officer level;	Leadership Team	
Officer Capacity Resources continue to be stretched between the delivery of essential services, key projects and the introduction of new services/responsibilities upon the Council. The sharing of services with Cannock Chase Council will create opportunities to improve capacity and resilience as the management restructure is progressed and services are transformed (see shared services below). Priorities will continue to be managed on an ongoing basis to ensure that resources are redirected as appropriate.	Chief Executive and Deputy Chief Executives	2023-24

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
Shared Services Transformation In December 2022, Stafford Borough Council agreed to extend its sharing of services with Cannock Chase Council to include the majority of services. The first key two key stages in implementing this decision have been completed with the establishment of a joint Leadership Team (with effect from 1 April 2023) and a legal agreement setting out the framework and authority for sharing. The next step will be to complete the management restructure and start to bring the teams together. This will set the foundations for the transformation work to commence, which will seek to align and improve processes. The transformation programme will take 2-3 years to complete.	Deputy Chief Executive - Resources and Head of Transformation and Assurance	2023-24 and ongoing
Cyber Security There is an ongoing risk of cyber attacks. Arrangements have continued to be enhanced during 2022-23. The Council's current arrangements are to be formalised into a security strategy. An assessment of options to further strengthen this will be undertaken as part of the development work.	Chief Technology Officer	2023-24
Finance System The new Finance system went live on 1 April 2021. Whilst the core elements of the system are operational, there have been ongoing issues during 2022-23. The majority of these have now been addressed and the accounts for 2022-23 are in the process of being closed. The key outstanding issues to be addressed in 23-24 are reporting and user training.	Deputy s151 Officer	2023-24

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
Employees' Code of Conduct The review of the Employees' Code of Conduct which was updated prior to the pandemic but not finalised, needs to be updated to reflect changes in working arrangements, such as hybrid working. Model and the extension of shared services. The Code of Conduct then needs to be finalised (carried forward from 2022/23).	Head of Transformation and Assurance and Head of Law and Governance	2023/24
Information Governance The draft Information Governance Framework needs to be finalised and approved by Leadership Team (carried forward from 2022/23).	Head of Law and Governance	2023/24

Signed:

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Chair of the Audit and 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

Committee: Audit and Accounts

Date of Meeting: 20 June 2023

Annual Governance Statement 2022-23

Annual Governance Statement for 21-22 - Progress Report as at 31 May 2023

No.	Issue / Action	Lead Officer and Timescale	Progress/Comments	Status
1	**Financial Stability** The Council incurred both additional expenditure and a material loss of income from fees and charges etc. as a result of the pandemic, offset by grant funding. The Council's finances began to stabilise which enabled a budget to be set in February 2022, but the newly arising challenges of inflation and interest rates will place a burden on this year's budget and the medium term outlook. These factors will have an impact on expenditure, as direct costs (including pay) will rise, as well as on residents and businesses, which will place greater demands on Council services and potentially reduce income. Over the medium term, there remains significant uncertainty regarding the direction of Government policy for local government finance. This has been/ will be addressed by:			✔
	• Approval of the 2022-23 budget;	s151 Officer	Complete	
	• Reinforcement of good financial management at senior officer level;	Leadership Team	Complete	

No.	Issue / Action	Lead Officer and Timescale	Progress/Comments	Status
	• Monitoring reserves over the medium term and setting a Medium Term Financial Strategy that does not reduce unallocated reserves;	s151 Officer January 2023	The budget for 23-24 has been achieved without the need to call on the use of unallocated reserves.	
	• Implementing a savings plan to help bridge the budget gap for 2023-24;	s151 Officer October 2022	Significant savings identified to achieve a balanced budget for 2023/24. The delivery of savings will be monitored.	
	• Refreshing the Medium Term Financial Strategy.	s151 Officer January 2023	Complete	
2	**The economy of the Borough and delivery of the Economic Growth Strategy** Economic activity has increased after the pandemic however there are legacy issues in terms of the global supply chain and inflation impacting on business, individuals and communities. Particular sectors like that of retail continue to suffer as a consequence of online shopping and changes in consumer lifestyle habits. It will be important for the Council to keep under review its economic strategy and related actions to ensure they remain relevant and capable of protecting the local economy and allowing it to grow where possible to meet the needs of the area. Key actions for 2022/23 include:	Head of Economic Development and Planning	This issue is not being carried forward to the AGS for 2022-23 and will instead continue to be managed via the Strategic Risk Register and direct management of the projects.	✔️
	• Delivery of the Stafford Town Centre Transformation Programme, including the year 2 delivery of the Future High Street Funds Projects		The Market Square refurbishment project is on track for completion in October 2023. Procurement is currently live for on site contractors to undertake the public realm scheme at Station Approach, with completion scheduled for March 2024.	

No.	Issue / Action	Lead Officer and Timescale	Progress/Comments	Status
	• Phase 2 work on Stafford Station Gateway		The Strategic Regeneration Framework that sets out the design aspirations for the Gateway scheme underwent public consultation in 2022 ahead of allocation of the site as a Preferred Option in the new Local Plan. Work relating to site acquisition within the Gateway continues. Government funding and subsequently planning permission was secured by Newcastle and Stafford College Group for an Institute of Technology within the Gateway with site clearance work due to commence in July 2023.	
	• Bid for LUF 2 monies to assist in bringing forward the Stafford Station Gateway project		A bid was submitted for LUF 2 monies but was unsuccessful on this occasion. Should a third round of funding be announced the Gateway scheme will be considered for a further bid.	
	• Submission of Investment Plan to draw down the £4.6m allocation made by government under the UK Shared Prosperity Fund. • Local Plan allocation, technical Studies and delivery model developed for Meecebrook Garden Community		The Investment Plan was approved by government and subsequently Cabinet and delivery is underway. A similar exercise was followed for the Rural England Prosperity Fund which provides a further £480k funding. Meecebrook was identified as a Preferred Option within the new Local Plan and technical studies relating to rail, viability, design and health impact are all underway.	
3	**The Council's Key Contractors** The Council's key contractors have encountered significant challenges arising from the successive lockdowns.	Head of Operations / Head of Wellbeing Ongoing	The Council has continued to successfully work with its key contractors over the last 12-months, in particular it's leisure service provider, to overcome the residual challenges around the Covid19 pandemic.	✔

No.	Issue / Action	Lead Officer and Timescale	Progress/Comments	Status
	The Council is continuing to work to support them by providing any justifiable financial assistance and in implementing their recovery / improvement plans. Discussions are also ongoing in relation to the implications arising from other external factors which may require actions to minimise the risk of adverse impact in 2022/23.		Pre pandemic leisure participation and income levels have still not been fully achieved, a picture which has also been seen across the country. In addition to the above, the Council has worked to support its Leisure Services provider around the risk associated with the cost of living and energy crisis, that emerged toward the end of 2022; due to the increase in the wholesale cost of energy, both gas and electricity. The provider has agreed a series of savings options with the Council during the period to supplement its support. It is considered that failure to continue to work in partnership and support its leisure services provider could have had a serious impact upon the Council's leisure provision. It is considered that the leisure contract will continue to require strategic monitoring throughout 2023/24 to look at the wider impact of the savings, the performance of the contract, and any new risks that may occur. This issue is not being carried forward to the AGS for 2022-23 and will instead continue to be managed via the Strategic Risk Register.	

No.	Issue / Action	Lead Officer and Timescale	Progress/Comments	Status
4	**Officer Capacity** Resources continue to be stretched between the delivery of essential services, key projects and the introduction of new services/ responsibilities upon the Council. Priorities have been kept under review during 2021-22 and additional resources brought in where required. The Chief Executive is currently being shared with Cannock Chase District Council pending consideration of wider sharing of services.			✔
	• 2 senior officers retired early in 2022/23 and interim arrangements have been put in place to cover these posts and the long term absence of another.	Chief Executive	Completed	
	• Capacity will continue to be kept under review and managed during 2022-23	Leadership Team Ongoing	Completed. Capacity going forward should improve as part of the plans for sharing services with Cannock Chase Council	
5	**Shared Services** The Council has been sharing a number of services with Stafford Borough Council since April 2011. The Chief Executive is currently being shared pending the development of a business case to assess the potential for the further sharing of services between the two Councils. The first stage of the business case has been completed and both Councils have approved proceeding to developing the 2nd stage of the business case. The key action is to complete the 2nd stage of the business case for consideration by both Councils.	Chief Executive November 22	2nd stage of the business case completed and both Councils have agreed to extend the sharing of services	✔

No.	Issue / Action	Lead Officer and Timescale	Progress/Comments	Status
6	**Cyber Security** There is an ongoing risk of cyber attacks. Arrangements have been enhanced during 2021/22 and additional work is planned during 2022/23 including: • Access to the network to be limited to corporate devices only	Head of Technology August 2022	Work is in progress to complete this. Other security enhancements have been completed over the last year including the training of key staff.	🔺
7	**New Finance System** The new Finance system went live on 1 April 2021. The core external elements of the system in terms of payments to creditors and income collection were up and running from day one. However, teething troubles have been experienced; some of these have been addressed and others are ongoing. The Finance Team are currently completing the first closure of the accounts on the new system. The following actions have been undertaken/are planned: • Ongoing project management • Testing and checking that the system is operating as expected • User training. • Post implementation review	Head of Finance Ongoing	The first year closedown for 2021/22 was completed by March 2023 with audit to commence in July 2023. A number of the issues have been sorted over the last twelve months and currently closedown is being completed for 2022/23 which should be finalised shortly. Work to develop / enhance and refine certain elements is ongoing and the new finance system will be used to support the budget process later this year.	✔️

No.	Issue / Action	Lead Officer and Timescale	Progress/Comments	Status
8	**Employees' Code of Conduct** The review of the Employees' Code of Conduct has been completed but approval by Council was deferred due to other priorities during the pandemic. It was intended to complete this during 2021/22 but has been deferred due to other changes being made to working arrangements which will have an impact on the Code. This primarily relates to the development of a hybrid working .model which is being trialled during 2022/23. The Code of Conduct will be revised in 2023 once the hybrid working trial has been concluded and reviewed.	Head of Human Resources, Head of Law and Administration and Head of Governance 2023/24	Not due for action in 2022-23	N/A
9	**Information Governance** The draft Information Governance Framework needs to be finalised and approved by Leadership Team.	Head of Governance and Corporate Services December 2022	The draft has not been finalised due to work on the shared services business case taking precedence. This action will be carried forward into 2023-24.	✖

KEY TO STATUS INDICATORS:

STATUS	DESCRIPTION
✔	The action is making significant progress towards completion or has been completed
▲	The action is making some progress towards being completed
✖	Work has not commenced on the action