

Please ask for: Jo Hunt

Your Ref:

Extension No: 4623

My Ref:

E-Mail: joannahunt@cannockchasedc.gov.uk

11 June, 2018


Dear Councillor,

**AUDIT & GOVERNANCE COMMITTEE
4:00PM, TUESDAY 19 JUNE, 2018
ESPERANCE ROOM, CIVIC CENTRE, CANNOCK**

**TRAINING FOR COMMITTEE MEMBERS WILL BE TAKING PLACE AT 2PM IN
THE ESPERANCE ROOM, PRIOR TO THE START OF THE MEETING AT 4PM.**

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

Yours sincerely,



**T. McGovern
Managing Director**

To: Councillors

Grice, Mrs. D. (Chairman)
Dudson, Miss M.J. (Vice-Chairman)

Bowater, J.L. Johnson, J.P.
Crabtree, S.K. Tait, Ms. L.

A G E N D A

PART 1

1. Apologies

2. Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

To declare any personal, pecuniary or disclosable pecuniary interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

3. Minutes

To approve the Minutes of the meeting held on 27 March, 2018 (enclosed).

4. Review of the Effectiveness of Internal Audit

Report of the Head of Governance and Corporate Services (Item 4.1 – 4.29).

5. Internal Audit Annual Report 2017/18

Report of the Chief Internal Auditor and Risk Manager (Item 5.1 – 5.22).

6. Strategic Risk Register

Report of the Head of Governance and Corporate Services (Item 6.1 – 6.16).

7. Annual Governance Statement 2017/18

Report of the Head of Governance and Corporate Services (Item 7.1 – 7.19).

8. Cannock Chase District Council Audit Fee Letter 2018/19

Letter of the External Auditors (Item 8.1 – 8.3).

9. Progress and Update Report for Cannock Chase District Council

Verbal Update from the External Auditors.

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON TUESDAY 27 MARCH 2018 AT 4:00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Grice, Mrs. D. (Chairman)
Johnson, J.P. (Vice-Chairman)
Bowater, J. Stretton, Mrs. P.Z.
Dean, A. Tait, Ms. L.

Also Present:

Jim McLarnon, Audit Manager, Grant Thornton (External Auditors).

28. Apologies

None received.

29. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

No Declarations of Interests were made in addition to those already confirmed by Members in the Register of Members' Interests.

30. Minutes

RESOLVED:

That the Minutes of the meeting held on 5 December, 2017, be approved as a correct record and signed.

31. Internal Audit Quarter 3 Report 2017/18

Consideration was given to the Report of the Chief Internal Auditor and Risk Manager (Item 4.1 – 4.8 of the Official Minutes of the Council).

The Chief Internal Audit & Risk Manager outlined to the Members the following key aspects from the report:

Current Audit Plan

The audit plan was slightly behind target at the end of quarter 3 owing to a number of vacant posts existing within the team. One of these vacancies had been filled and the individual commenced employment in January 2018.

Audits Completed in Quarter 3

- Pest & Dog Control – this audit had been graded partial assurance due to there being no service level agreement in place with Stafford BC who were delivering the service on behalf of Cannock Chase DC.
- Scheme Managers and Sheltered Accommodation – this audit had been graded partial assurance as a number of ‘resident support plans’ were out of date and required updating. Staff awareness of the Council’s Code of Conduct and process for declaring interests needed to be improved, as did the system for managing sundry collections.
- Council Tax, National Non-Domestic Rates and General Land – these audits had all been given substantial assurances.

Audits in Progress

Eight audits were in progress during quarter 3 and the outcomes would be reported to the first meeting of the Committee in the 2018/19 municipal year.

Audit Follow-ups Completed

No follow-ups had been completed in quarter 3.

RESOLVED:

That the contents of the Internal Audit Report for Quarter 3 2017/18, be noted.

32. Internal Audit Plan 2018/19

Consideration was given to the Report of the Chief Internal Auditor and Risk Manager (Item 5.1 – 5.23 the Official Minutes of the Council).

Members were advised of the process involved in producing the audit plan, the Officer resource available to deliver the plan and the number of audits to be delivered for Cannock Chase DC services, Shared services and Stafford BC services.

The full list of planned audits for 2018/19 was included in Appendix 1 of the report.

RESOLVED:

That the Audit Plan for 2018/19 be approved.

33. Cannock Chase District Council Certification Letter 2016/17

Consideration was given to the Letter of the External Auditors (Item 6.1 – 6.3 of the Official Minutes of the Council).

The External Auditor reported that during the certification work on the 2016/17 Housing Benefit subsidy claim, a numbers of errors had been identified as part of extended testing undertaken following issues which arose in the 2015/16 claim.

The volume of errors found during the certification work had been higher than in previous years which indicated weaknesses in the existing quality control procedures used by the Council. It had been pleasing to note however that improved procedures were now being put in place to try and reduce the number of possible errors in future years.

As a result of the additional work carried out, the fee payable by the Council for 2016/17 would be £2,353 higher than the original indicative figure.

RESOLVED:

That the Letter of the External Auditors be noted.

34. Cannock Chase District Council Audit Plan 2017/18

Consideration was given to the Report of the External Auditors (Item 7.1 –7.16 of the Official Minutes of the Council).

The External Auditor drew Members attention to the key aspects of the report which were: significant risks; materiality; Value for Money arrangements; audit logistics; and independence.

Significant risks

Members were advised that 'valuation of property, plant and equipment' had been included as a new risk for 2017/18 as a result of work undertaken in 2016/17.

Value for Money arrangements

Financial Sustainability had been identified as a significant Value for Money risk due to the Council having a challenging three-year budget in place and significant pressures to manage in delivery of the required savings. In response to this risk the External Auditors would review the implementation of the Financial Recovery Plan and gain an understanding of the actual savings made against expectations, and assess the key assumptions underlying the medium term financial plan for reasonableness.

RESOLVED:

That the Report of the External Auditors be noted.

35. Informing the Audit Risk Assessment for Cannock Chase District Council 2017/18

Consideration was given to the Report of the External Auditors (Item 8.1 – 8.23).

The External Auditor advised that the purpose of the report was to present to the Committee a series of questions put to the Council's management by the Auditors on the following areas and the responses received:

- Fraud;
- Laws and regulations;
- Going concern;

- Related parties;
- Accounting estimates.

It was for the Committee to consider whether the Officer's responses were consistent with its understanding of those areas and to make any further comment.

RESOLVED:

That the Report of the External Auditors be noted.

36. Audit Progress Report and Sector Update 2017/18

Consideration was given to the Report of the External Auditors (Item 9.1 – 9.17).

The External Auditor advised that the report set out progress on key activities undertaken by the auditors during 2017/18 and an overview of emerging national issues and developments which may relevant to the Council and local authorities in general.

In respect of interim audit work carried out so far this year no issues had been identified.

RESOLVED:

That the Report of the External Auditors be noted.

The meeting closed at 4:23 p.m.

CHAIRMAN

Report of:	Head of Governance and Corporate Services
Contact Officer:	Stephen Baddeley
Telephone No:	(01543) 464 415
Key Decision:	No
Report Track:	Audit & Gov Cttee: 19/06/18

AUDIT & GOVERNANCE COMMITTEE**19 JUNE 2018****REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT****1 Purpose of Report**

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

2 Recommendations**2.1 That Members:**

- (i) note the findings of the annual review of the effectiveness of internal audit for 2017-18;
- (ii) note that Internal Audit generally conforms to the Public Sector Internal Audit Standards, is operating effectively and can be relied upon when considering the Annual Governance Statement for 2017-18.
- (iii) approve the revised Internal Audit Charter and in particular the introductions of the safeguards at paragraph 7.5 for dealing with conflicts of interest when auditing areas where the Chief Internal Auditor has operational management responsibility.

3 Key Issues and Reasons for Recommendation

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

- 3.2 The review has comprised:

- 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 independent review of the self-assessment was conducted by the Head of Governance and Corporate Services.
 - iii. An External Quality Assessment (EQA) carried out by Cipfa in November 2016. The outcome of this review was presented to the Audit Committee in March 2017.
- 3.3 The review concluded that Internal Audit is effective and conforms sufficiently with the requirements of PSIAS/LGAN to ensure that the opinion given in this Annual Report can be relied upon for assurance purposes. The full results of the review are given in a separate report to the Audit and Accounts Committee.
- 3.4 One area of significant non-conformance with the standards was identified and this relates to PSIAS 1110 Organisational Independence. The standards require the “Chief Audit Executive” to report functionally to the Board and indicate that this includes the Audit Committee Chair and Chief Executive commenting on the Performance Development Review and the Audit Committee setting remuneration for the “Chief Audit Executive”. This is not a common practice in Local Government where Members do not routinely get involved in detailed employment matters. It is felt that sufficient other safeguards to the independence of Internal Audit are currently in place within the Council such as allowing the Chief Internal Auditor the unfettered right of access to the Audit Committee Chair and Chief Executive to raise any concerns. It is therefore felt that this area of non-conformance does not compromise the effectiveness of Internal Audit although PSIAS/LGAN requires it to be disclosed in the Annual Audit Report.
- 3.5 There was a need to update the Audit Charter following the review and in particular to introduce documented safeguards for the auditing of areas where the Chief Internal Auditor has operational management responsibility.

4 Relationship to Corporate Priorities

- 4.1 This report supports the Council’s Corporate Priorities as follows:
- (i) The system of internal control is a key element of the Council’s corporate governance arrangements which cut across all corporate priorities.

5 Report Detail

- 5.1 This is the sixth review following the introduction of the Public Sector Internal Audit Standards and Local Government Application Note (PSIAS/LGAN). The Chief Internal Auditor has prepared a self-assessment against conformance with these requirements as well as updating the self-assessment against the Role of the Head of Internal Audit document.

- 5.2 The review by the Head of Governance and Corporate Services, which included a review of both of the self-assessments, has confirmed the findings that there were no areas of significant non-conformance with the PSIAS/LGAN or the paper on the Role of the Head of Internal Audit. For the areas of partial conformance the effectiveness of the section was not considered to be seriously affected; a small number of the areas partial compliance with PSIAS/LGAN is considered to be acceptable due to local circumstances.
- 5.3 PSIAS/LGAN require any significant non-conformance with the Standards to be disclosed in the Annual Audit Report. One area of significant non-conformance with the standards was identified and this relates to PSIAS 1110 Organisational Independence. The standards require that the “Chief Audit Executive” reports functionally to the Board and indicate that this includes the Audit Committee Chair and Chief Executive commenting on the PDR and the Audit Committee setting remuneration for the “Chief Audit Executive”.
- 5.4 This is not a common practice in Local Government where Members do not routinely get involved in detailed employment matters. There are sufficient other safeguards to the independence of Internal Audit currently in place within the Council such as allowing the Chief Internal Auditor the unfettered right of access to the Audit Committee Chair and Chief Executive to raise any concerns. It is therefore considered that this area of non-conformance does not compromise the effectiveness of Internal Audit.
- 5.5 For the areas of partial conformance the effectiveness of the section was not considered to be seriously affected; a small number of areas of partial conformance with PSIAS/LGAN is considered to be acceptable due to local circumstances.
- 5.6 Summaries of the reviews of compliance are attached as follows:
- (i) the Public Sector Internal Audit Standards and the Local Government Application Note - attached at Appendix 1; and
 - (ii) the Cipfa paper on the Role of the Head of Internal Audit in Public Service Organisations - attached at Appendix 2.
- 5.7 In addition to the compliance with professional standards the section has also reviewed:
- (i) the performance of the service ie the delivery of the audit plan; and
 - (ii) the quality of the service
- More information on the performance of the Service is contained in the Annual Internal Audit Report.
- 5.8 The review of the self-assessments by the Head of Governance and Corporate Services was in agreement with the views of the Chief Internal Auditor.
- 5.9 The External Auditors have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.

- 5.10 The review also takes into account the outcome of the External Quality Assessment which was carried out in November 2017 and which was reported to the Committee in March 2017. Appendix 3 contains a progress report on the Recommendations made in the EQA.
- 5.11 From the review a small number of areas for improvement have been identified and these are contained in an Improvement Plan which is attached as Appendix 4. This includes actions outstanding from the EQA Action plan.
- 5.12 The review identified a need to update the Internal Audit Charter following the introduction of a revised PSIAS in April 2017. There was also a need to include documented safeguards for auditing areas where the Chief Internal Auditor has operational management responsibility. This follows the Chief Internal Auditor taking on the operation management of Insurance and Risk Management across the Shared Service and Health & Safety for Cannock Chase DC only. PSIAS requires the safeguards to be documented and approved by the Audit Committee paragraph 7.5 of the Charter has been added to document the safeguards put in place. The revised Charter is attached as Appendix 4 for approval by the Committee.
- 5.13 Overall, the review of the effectiveness of Internal Audit for 2017-18 has shown that Internal Audit is operating effectively and generally conforms to the PSIAS. Therefore the work of the Internal Audit Section can be relied upon when considering the Annual Governance Statement for 2017-18.

6 Implications

6.1 Financial

None

6.2 Legal

None

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None

6.8 Equality & Diversity

None

6.9 Best Value

None

7 Appendices to the Report

- Appendix 1 Summary of Compliance with the Public Sector Internal Audit Standards and the Local Government Application Note.
- Appendix 2 Summary of Compliance with Cipfa's paper on the Role of the Head of Internal Audit.
- Appendix 3 External Quality Assessment Action Plan Progress Report
- Appendix 4 Revised Internal Audit Charter

Previous Consideration

None

Background Papers

Files available from the Chief Internal Auditor

ITEM NO. 4.

Appendix 1

SUMMARY OF CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) AND LOCAL GOVERNMENT APPLICATION NOTE (LGAN) – 2017-18

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

Conformance with the Standard	Y	P	N	Comments
Code of Ethics				
<p>The Code of Ethics contained in PSIAS applies to all Internal Auditors working in the Public Sector in addition to any requirements placed on them by other professional bodies. It is aimed at promoting an ethical culture across the profession of Internal Audit and is seen as essential in ensuring the trust placed in Internal Auditors to provide objective assurance about the organisation’s risk management, control and governance arrangements.</p> <p>The Code of Ethics covers the following areas:</p> <ul style="list-style-type: none"> • Integrity • Objectivity • Confidentiality • Competency <p>Public Sector Internal Auditors are also required by PSIAS to have regard to the “Seven Principles of Public Life” as defined by the Committee on Standards in Public Life which cover:</p> <ul style="list-style-type: none"> • Selflessness • Integrity • Objectivity • Accountability • Openness • Honesty • Leadership 	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>Internal Audit complies with the Code of Ethics and a copy of this has been issued to all members of the team.</p>
Attribute Standards				
1000 – Purpose, Authority and Responsibility				
<p>The purpose, authority and responsibility of the internal audit activity must be formally defined in an audit charter. The internal audit charter is a formal document setting out:</p> <ul style="list-style-type: none"> • internal audit’s position within the organisation; • its reporting lines; • access to personnel, information and records; • the scope of internal audit activities • define what the term “board” means (It is anticipated that the Audit Committee will generally fulfil the duties assigned to the board for the Council.) <p>The charter must be periodically reviewed and presented to senior management and the board.</p>	<p>✓</p>			<p>The current Charter was approved by the Audit Committee in June 2016 when it was updated to build in the Mission and Core Principles.</p> <p>A review of the Charter was carried out in 2017 to update further PSIAS changes and to take into account the non-audit duties taken on by the Chief Internal Auditor.</p>

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

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

Conformance with the Standard	Y	P	N	Comments
1300 – Quality Assurance and Improvement Programme				
<p>A quality assurance and improvement programme is designed to:</p> <ul style="list-style-type: none"> allow an assessment of Internal Audit’s activity against the PSIAS requirements; to assess the efficiency and effectiveness of Internal Audit’s activity; identify opportunities for improvement. <p>This requires both internal and external assessments to be performed. The PSIAS requires an independent external assessment to be carried out at least once every five years. Both internal and external assessments have to be carried out by individuals or organisations who have sufficient knowledge of Internal Audit standards and operation.</p> <p>The outcome of the review must be reported to the Board and Senior Management as part of the Internal Audit Annual Report which must disclose any areas of non-conformance with PSIAS. Where these are significant they should be considered for inclusion in the Annual Governance Statement.</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>A QAIP was approved by the Audit Committee in June 2015.</p> <p>The section had its EQA in November 2016 which stated that there were no areas of non-compliance which would affect the scope or operation of the section. The Report and Action Plan was presented to both Audit Committees in March 2017.</p>
Performance Standards				
2000 – Managing the Internal Audit Activity				
<p>The Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organisation.</p> <p>This includes the development of a risk based audit plan to inform the Annual Audit Opinion. The Plan should be presented to Senior Management and the Board for approval. The Chief Audit Executive should ensure the resources available to the team are sufficient, appropriate and effective to deliver the audit plan and that any limitations which may impact on the plan or the annual audit opinion are reported to the Board.</p> <p>Where possible the work of Internal Audit should be coordinated with other providers of assurance to ensure appropriate coverage and minimise duplication.</p> <p>Internal Audit’s activity must be reported to Senior Management and the Board. This should include performance in delivering the audit plan, significant risks or control issues identified and any other relevant matters.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>The team follow a risk based plan which is approved by Leadership Team and the Audit Committee</p> <p>A detailed assurance map has not been developed due to time and resources pressures. An overview of other assurance providers is obtained where possible.</p> <p>Performance is reported quarterly to the Head of Governance and Corporate Services and the Audit Committee</p>

Conformance with the Standard	Y	P	N	Comments
2100 – Nature of Work				
Internal Audit's activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.	✓			The Internal Audit team provide recommendations as part of their work which will improve the Council's governance framework. In addition ad hoc advice and consultancy is provided in relation to changes in systems.
2200 – Engagement Planning				
A plan/brief should be prepared for each piece of audit work carried out to include the scope, objectives, timing and resource allocation. The scope should be sufficient to contribute to the annual audit opinion. Sufficient and appropriate resources should be identified for each review to achieve the intended objectives of the review.	✓			<p>Internal Audit has defined procedures which include producing and agreeing a brief for each assignment. The annual audit plan is produced to provide adequate coverage to inform the annual audit opinion</p> <p>The revised working practices have shifted the focus of audit work to further improve testing of key risks for areas under review. However limitations in the Council's Risk Management Process have limited the Sections ability to rely on risk registers. Therefore Internal Audit has to perform its own risk identification process as part of each audit.</p> <p>Supervision of engagements is more continuous throughout the audit rather than all being at the end of the work.</p>

Conformance with the Standard	Y	P	N	Comments
2300 – Performing the Engagement				
Internal Auditors should identify sufficient, reliable, relevant and useful information to achieve the objectives of the review. Conclusions should be based on the results of appropriate analysis and evaluation of the evidence and sufficient information documented to allow the testing to be repeated.	✓			All assignments are completed in line with agreed working practices and are subjected to a file review process to verify that the conclusions and recommendations made are supported by sufficient evidence derived from appropriate audit testing.
2400 – Communicating Results				
Results of audit work should be reported and where the section issues an opinion or conclusion it must be supported by sufficient relevant information. Communications must be accurate, clear, concise and timely and issued to appropriate parties. In the Public Sector an annual audit report containing an audit opinion must be issued so that it can be used by the organisation to inform its Annual Governance Statement.	✓			See 2300 above
2500 – Monitoring Progress				
The results of audit work should be monitored to identify that management actions are being effectively implemented or that management accepts the risks of not taking action.	✓			All action plans are agreed by management or acceptance of risks relating to non-implementation is obtained. Internal Audit follow-up areas which are not deemed to be effective to monitor the progress made in implementing the agreed recommendations. The Audit reports refer to the Council's risk management framework/risk appetite when providing audit opinions and classifying recommendations.

Conformance with the Standard	Y	P	N	Comments
2600 – Communicating the Acceptance of Risks				
<p>When the Chief Audit Executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the Chief Audit Executive must discuss the matter with senior management. If the Chief Audit Executive determines the matter has not been satisfactorily resolved they should communicate the information to the board.</p>	✓			<p>A process is in place where such matters would be discussed initially with the relevant member of Leadership Team. Areas where management are accepting a significant risk without some action would be reported to the Audit Committee for consideration. However it is noted that the need for this rarely occurs.</p>

Appendix 2**SUMMARY OF COMPLIANCE WITH THE CIPFA PAPER ON THE ROLE OF HEAD OF INTERNAL AUDIT – 2017-18**

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

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

EXTERNAL QUALITY ASSESSMENT ACTION PLAN PROGRESS REPORT 2017-18

Source	Actions	Person Responsible for Implementation	Timescale
PSIAS	The Internal Audit Charter requires update to reflect the new PSIAS which became effective 1 st April 2017 and to document the safeguards to deal with the Chief Internal Auditors conflicts of interest when auditing areas for which they have operational management responsibility.	Chief Internal Auditor	June 2018
PSIAS	Further work is needed to develop evidence to show conformance with the Core Principles – the Charter has been updated but work is ongoing to identify appropriate evidence to demonstrate conformance.	Chief Internal Auditor	June 2019

ITEM NO. 4.

Internal Audit Charter

June 2018



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 Committee¹.
- 1.2 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". 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 Purpose of Internal Audit

- 2.1 The definition provided in the Public Sector Internal Audit Standards (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."

- 2.2 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.
- 2.3 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.
- 2.4 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 Principles for the Professional Practice of Internal Audit which are also set-out in the PSIAS.

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

3 Objectives of Internal Audit

3.1 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 Managers have developed effective arrangements to promote appropriate ethics and values within the Council and arrangements to prevent and detect fraud and corruption, this will including input in to the key policies such as Financial Guidelines and Anti-fraud & Bribery Frameworks.

4 Scope & Authority of Internal Audit

4.1 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.

4.2 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.

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

4.4 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.

- 4.5 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 work on the audit plan will be taken into account and where necessary reported to the Head of Governance and the Audit Committee for approval.
- 4.6 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.
- 4.7 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.

5 Responsibility of Internal Audit

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 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.
- 5.5 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.

6 Statutory Requirement and Standards of Approach

- 6.1 The work of the Internal Audit Section will be performed with due professional care and in accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) and any subsequent guidance which updates or replaces these.
- 6.2 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.
- 6.3 All Internal Auditors working in Local Government are required to comply with 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.
- 6.4 The Internal Audit Section will work in accordance with the Core Principles for the Professional Practice of Internal Audit as set out in the PSIAS.
- 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.

7 Independence of Internal Audit

- 7.1 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.
- 7.2 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.
- 7.3 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 no other areas of responsibility other than the Internal Audit function.

- 7.4 The Chief Internal Auditor reports to the Head of Governance but has the right to report directly to the s151 Officer, Chief Executive/Managing Director, Monitoring Officer, Chair of the Audit Committee or External Auditor where it is deemed necessary. The Head of Governance has other areas of responsibility which may compromise their independence when these areas are subjected to audit, where this occurs the Chief Internal Auditor can invoke the right to report directly to others.
- 7.5 Since 2017 the Chief Internal Auditor has taken on operational responsibility for Risk Management, 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 Governance. Wherever possible an external contractor or an auditor from another Local Authority will be asked to carry out to the audit to bring further independence to the review.
- 7.6 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.
- 7.7 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 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.
- 7.8 The Internal Audit Section determines its work priorities in consultation with Leadership Team, the s151 Officer and the Audit Committee.
- 7.9 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.
- 7.10 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.

8 Authority and Rights of Access

- 8.1 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/Managing Director, 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.

- 8.2 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.
- 8.3 All employees are required to assist Internal Audit in fulfilling its roles and responsibilities.
- 8.4 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.

9 Objectivity & Confidentiality

- 9.1 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.
- 9.2 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.
- 9.3 All Internal Audit reports are confidential however they may be requested under the 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.
- 9.4 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.

10 Internal Audit Resources

- 10.1 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 Governance, will formally report this to the s151 Officer, Chief Executive/Managing Director and the Audit Committee.
- 10.2 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. The Chief Internal Auditor will hold a relevant professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. The s151 Officer will be involved in the recruitment of the Chief Internal Auditor.
- 10.3 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.
- 10.4 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.

11 Internal Audit Management

- 11.1 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;
 - produce 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.

12 The Internal Audit Plan

- 12.1 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.
- 12.2 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.
- 12.3 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.
- 12.4 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.
- 12.5 The resulting scores are banded into three risk categories
- High
 - Medium; and
 - Low.
- 12.6 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 affect 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.
- 12.7 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.

- 12.8 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.
- 12.9 The Internal Audit Plan is presented to the Audit Committee for approval, usually in March each year.
- 12.10 Items included on the Internal Audit Plan will be split into 3 categories:
- Key Finance Systems – these are the major finance systems of the Council, e.g. Council Tax, Payroll, General Ledger.
 - Assurance Functions – These are functions which provide the Council with information about how well other systems are operating e.g. risk management, performance management and budget monitoring.
 - Operational Audits – These are the functions of the Council which provide a service to the public or ensure that the Council functions operate e.g. Grounds Maintenance, Housing Allocations and Food Safety Inspections.
- 12.11 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 Other Operational Work

- 13.1 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.)

14 Reporting Lines

- 14.1 The Chief Internal Auditor reports to the Head of Governance for line management purposes. However, alternative reporting lines are available to the Chief Internal Auditor where these are deemed necessary as set out in 7.4.
- 14.2 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.
- 14.3 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 the Audit Committee.
- 14.4 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.
- 14.5 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.
- 14.6 The Internal Audit Section will produce a written report for all assignments addressed to the Service Lead Officer (normally the relevant member of Leadership Team although it could be a Service Manager where there is no Head of Service).
- 14.7 The Chief Internal Auditor will be responsible for reviewing the implementation of recommendations. 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, Chief Executive/Managing Director, relevant member of Leadership Team and the Audit Committee as appropriate.
- 14.8 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/Managing Director, Monitoring Officer, relevant member of Leadership Team, the External Auditors and the Audit Committee as appropriate.

15 Quality Assurance and Improvement Programme

- 15.1 The Chief Internal Auditor will develop and maintain a Quality Assurance and Improvement Programme (QAIP) in accordance with PSIAS.
- 15.2 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).
- 15.3 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.
- 15.4 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 Governance 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.
- 15.5 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.

16 Relationship With Elected Members

- 16.1 The Head of Governance and the Chief Internal Auditor will maintain a working relationship with the Chair and other members of the Audit Committee. Where necessary the Chief Internal Auditor will have direct access to the Chair of the Audit Committee.
- 16.2 Unless stated elsewhere, the Audit Committee will fulfil the roles and responsibilities of "The Board" for the purposes of the PSIAS.

17 Relationship with Senior Management

- 17.1 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.
- 17.2 A written report will be produced for each assignment and presented to the relevant member of Leadership Team. 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.

17.3 The Internal Audit Plan, Quarterly progress reports and the Annual Audit report will be circulated to Leadership Team by e-mail prior to being submitted to the Audit Committee.

18 Relationship with Statutory Officers

18.1 Internal Audit will maintain a close relationship with the Statutory Officers of the Authority (Head of Paid Service, s151 Officer and Monitoring Officer).

18.2 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. 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.

18.3 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.

19 Review of the Internal Audit Charter

19.1 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.

Report of:	Chief Internal Auditor & Risk Manager
Contact Officer:	Stephen Baddeley
Telephone No:	(01543) 464 415
Key Decision:	No
Report Track:	Audit & Gov Cttee: 19/06/18

AUDIT & GOVERNANCE COMMITTEE**19 JUNE 2018****INTERNAL AUDIT ANNUAL AUDIT REPORT 2017-18****1 Purpose of Report**

- 1.1 To present the Internal Audit Annual Report for 2017-18

2 Recommendations

- 2.1 That the Committee note the Internal Audit Annual Report for 2017-18.

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 reasonable assurance that the Council's governance arrangements including systems of internal control were operating adequately.

4 Relationship to Corporate Priorities

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

5 Report Detail

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

- 5.2 The Internal Audit Annual Report (attached as Annex 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 The report is a snapshot view of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. Internal Audit routinely follow-up the recommendations that have been made and will bring to the attention of the committee any relevant areas where significant weaknesses have not been addressed by managers. Most of the significant findings from the audits have been reported to the Committee in the Quarterly Progress Reports, the significant findings from the audits issued in Quarter 4 are the exception to this and are attached as Appendix 1 for information.
- 5.4 The Internal Audit Annual Report is one of the sources of assurance that is used to support the Council's Annual Governance Statement

6 Implications

6.1 **Financial**

None

6.2 **Legal**

None

6.3 **Human Resources**

None

6.4 **Section 17 (Crime Prevention)**

None

6.5 **Human Rights Act**

None

6.6 **Data Protection**

None

6.7 **Risk Management**

None

6.8 Equality & Diversity

None

6.9 Best Value

None

7 Appendices to the Report

Appendix 1 Summary of Significant Findings Quarter 4 Audits

Appendix 2 Internal Audit Annual Report for 2017-18

Previous Consideration

None.




Background Papers







Files held by the Chief Internal Auditor






ITEM NO. 5.

Summary of Significant Findings for Audits Issued in Quarter 4

A summary of the findings is provided in the quarterly reports for any audits not given Substantial Assurance. As there is no Quarter 4 progress report for consistency a summary of the Quarter 4 audits is included below.

Audit	Service Lead Officer	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Property Management	Housing & Partnerships	13	Limited 	The key weaknesses from the review relate to the retaining of evidence of key documents, the lack of documented & monitoring procedures for all aspects of the property rental process and the implementation of rent reviews. This was compounded the absence of a formal database/system recording details of all properties in one place.
Planning - Local Plan/ Forward Planning	Economic Development	2	Partial 	<ul style="list-style-type: none"> • Some issues were identified in relation to having clear measurable targets within the workplan to ensure the Local Plan is delivered on time. • Staff resources were impacted and conflicting priorities which had an impact on the planned timescales were not always effectively managed or reported
Private Sector Housing Grants	Environment & Healthy Lifestyles	7	Partial 	<ul style="list-style-type: none"> • Procedures for the revised processes need to be documented • There is a need for an internal checklist to evidence compliance with the process • Cases need independent review rather than being solely handled by one officer. • Procurement of contractors needs to be reviewed • Information and forms need to be held securely due to the sensitive nature of much of the information on file.

Audit	Service Lead Officer	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Cemeteries	Environment & Healthy Lifestyles	3	Partial 	<ul style="list-style-type: none"> Some issues were identified in compliance with the return of certificates where Registrar information was not known. There was a lack of monitoring and reporting on the scheme in progress to develop new cemetery provision.
Housing Benefits	Financial Management	3	Partial 	Some issues were identified in relation to the recovery of overpayments and in particular the lack of write-offs for old/unrecoverable debts which was inflating the outstanding overpayment figures.
E-Payments & residual cash income	Financial Management	2	Partial 	The Council did not hold a copy of the contract with the supplier. There is a need to develop a Business Continuity Plan to be used if the e-payments system fails.
Social Media	Governance & Corporate Services	10	Partial 	<ul style="list-style-type: none"> There is a need to update the social media policy Access controls for the accounts should be reviewed Training and guidance needs to be provided for the users including documented roles and responsibilities.
Leaseholder Recharges	Housing & Partnerships	6	Partial 	<ul style="list-style-type: none"> There was a need to formalise and document procedures to collate and calculate recharges. A number of discrepancies were identified between the number of properties in the records held by various departments.
Homelessness Provisions & Housing Options Team	Housing & Partnerships	3	Partial 	<ul style="list-style-type: none"> Procedures needed to be documented and updated following the introduction of the Homelessness Reduction Act. Ongoing monitoring of the cost and options available for temporary accommodation was required.

Audit	Service Lead Officer	Number of High/ Medium Recommendations	Assurance	Comments & Key Issues
Capital Programme Delivery	Various Heads of Service	6	Partial 	A number of weaknesses were identified in relation to the project management and contract management of Capital projects.
Electoral Registration & Elections	Governance & Corporate Services	0	Substantial 	
Payroll	HR★	0	Substantial 	
Capital Strategy & Capital Programme Management	Financial Management	0	Substantial 	
Landscape Development	Environment & Healthy Lifestyles	0	Substantial 	

★ Services led by Stafford Borough Council as part of Shared Services

Audits in Progress

The areas below were in progress but not completed by the end of the year. They will be carried over and completed at the start of the 2017-18 year.

Audit	Head of Service	Comments
IT Project Assurance	Head of Technology★	The audit was delayed due to scheduling issues between the Audit Contractor and the Client Department
General Ledger (Total) IT Application and Management	Head of Technology★	The audit was delayed due to scheduling issues between the Audit Contractor and the Client Department
Cyber Security	Head of Technology★	The audit was delayed due to scheduling issues between the Audit Contractor and the Client Department
External Data Transfers	Head of Technology★	The audit was delayed due to scheduling issues between the Audit Contractor and the Client Department

★ Services led by Stafford Borough Council as part of Shared Services

Cannock Chase District Council Internal Audit Annual Report 2017-18

June 2018



working together

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Appendix		
	Audits Planned and Completed in 2017-18 by Classification:-	
1a	Limited	9
1b	Partial	10
1c	Substantial	12
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INTERNAL AUDIT – ANNUAL REPORT 2017-18**1. INTRODUCTION**

- 1.1 The Internal Audit Service is a shared service with Stafford Borough Council. This report highlights the work carried out by Internal Audit to deliver the Annual Audit Opinion for Cannock Chase District 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 2017-18. 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 & Governance 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.

INTERNAL AUDIT – ANNUAL REPORT 2017-18

Requirement for Internal Audit

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

2. REVIEW OF CONTROL ENVIRONMENT**How the Control Environment is Reviewed**

- 2.1 Internal Audit operates to a risk based audit plan. The audit plan is risk assessed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk.
- 2.2 This risk based approach to audit planning results in a comprehensive range of audits being undertaken during the course of the year to support the overall opinion on the control environment.

Internal Audit Opinion for 2017-18 and the Annual Governance Statement (AGS)

- 2.3 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.*

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

“must, each financial year—

- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and*
- (b) prepare an annual governance statement;”*

INTERNAL AUDIT – ANNUAL REPORT 2017-18

- 2.5 Internal Audit, along with other assurance processes of the Council, have 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.

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



- 2.7 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.
- 2.8 Whilst no material discrepancies have been identified, instances of control weaknesses and gaps in management controls have been found. If these are not addressed they could result in significant failings in the Council's governance arrangements. More details are given in 3.7 - 3.8 below.

3. SIGNIFICANT ISSUES ARISING 2017-18

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

	Assurance			
	Substantial	Partial	Limited	No Assurance
Number of Audits	11	15	1	0

- 3.3 No audits have been classified as No Assurance in the year but 1 area has been classified as Limited Assurance. This is Property Management details of this can be found in Appendix 1b.

INTERNAL AUDIT – ANNUAL REPORT 2017-18

- 3.4 15 areas have been classified as Partial Assurance. Action is planned or in progress in relation to the areas which have been classified as Partial. Details of these audits can be found in Appendix 1c.
- 3.5 A list of the 11 audits classified as Substantial Assurance can be found in Appendix 1d
- 3.6 The quarterly Internal Audit reports provide a commentary on audits classified as Partial or Limited Assurance. An annex accompanying this report contains the commentary for the audits issued in Quarter 4 which have not featured in one of the quarterly reports.
- 3.7 The Internal Audit Section did not identify any significant weaknesses in relation to any of the Council's key financial systems and core governance processes which were examined in 2017-18. However it was identified that due to limitations in resources and narrowing of focus some of the Council's main assurance functions are not operating as effectively as they could be in providing assurance to management – this issue has been identified over the last few years and is unlikely to change in the near future.
- 3.8 Recurring themes were identified across the year by Internal Audit the most common of these related to minor compliance issues in low risk systems or where other compensating controls exist. We have also continued to see signs of supervisory/management controls not being applied regularly or at all – this is not a new issue but due to time pressures on managers is something that could get worse.
- 3.9 A number of issues were again identified in relation to Project Management and monitoring particularly in relation to Capital Projects and Contracts. Work has commenced to review and strengthen the arrangements for this across the authority.
- 3.10 In addition to the main audit work the section also followed-up the progress made in relation to Audit Recommendations where the audit was not issued with a Substantial opinion. This usually occurs around 6 months after the report has been finalised.
- 3.11 After the follow-up had been completed all 5 areas followed-up in the year remained Partial Assurance due to insufficient progress being made in implementing the recommendations. The last area Community Infrastructure Levy was revised to Substantial Assurance.
- 3.12 In total 33 recommendations were followed-up in relation to Cannock Chase DC work of which 29 or 88% had been implemented or were in progress at the time of the follow-up.
- 3.13 The audits remaining partial were Safeguarding Children & Vulnerable Adults, Housing Property Services, Equality & Diversity, Allocations & Voids, and Housing Maintenance.

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

4 AUDIT PERFORMANCE

4.1 The table below indicates the Section's performance against the audit plan for 2017-18.

	2017-18				2016-17
	Planned	Actual	Actual %	Target %	Actual
Original Plan	28	27	97%	90%	78%

4.2 Twenty Eight audits were completed in the year out of the twenty three planned for in the original 2017-18 Audit Plan. A further four audits had commenced but not been completed in the year. These are IT Project Assurance, General Ledger (Total) IT Application and Management, Cyber Security and External Data Transfers.

4.3 Two Audits were deferred in consultation with management these were Asset Management and Non-housing Maintenance. These were deferred due to staffing issues within the Property Services function.

4.4 Included in the completed audits figure above are four audits which were originally part of the 2016-17 audit plan but were not completed in that year. The audits completed this year from the 2016-17 Audit Plan were Licensing, Policy Management & Implementation, Service Management including Service Desk, BACS Application and Sundry Debtors.

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

5 FRAUD & IRREGULARITY WORK

Pro-active Fraud work

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

- Continued membership of the Midlands Fraud Sub Group;
- Worked to identify best practice contained in the Cipfa Code of Practice on Managing the Risk of Fraud.

INTERNAL AUDIT – ANNUAL REPORT 2017-18**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 Cannock Chase DC.
- 5.3 No allegations have been received through the Council's Confidential Reporting or Anti-fraud and Bribery frameworks in the year.

National Fraud Initiative Datamatching

- 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 2016-17 matches have been reviewed in part by teams across the Council but only a small number of matches have resulted in detailed investigations.

6 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

- 6.1 A review of the effectiveness of the system of Internal Audit has been undertaken within the year as part of the Quality Assurance and Improvement Programme as required by PSIAS. There were three key elements to the review:-
- 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 independent review of the self-assessment was conducted by the Head of Governance.
 - iii. An External Quality Assessment carried out by Cipfa in November 2016. The outcome of this review was presented to the Audit Committee in March 2017.
- 6.2 The review concluded that Internal Audit is effective and conforms sufficiently with the requirements of PSIAS/LGAN to ensure that the opinion given in this Annual Report can be relied upon for assurance purposes. The full results of the review are given in a separate report to the Audit and Accounts Committee.
- 6.3 One area of significant non-conformance with the standards was identified and this relates to PSIAS 1110 Organisational Independence. The standards require the "Chief Audit Executive" to report functionally to the Board and indicate that this includes the Audit Committee Chair and Chief Executive commenting on the Performance Development Review and the Audit Committee setting remuneration for the "Chief Audit Executive".

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- 6.4 This is not a common practice in Local Government where Members do not routinely get involved in detailed employment matters. It is felt that sufficient other safeguards to the independence of Internal Audit are currently in place within the Council such as allowing the Chief Internal Auditor the unfettered right of access to the Audit Committee Chair and Chief Executive to raise any concerns. It is therefore felt that this area of non-conformance does not compromise the effectiveness of Internal Audit although PSIAS/LGAN requires it to be disclosed in the Annual Audit Report.
- 6.5 The Review of Audit has led to an update of the Audit Charter with some minor changes and a more significant change to include the safeguards that have been put in place to deal with audits of areas outside of Internal Audit that the Chief Internal Auditor has operational responsibility for.
- 6.6 The External Auditors, Grant Thornton, have concluded that “the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council”.
- 6.7 In order to ensure the quality of each audit, one of the Senior Auditors, the Principal Auditor or the Chief Internal Auditor carries out a file review for each audit prior to the reports being issued. The Chief Internal Auditor also reviews each report to sign it off. These processes form part of the internal quality assurance process and helps to provide a consistent approach between the auditors.

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Appendix 1a

Audits Planned and Completed in 2017-18 by Assurance Level

No Assurance

Definition



One or more High (Red) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks.

Immediate action is required by management to address the weaknesses identified in accordance with the agreed action plan

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

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1bLimited**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 Recommendations
Property Management	Head of Housing & Partnerships	13

INTERNAL AUDIT – ANNUAL REPORT 2017-18

Appendix 1c

Partial

	<p>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 6 or below.</p> <p>Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.</p>
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Audit Area	Service Lead Officer	No of High/Medium Recommendations
Planning - Local Plan/Forward Planning	Economic Development	2
Private Sector Housing Grants	Environment & Healthy Lifestyles	7
Cemeteries	Environment & Healthy Lifestyles	3
Housing Benefits	Financial Management	3
E-Payments & Residual Cash Income	Financial Management	2
Sundry Debtors	Financial Management	2
Capital Programme Delivery	Various Heads of Service	6
Social Media	Governance & Corporate Services	10
Scheme Managers and Sheltered Accommodation	Housing & Partnerships	7
Leaseholder Recharges	Housing & Partnerships	6
Homelessness Provisions & Housing Options Team	Housing & Partnerships	3
Pest & Dog Control	Operations★	4
Policy Management & Implementation (IT Audit)	Technology★	9
Service Management including Service Desk (IT Audit)	Technology★	10
BACS Application (IT Audit)	Technology★	10

★Services led by Stafford Borough Council as part of Shared Services

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Appendix 1d

Substantial

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







Audit Area	Service Lead Officer
Refuse Collection and Recycling	Environment & Healthy Lifestyles
Car Parking Arrangements	Environment & Healthy Lifestyles
Landscape Development	Environment & Healthy Lifestyles
Electoral Registration & Elections	Governance and Corporate Services
Council Tax	Financial Management
National Non-Domestic Rates	Financial Management
Capital Strategy & Capital Programme Management	Financial Management
General Ledger	Financial Management
Strategic Housing	Housing & Partnerships
Payroll	HR★
Pensions Assurance for the County	HR★

★ Services led by Stafford Borough Council as part of Shared Services

Appendix 2Results of Follow-ups Undertaken in the Year By Assurance Level

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Safeguarding Children & Vulnerable Adults	Housing & Partnerships	Partial ▲	2	1	0	3	Partial ▲	There is still a need to update and reissue the Criminal Records Bureau Policy to reflect the changes to the Disclosure and Barring Service Regime.
Housing Property Services	Housing & Partnerships	Partial ▲	0	4	0	4	Partial ▲	<ul style="list-style-type: none"> Final Accounts relating to 2010/11 were still outstanding The Quantity Surveyor Contract has not been retendered as the focus was on pulling together the renewals of the main Partnering Contracts Reporting mechanisms were still under review to evidence compliance with key timescales (eg gas servicing)
Equality and Diversity	Governance & Corporate Service	Partial ▲	0	6	2	8	Partial ▲	<ul style="list-style-type: none"> The Equality and Diversity Policy was still in need of updating – although a draft was in progress. Associated training and awareness needs to be rolled out following the new policy being approved.

INTERNAL AUDIT – ANNUAL REPORT 2017-18

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Allocations and Voids	Housing & Partnerships	Partial 	4	2	0	6	Partial 	<ul style="list-style-type: none"> Delays were still occurring in changing locks on void properties once a tenant has moved out Work was still needed to review processes and planning to reduce the turnaround time for void properties
Housing Maintenance	Housing & Partnerships	Partial 	0	0	2	2	Partial 	<ul style="list-style-type: none"> Authorisation levels for approval of additional work were still set at the temporary high levels introduced whilst the new system was implemented. Performance monitoring of operatives was still not carried out
Community Infrastructure Levy	Economic Development	Partial 	10	0	0	10	Substantial 	

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Report of:	Head of Governance and Corporate Services
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464 415
Portfolio Leader:	Corporate Improvement
Key Decision:	No
Report Track:	Cabinet: 14/06/18 Audit & Gov Cttee: 19/06/18

AUDIT & GOVERNANCE COMMITTEE

19 JUNE 2018

STRATEGIC RISK REGISTER

1 Purpose of Report

- 1.1 To set out details of the Council's Risk Management arrangements for managing the Strategic Risks facing the Council in delivering its objectives.

2 Recommendations

- 2.1 That the Committee note the progress made in the identification and management of the strategic risks.

3 Key Issues and Reasons for Recommendation

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

Risk Colour	Number of Risks at 1 Oct 2017	Number of Risks at 1 April 2018
Red	1	1
Amber	5	4
Green	0	0
TOTAL	6	5

4 Relationship to Corporate Priorities

- 4.1 This report supports the Council's Corporate Priorities as follows:
- (i) 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.
 - (ii) The strategic risks set out in the Appendices have been categorised against the Council's priorities.

5 Report Detail

- 5.1 The Accounts & 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 Central to the risk management process is the identification, prioritisation and management of strategic risks / opportunities. Strategic risks / opportunities have been identified and prioritised, action plans are in place for their effective management and delivery of the action plans is monitored. A summary of the Council's strategic risk register as at 1st April 2018 is attached at **Appendix 1**.

The risk summary illustrates the risks / opportunities using the "traffic light" method i.e.

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)

5.4 The number of strategic risks has fallen from 6 to 5 as follows:

- 2 risks have been deleted; and
- 1 new risks have been added.

5.5 The 2 risks that have been deleted are:

- Risk number 20 “Vulnerability of the Council’s Housing Revenue Account due to the new government housing policies.” - this has been deleted as the Government Policy on Pay to Stay has been abolished and the HRA Business Plan refreshed to incorporate additional provision to continue with the Council’s housing building & estate regeneration initiatives.
- Risk 24 “Failure to have an attractive and safe environment to encourage businesses and residents into the District.” - this has been deleted but has been replaced by the new risk below.

5.6 The new risk is:




- Risk 25 “There is a reduction in investor confidence in the District”

5.7 All other risks remain unchanged.

5.8 A progress update for those actions due up to the end of March 2018 is included in the full strategic risk register attached at **Appendix 2**.

5.9 Additional information for red and amber risks can be found in the Strategic Risk Register (**Appendix 2**) in the form of an ‘Overall Progress Summary’ this is accompanied by a symbol to indicate whether progress is on target or otherwise.

The table below outlines the overall progress made in reducing risks since 1st October 2017:

Progress Indicator	Current position
 No progress made in reducing the risk	0 Risks
 Some progress made in managing the risk	4 Risks
 Risk on target to be reduced	0 Risks

The new risk does not have a progress report and is not included in the figures above.

6	Implications
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6.1 **Financial**

None

6.2 **Legal**

None

6.3 **Human Resources**

None

6.4 **Section 17 (Crime Prevention)**

None

6.5 **Human Rights Act**

None

6.6 **Data Protection**

None

6.7 **Risk Management**

The Risk Management implications are included within the body of the report and appendices.

6.8 **Equality & Diversity**

None

6.9 **Best Value**

None

7	Appendices to the Report
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Appendix 1 Summary of Strategic Risks 2017-18

Appendix 2 Strategic Risk Register - Detailed

Previous Consideration

N/A

Background Papers

File of papers kept in the Chief Internal Auditor & Risk Manager's office.

Appendix 1**SUMMARY OF STRATEGIC RISKS AS AT 01/04/2018**

Risk No	Potential Risks	Risk Owner	Date Added to Register	Score at Oct 2017	Score at Apr 2018	Direction of Travel over period reported
Red Risks						
18	Vulnerability of Cannock Chase Council's financial stability as a result of public expenditure reductions and changes to the Government's funding regime	Head of Finance	April 2014	12	12	↔
Amber Risks						
16	Impact of Welfare Benefit Reform	Heads of Finance and Housing & Partnerships	April 2013	9	9	↔
19	The organisation does not have sufficient Management / Officer capacity to deliver its corporate priorities and statutory duties	Managing Director	April 2015	9	9	↔
23	Failure to repel or recover from Cyber-attack including targeted ransomware, malware and Distributed Denial of Service (DDoS) attacks	Head of Technology	April 2017	9	9	↔
25	There is a reduction in investor confidence in the District	Head of Economic Prosperity	April 2018	N/A	9	N/A

Key to Direction of Travel

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


Deleted Risks

Risk No	Potential Risks	Risk Owner	Date Added to Register	Score at Oct 2017	Score at Apr 2018	Direction of Travel over period reported
20	Vulnerability of the Council's Housing Revenue Account due to the new government housing policies	Head of Housing & Partnerships	April 2015	8		
24	Failure to have an attractive and safe environment to encourage businesses and resident into he District.	Head of Economic Development	April 2017	9		

Cannock Chase District Council – Strategic Risk Register

Ref No: 16	Risk: Impact of Welfare Benefit Reform (e.g. Introduction of Universal Credit, Single Fraud Investigation Service etc.)		
Risk Owner: Head of Finance / Head of Housing & Partnerships		Portfolio: Corporate Improvement, Health & Wellbeing and Housing.	
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> Increased demand for services (additional workload, pressure on service delivery, additional resourcing etc); Increase in arrears on Council Tax; Increase in Rent Arrears; Negative impact on ability to perform “Compliance” functions and adverse effect on income. 			
<p>Links To Priority Delivery Plan: Customers</p> <ul style="list-style-type: none"> Community Wellbeing 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 3	Total Score: 12 RED
<p>Controls in Place</p> <ul style="list-style-type: none"> Manage the Council’s housing stock; Monitoring impact of localisation of Council Tax Support; Liaison with DWP on implementation timetable for Universal Credits; Budget workshops for affected residents to better manage their budgets set up 			
Residual/Net Risk Score (ie with controls)	Likelihood: 3	Impact: 3	Total Score: 9 AMBER
Provisional Assessment of Risk – does the residual risk score need to be reduced		YES	

Actions Planned	Timescale/Person Responsible	Progress/Comments
Monitor impact of Benefit Reform to identify areas of concern.	Quarterly Head of Finance	An on-going monitoring routine is in place.
Identifying number of additional people falling into arrears with Council Tax payments	Quarterly Head of Finance / Local Taxation & Benefits Manager	This forms part of the overall monitoring.
Introduction of Tenancy Sustainment Service	Completed	Tenancy Sustainment Officer (TSO) service embedded – completed

<p>Overall Progress Summary: The full impact of benefit reform cannot be determined until the phased introduction of Universal Credits. The impact of existing reforms continues to be monitored.</p> <p>The emphasis has been shifted to look more holistically at pursuing rent recovery in line with the roll out of Universal Credit and impact of welfare reforms.</p> <p>The Tenancy sustainment service is now embedded in housing.</p>	<p>AMBER</p> 
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Ref No: 18	Risk: Vulnerability of Cannock Chase Council's financial stability as a result of public expenditure reductions and changes to the Government's funding regime		
Risk Owner: Head of Finance		Portfolio: This risk cuts across all Portfolio's	
Consequences Of Risk: <ul style="list-style-type: none"> • Council size becomes too small to sustain a viable organisation; • Unable to provide desired levels of service 			
Links To Priority Delivery Plan: Corporate			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Controls in Place <ul style="list-style-type: none"> • Medium term financial plan in place • Annual Financial Plan and Medium Term Financial Strategy in place • The Revenue Budget is balanced for 2018-19 but requires support from balances • Reliance on New Homes Bonus is reduced on an annual basis. • Corporate Budget Monitoring • Evaluation of consultation on changes to government funding regimes 			
Residual/Net Risk Score (ie with controls)	Likelihood: 4	Impact: 3	Total Score: 12 - RED
Provisional Assessment of Risk – does the residual risk score need to be reduced	YES*		

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Responding to Government proposed legislation in relation to key funding regimes	On-going Head of Finance	Work streams of DCLG/LGA and CIPFA in relation to 75% Business Rates Schemes and pilot areas to be monitored Detailed responses to be submitted in relation to self-sufficient local government, 75% business rates retention and fair funding review as more technical detail becomes available

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Review criteria for 2019/20 Business Rates Pilot and subject to approval of partners submit application	On going	In Progress
Determine impact of Government proposals for key funding regime	On-going	In Progress
Production and refresh of medium term financial plan	On-going	In Progress
Mill Green DOV Development Project Board Established	On-going	In Progress
Refresh Budget Strategy to ensure external funding sources maximised and efficient and effective use of all resources	On-going	In Progress
Council looking to maximise all funding opportunities for economic growth, transport, infrastructure, additional jobs and better skills for residents	Head of Economic Development	

Overall Progress Summary: The Approved Budget and Plan currently provides an ongoing balanced budget with the use of balances required in 2019/20 pending the opening of Mill Green DOV in 2020/21.

The Balanced Budget in 2020/21 in addition is based upon the current Local government Finance Regime, however fundamental changes, to Government Funding, details still to be determined, are set to take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset) combined with the ongoing uncertainty in relation to the longevity of the New Homes Bonus grant scheme creates a key strategic risk for the financial stability of this and all other councils.


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



Ref No: 19	Risk: The organisation does not have sufficient Management / Officer capacity to deliver its corporate priorities (e.g. Corporate Plan & PDP's) and statutory duties.		
Risk Owner: Managing Director		Portfolio: This risk cuts across all portfolios	
Consequences Of Risk: <ul style="list-style-type: none"> The Council's priorities are not fully delivered with impact on residents / the public. 			
Links To Priority Delivery Plan: Corporate			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 3	Total Score: 12 RED
Controls in Place <ul style="list-style-type: none"> Scoping of management capacity for delivery of PDP's by Heads of Service (Assessments of Management Capacity) Management capacity issues are monitored by Leadership Team; Adherence to Sickness Management Policy 			
Residual Risk/Net Score (ie with controls)	Likelihood: 3	Impact: 3	Total Score: 9 AMBER
Provisional Assessment of Risk – does the residual risk score need to be reduced	YES*		

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Ensuring that all priorities in the PDP's are resourced appropriately	Ongoing All Heads of Service	The majority of PDP priorities are on target but there are a small number of Yellow 'not on target' areas in part due to management capacity.
Where necessary, considering whether resources from other parts of the Council can be transferred for a period.	Ongoing Managing Director / Leadership Team	PDP Priorities not on target are being reviewed by Leadership Team and resource implications are being re-considered.


Actions Planned	Timescale/ Person Responsible	Progress/Comments
Leadership Team maintaining an overview of performance through “managing the business” performance indicators	Ongoing Managing Director / Leadership Team	Quarterly Performance Indicator reports agreed for 2017/18
Requests for additional projects may be refused or deferred until subsequent year(s)	Ongoing Managing Director	A number of requests for new projects in year have had to be refused in order to protect delivery of the Council’s agreed Corporate Priorities.
The Property Services Manager post will be re-established	December 2018 Managing Director	

<p>Overall Progress Summary:</p> <p>The Councils management capacity will be monitored closely and action has already been taken by not accepting new project requests in year in order to protect capacity to deliver the agreed PDP priorities.</p> <p>Leadership Team have recently started to review delivery of the Council's General Fund and S106 Capital Programme and will be considering in further detail the need for additional project and programme management capacity</p>	<p>AMBER</p> 
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Ref No: 23	Risk: Failure to Repel or Recover from Cyber-attack including targeted ransomware, malware and Distributed Denial of Service (DDoS) attacks		
Risk Owner: Head of Technology	Portfolio:		
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Data, Systems and Applications inaccessible • Inability to deliver Council services • Cybercrime/ Fraud/ Ransom demands/ Financial harm • Reputational damage locally and nationally • Data Loss & breach of Data Protection Act (DPA) • Financial Loss 			
Links To Priority Delivery Plan - Corporate			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
<p>Key Controls in Place:</p> <ul style="list-style-type: none"> • Information Risk Management Regime – Assess the risks to our information assets, effective governance structure, LT engagement with cyber risk, produce supporting information management policies. • Secure configuration – Corporate policies and processes to develop secure baseline builds • Network Security – Protection and secured perimeter of external security threats and untrusted networks • Managing user privileges – All users of ICT systems provided with privileges suitable for their role • User education and awareness – Security policies that describe acceptable and secure use of ICT assets • Incident management – Incident response and disaster recovery capabilities that address the full range of incidents that can occur • Malware prevention – Produce policies that directly address the business processes (such as email, web browsing, removable media and personally owned devices) • Monitoring – Established monitoring taking into account previous security incidents and attacks. Annual IT Health Check and penetration testing conducted by a Council of Registered Ethical Security Tester (CREST)/ Communications-Electronics Security Group (CESEG) Listed Advisor Scheme (CLAS) - accredited Government Communication Headquarters (GCHQ) approved consultants. • Removable media controls – Produce removable media policies that control the use of removable media for the import and export of information • Home and mobile working – Assess the risks to all types of mobile working including remote working and develop appropriate security policies 			

Residual/Net Risk Score (ie with controls in place)	Likelihood: 3	Impact: 3	Total Score 9 -AMBER
Provisional Assessment of Risk - does the residual risk score need to be reduced			YES*

Actions Planned	Timescale/Person Responsible	Progress/Comments
Information Risk Management- Continuous review and work on our information risk management regime	Ongoing/ Head of Technology	Policies under review. Some elements will be dealt these will be reviewed
Monitoring – External and Internal checks. Threat and vulnerability assessment and remediation including Annual IT Health Check by CLAS approved consultant with remedial work carried out	Ongoing/ Head of Technology	Procurement in progress for the Annual Healthcheck
Application Security Assessment and Remediation action taken	Annually Head of Technology	The healthcheck will produce an action plan to feed into this. Other work will also be carried out to address
Security Compliance Assessment included in the survey	Annually/ Head of Technology	As above
Threat intelligence, Vulnerability management, Operational management, via internal and external monitoring.	December 2018/ Head of Technology	Will review the webfilter and internet filter to replace the current
Exploring options to improve security for sharing information with external partners	December 2018/ Head of Technology	New action

<p>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.</p>	<p>Amber</p> 
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Ref No: 25	Risk: There is a reduction in investor confidence in the District		
Risk Owner: Head of Economic Prosperity		Portfolio: All	
Consequences Of Risk: <ul style="list-style-type: none"> • Business Growth in the District reduces • Employment Opportunities decline • NNDR / Council Tax Income does not grow • Schemes in the District get abandoned 			
Links To Priority Delivery Plan: This fully links in with the Economic Prosperity PDP			
Gross Risk Score (i.e. without controls)	Likelihood: 4	Impact:5	Total Score: 20
Controls in Place <ul style="list-style-type: none"> • The Local Plan Framework to identify development opportunities • Proactive work with GBSLEP/West Midlands Combined Authority • Business Relationships work/promoting the District via Economic Development function 			
Residual Risk/Net Score (i.e. with controls)	Likelihood: 3	Impact: 3	Total Score: 9
Provisional Assessment of Risk – does the residual risk score need to be reduced		YES	

Actions Planned	Timescale/Person Responsible	Progress/Comments
Economic Prosperity Strategy to be developed	Head of Economic Prosperity March 2019	N/A
Continue to dedicate resources to the GBSLEP/Combined Authority	Head of Economic Prosperity Ongoing	N/A
Revised Local Plan to be produced and delivered	Head of Economic Prosperity Plan to be adopted by September 2021	N/A
Reestablishment of a Further Education offer in the District (Retail Skills Academy/Engineering Academy)	Head of Economic Prosperity March 2019	N/A

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

GREEN RISKS			
Risk No:	Risk Owner	Risk:	Score:
	NONE		

KEY TO PROGRESS SYMBOLS

Progress Indicator	
	No progress made in reducing the risk
	Some progress made in managing the risk
	Risk on target to be reduced

Report of:	Head of Governance and Corporate Services
Contact Officer:	Judith Aupers
Telephone No:	(01543) 464 411
Key Decision:	No
Report Track:	Audit & Gov Cttee: 19/06/18

AUDIT & GOVERNANCE COMMITTEE**19 JUNE 2018****ANNUAL GOVERNANCE STATEMENT 2017-18****1 Purpose of Report**

- 1.1 To set out the Council's Annual Governance Statement for the year 2017-18.

2 Recommendations

- 2.1 That the Committee approves of the Annual Governance Statement for 2017-18.

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 2017-18 (which is current up to June 2018) is attached as Appendix 1.
- 3.3 The draft AGS has been compiled by the Leadership Team. The AGS has been drafted using various sources of assurance which together form the review of the Council's governance arrangements. The key sources of assurance are:
- (i) assurances from the Heads of Service;
 - (ii) assurances from the 3 statutory officers;
 - (iii) the risk management reports;
 - (iv) the annual internal audit report / opinion; and
 - (v) external assurance reports.
- 3.4 The review of the Council's governance arrangements has identified areas for improvement and these are set out in the action plan contained within the AGS at Appendix 1.

3.5 An update on the progress in actioning the issues from the 2016-17 AGS is attached at Appendix 2. In summary, of the 8 items:

- 4 items have been completed or are on target to be completed;
- work is in progress on 3 of the items; and
- work on the remaining 1 item has been deferred until 2018-19.

The outstanding issues have been included in the AGS for 2017-18 where appropriate.

4 Relationship to Corporate Priorities

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

5 Report Detail

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

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

5.3 Following approval of the Annual Governance Statement it will be signed by the Chair of the Audit & Governance Committee, the Leader and the Managing Director.

5.4 The Annual Governance Statement has been prepared using information from the sources of assurance outlined in 3.3. The Leadership Team has been consulted on the draft AGS to ensure that:-

- all of the significant issues have been identified and included, so far as is reasonably possible; and
- all of the issues included are considered to be significant.

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

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

- the issue has or could result in a need to seek additional funding to allow it to be resolved, or has/could result in significant diversion of resources from another service area;
- the issue has or could lead to a material impact on the accounts;
- the Chief Internal Auditor has reported on it as significant, for this purpose, in the Internal Audit Annual Report;
- the issue, or its impact, has or could attract significant public interest or seriously damage the reputation of the Council;
- the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

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

6 Implications

6.1 Financial

None

6.2 Legal

None

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None

6.8 Equality & Diversity

None

6.9 **Best Value**

None

7 Appendices to the Report

Appendix 1 Annual Governance Statement 2017-18

Annex 1 Summary of Governance Framework

Appendix 2 Progress Report for AGS 2016-17

Previous Consideration

None

Background Papers

- Annual Internal Audit Report 2017-18
- Strategic Risk Register
- Heads of Service Assurance Statements for 2017-18
- Statutory Officers' Assurance Statements for 2017-18

**CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2017-18**

1. Scope of Responsibility

- 1.1 Cannock Chase District 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 2018 and up to the date of approval of the Annual Governance Statement.

3. The Governance Framework

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

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes.
4. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
5. Managing risks and performance through robust internal control and strong public financial management.
6. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.2 The key components of the Governance Framework are summarised in the diagram at Annex 1.

3.3 A key element of the Council's governance arrangements concerns safeguarding. Cannock Chase District Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across its services.

We are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council. We do this by:

- Having a Child & Adult Protection Policy and procedure in place endorsed by the Staffordshire Safeguarding Children Board and Staffordshire and Stoke Adult Safeguarding Partnership
- Having child & adult protection processes which give clear, step-by-step guidance if abuse is identified
- Safeguarding training programme in place for staff and members
- Carrying out the appropriate level of DBS checks on staff and volunteers
- Working closely with Staffordshire Safeguarding Children Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership

4. Review of effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is led by the Head of Governance & Corporate Services who has responsibility for the development and maintenance of the

Code of Governance. The review is informed by the work of Members, the senior officers within the Council and also by comments made by the External Auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

4.2 **The Authority** - the Head of Governance and the Monitoring Officer, on behalf of the Council, undertakes reviews of the Council's governance arrangements on an ongoing basis. Work to support this includes a self-assessment review against the Code of Governance, reviews of the Constitution, Financial Regulations, the Scheme of Delegation and policies, processes and practices throughout the year. No new issues have been identified in 2017-18 but there are still 2 issues outstanding from the previous review:

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

4.3 **The Executive** - the Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance and financial 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. There is a formal Shadow Cabinet in place, which receives equal information to the Cabinet and provides an opportunity to challenge decisions and how they are made.

4.4 **Overview and Scrutiny committees** - the Council has 4 Scrutiny Committees (one for each of the Council's Strategic Priorities). 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 & Governance Committee** - is responsible for overseeing the Council's governance arrangements.

The Committee monitors the effectiveness of risk management, reviews corporate governance issues, the work of Internal Audit and the anti fraud & corruption arrangements throughout the year. The Audit & Governance Committee receives quarterly reports on:

- the work of internal audit in reviewing the systems and processes to ensure that they are adequate; and
- updates on the management of the Council's strategic risks. A strategic risk register is in place, which identifies and evaluates the risks faced by the

Council in delivering its objectives. Work is ongoing to review and address these risks and update the risk register accordingly

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

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

Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. The work undertaken on the annual audit plan for 2017-18 has been used to provide an independent view on the adequacy of the governance framework.

In their annual report to the Audit & Governance Committee, the Chief Internal Auditor has independently assessed the Council’s internal control environment as being satisfactory overall based on their work during the year. The Chief Internal Auditor has not identified any issues for inclusion in the Annual Governance Statement.

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

4.8 **Risk Management** - during 2017-18 the Audit & Governance Committee received regular progress reports regarding the management of strategic risks. There is currently 1 red risk for inclusion as a significant governance issue:

- Vulnerability of Cannock Chase Council’s financial stability as a result of public expenditure reductions and changes to the Government’s funding regime.

Two amber risks have also been identified for inclusion through other assurance sources and are attributed accordingly.

4.9 **Statements of Assurance from Heads of Service** - assurances were sought from the Heads of Service as to the effectiveness of a number of aspects of the Governance Framework as it operates in their service areas. The following significant governance issues have been identified:

- Cyber security – the need to ensure that there are adequate arrangements in place to repel and/or recover from Cyber attacks;
- Re-tendering of contracts – as a result of the failure to plan adequately for the re-tendering of a number of key contracts before they came to an end, there is a need to develop and maintain departmental contracts registers

and procurement plans to support the timely planning for the procurement of contracts in future; and

- Corporate Plan – ensuring that there are detailed action plans in place to support the delivery of the Council's priorities as set out in the Corporate Plan 2018-23 and that these plans are managed.

4.10 **Statements of Assurance from the Statutory Officers** - assurances have been sought from the Head of Paid Service (ie Managing Director), the Monitoring Officer (Head of Law & Administration at SBC) and the s151 Officer (Head of Finance) with regard to their responsibilities for governance.

- The Head of Paid Service has overall responsibility for the organisation, appointment and management of staff.
- The Chief Financial Officer (s151 Officer) has overall responsibility for the financial management of the Council. Throughout the year the s151 Officer ensures that the financial position of the Council is monitored, that consideration is given to financial implications when taking decisions and with the support of internal audit that financial processes are complied with.
- The Monitoring Officer has overall responsibility for:
 - reporting on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
 - matters relating to the conduct of Members and officers; and
 - the operation of the Council's constitution.

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

- Vulnerability of the Council's financial stability as a result of reductions in public expenditure and changes to the Government's funding regime; and
- Management capacity to deliver the Council's Corporate Priorities and statutory duties.

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

- (i) Audit Findings (dated 19 September 2017 and reported to Audit & Governance Committee 19 September 2017); and
- (ii) Annual Audit Letter (dated October 2017 and reported to Audit & Governance Committee 5 December 2017).

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

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

5. Opinion on the Governance Framework

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

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

5.3 Whilst the governance framework is considered to be adequate a number of issues have been identified that need to be addressed to further enhance the Council's governance arrangements. These are outlined in section 6 together with the actions to be taken.

5.4 The Audit & Governance 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 for the past year and the year ahead are summarised in the table below together with the actions planned to address them.

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Financial Regulations</p> <p>The Financial Regulations have been revised and will be going to Leadership Team for consideration prior to reporting to Council for approval.</p>	Head of Finance	September 2018
<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct has been rescheduled for 2018-19.</p>	Head of Human Resources, Head of Law & Administration and Head of Governance & Corporate Services	September 2018

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Information Governance</p> <p>Work on implementing the General Data Protection Regulations is ongoing. The Data Protection Policy has recently been updated so the focus for 2018-19 is to provide training for employees and Members and to revise the Retention of Documents Schedule.</p>	<p>Head of Governance & Corporate Services</p>	<p>September 2018</p> <p>January 2019</p>
<p>Financial Stability</p> <p>The Approved Budget and Plan currently provides an ongoing balanced budget with the use of balances required in 2019/20 pending the opening of Mill Green Designer Outlet Village in 2020/21.</p> <p>The Balanced Budget in 2020/21 in addition is based upon the current Local government Finance Regime, however fundamental changes to Government Funding, details still to be determined, are set to take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset) combined with the ongoing uncertainty in relation to the longevity of the New Homes Bonus grant scheme creates a key strategic risk for the financial stability of this and all other councils.</p> <p>Details are unlikely to become clear before the Autumn of 2019 and hence Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.</p>	<p>Managing Director and Head of Finance</p>	<p>Ongoing</p>

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Management capacity and delivery of the Council’s corporate priorities and statutory duties - management capacity continues to be an issue. The situation will be managed by:</p> <ul style="list-style-type: none"> • Leadership Team are assessing the need for additional project and programme management capacity to deliver capital and revenue projects; and • Increasing capacity with the Property Services Team to address building compliance issues and support the delivery of regeneration schemes. 	<p>Managing Director</p>	<p>September 2018</p> <p>December 2018</p>
<p>Cyber Security</p> <p>With the rise in cyber attacks nationally, it is planned to:</p> <ul style="list-style-type: none"> • Update firewall system • Provide cyber awareness training for users (Members and Employees) 	<p>Head of Technology</p>	<p>June 2018</p> <p>October 2018</p>
<p>Corporate Plan and Delivery Plans</p> <p>Following the production of the new Corporate Plan for 2018-23, it is necessary to ensure that there are detailed action plans in place to support the delivery of the Council’s priorities and that these are managed.</p>	<p>Head of Governance & Corporate Services and Leadership Team</p>	<p>Plans in place - June 2018</p> <p>Management of plans – ongoing</p>
<p>Contracts Register</p> <p>As a result of the failure to plan adequately for the re-tendering of a number of key contracts before they came to an end, there is a need to develop and maintain departmental contracts registers and procurement plans to support the timely planning for the procurement of contracts in future.</p>	<p>Head of Governance & Corporate Services and Leadership Team</p>	<p>October 2018</p>

Signed:

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Chair of the Audit & Governance Committee

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Date

.....

Leader of the Council

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Date

.....

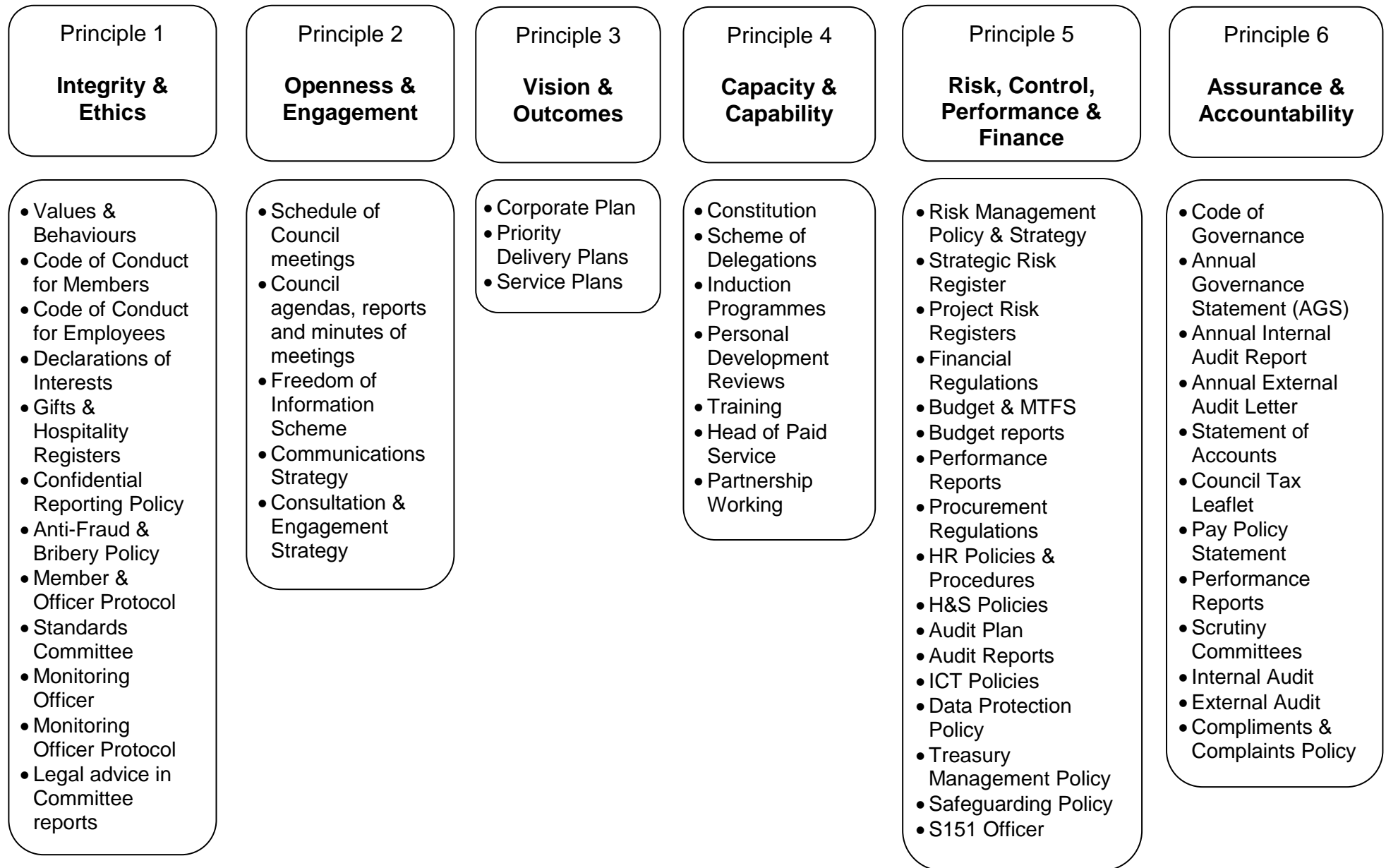
Managing Director

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Date


on behalf of Cannock Chase District Council


ITEM NO. 7.



Annex 1Governance Framework




ITEM NO. 7.


**PROGRESS REPORT AS AT 31 MARCH 2018
ON THE SIGNIFICANT GOVERNANCE ISSUES
FROM THE ANNUAL GOVERNANCE STATEMENT FOR 2016-17**

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
1	<p>Financial Stability</p> <p>The Council in 2016-17 implemented its Financial Recovery Plan to deliver a sustainable budget from 2019/20. The plan delivered £1.6 million of ongoing savings with a residual (manageable) shortfall of £0.181 million in 2019/20. The approved budget will however require the use of £0.508 million and £0.571 million of working balances in 2017-18 and 2018-19 respectively.</p> <p>In addition to managing income and expenditure carefully in each of the years the implementation of the Mill Green Designer Outlet Village represents a key budgetary issue with Business Rates currently budgeted for in 2019/20.</p> <p>Work is ongoing to address the underlying shortfall in 2019/20 however the Medium Term Financial Plan will need to be carefully monitored to reflect potential changes to key funding regimes e.g. New Homes Bonus and Business Rates (100% retention envisaged for 2019/20) and the timelines for Mill Green and other business rates growth within the District.</p>	<p>Managing Director and Head of Finance</p> <p>Ongoing</p>	<p>The Approved Budget and Plan currently provides an ongoing balanced budget with the use of balances required in 2019/20 pending the opening of Mill Green Designer Outlet Village in 2020/21.</p> <p>The Balanced Budget in 2020/21 is based upon the current Local government Finance Regime. However fundamental changes to Government Funding, details still to be determined, are set to take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset).</p>	




No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
1	Financial Stability - continued		<p>This, combined with the ongoing uncertainty in relation to the longevity of the New Homes Bonus grant scheme, creates a key strategic risk for the financial stability of this and all other councils.</p> <p>Details are unlikely to become clear before the Autumn of 2019 and hence Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.</p>	
2	<p>Management capacity and delivery of the Council's corporate priorities and statutory duties - management capacity has been reduced further as part of the work on the Financial Recovery Plan. The situation will be managed by:</p> <ul style="list-style-type: none"> • establishing a clear link between the management capacity available and the delivery of the Council's agreed priorities via the PDPs; and • Leadership Team will monitor the situation on a monthly basis to identify any potential issues. 	<p>Managing Director Ongoing</p>	<p>The issue of management capacity remains a high risk for the organisation in terms of delivery and resilience.</p> <p>Leadership Team have recently started to review delivery of the Council's General Fund and S106 Capital Programme and will be considering in further detail the need for additional project and programme management capacity.</p> <p>It has been identified during 2017-18 that the organisation does not have sufficient capacity/expertise in Property Services.</p>	

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
2.	Management capacity and delivery of the Council's corporate priorities and statutory duties - continued		<p>It has been concluded that in order to meet building compliance requirements and support regeneration schemes that a Property Services Manager will be recruited, thus increasing the capacity in this area.</p> <p>Certain pieces of work have been externalised due to lack of capacity e.g. Playing pitch/sports facilities evidence base for Local Plan; scoping options for review of Environmental Services in conjunction with Stafford Borough Council</p>	
3	Financial Regulations - a review of the Financial Regulations is due to be completed.	Head of Finance October 2017	The Head of Finance is currently considering comments received from statutory officers on the revised regulations. Once finalised, the Regulations will be submitted to Leadership Team and then to Council for approval in 2018-19	
4	Employees' Code of Conduct and Embedding Values This has not been reviewed for some years and needs to be updated. Values need to be incorporated into the Employees' Code of Conduct and embedded into the Personal Development Review Process.	Head of Human Resources, Head of Law & Administration and Head of Governance & Corporate Services March 2018	Work on revising the Code of Conduct for Employees has been scheduled to commence in June 2018	

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
5	<p>Information Governance</p> <p>An information governance framework is to be established under the direction of a nominated SIRO. This will include a review of the existing arrangements for Data Protection and Freedom of Information.</p>	<p>Head of Governance & Corporate Services March 2018</p>	<p>Good progress has been made towards ensuring compliance with the General Data Protection Regulation. A revised Data Protection Policy has been prepared and the data audit is nearing completion.</p>	
6	<p>Cyber Security</p> <p>With the rise in cyber attacks nationally, it is planned to:</p> <ul style="list-style-type: none"> • Procurement of replacement web filtering system • Procurement of replacement email filtering system • Review additional anti-malware system • Provide awareness and training for users (Members and Employees) 	<p>Head of Technology December 2018 December 2018 On going 3 monthly review October 2017 – revised to February 2018</p>	<p>The web and email filtering systems will now be reviewed when the current contract ends as it is considered that they are working efficiently,</p> <p>An updated firewall system has been tested and will be installed in June 2018.</p> <p>Members and Employees receive alerts from the Technology service as new risks arise.</p> <p>A cyber awareness course is to be provided to all employees by October 2018</p>	
7	<p>Annual Report</p> <p>Development and publication of an Annual Report</p>	<p>Head of Governance & Corporate Services September 2017</p>	<p>The Annual Report for 2016-17 has been published.</p>	

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
8	<p>Complaints Reporting</p> <p>To refresh the Council's complaints policy and as part of this, to provide an annual report on complaints and lessons learnt</p>	<p>Managing Director December 2017</p>	<p>A new Complaints policy was developed and consulted upon with Members and Officers. The Policy was approved at Council on 21/02/18.</p> <p>An Annual Report will be developed and submitted to Cabinet no later than September 2018.</p>	

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

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**Grant Thornton**

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Our ref: GT/ CCDC/ Fee Letter 2018-19

Bob Kean
Deputy Managing Director and Head of Finance
Cannock Chase District Council
Civic Centre
Beecroft Road
Cannock
Staffordshire
WS11 1BG

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014

27 March 2018

Dear Bob

Cannock Chase District Council Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted-in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £40,124.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	10,031
December 2018	10,031
March 2019	10,031
June 2019	10,031
Total	40,124

Outline audit timetable

We will undertake our audit planning and interim audit procedures from December 2018 to March 2019. On completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2019 and work on the whole of government accounts return in August 2019.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2018 to March 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June to July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Richard Percival	0121 232 5434	Richard.d.percival@uk.gt.com
Engagement Manager	James McLarnon	0121 232 5219	James.a.mclarnon@uk.gt.com
In Charge Auditor	Michael Butler	0121 232 5250	Michael.d.butler@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via mark.c.stocks@uk.gt.com.

Yours sincerely

Richard Percival
Engagement Lead
For Grant Thornton UK LLP