

Please ask for: Matt Berry

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19 June, 2020

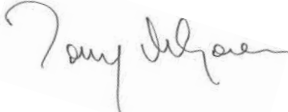
Dear Councillor,

**AUDIT & GOVERNANCE COMMITTEE
4:00PM, MONDAY 29 JUNE 2020
MEETING TO BE HELD VIA REMOTE ACCESS**

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

**TRAINING FOR COMMITTEE MEMBERS WILL BE TAKING PLACE AT 3PM VIA
'ZOOM', PRIOR TO THE START OF THE MEETING AT 4PM.**

Yours sincerely,



**T. McGovern
Managing Director**

To: Councillors

**MEMBERSHIP TO BE CONFIRMED AT THE ANNUAL COUNCIL MEETING
TAKING PLACE ON 24 JUNE 2020**

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 3 December, 2020 (enclosed).

4. Internal Audit – Annual Report 2019/20

Report of the Chief Internal Auditor and Risk Manager (Item 4.1 – 4.25)

5. Strategic Risk Register

Report of the Head of Governance and Corporate Services (Item 5.1 – 5.21).

6. Annual Governance Statement 2019/20

Report of the Head of Governance and Corporate Services (Item 6.1 – 6.20).

7. External Audit Plan Year Ending 31 March 2020 and Update

Report and Letter from the External Auditors (Item 7.1 – 7.6).

8. External Audit Updates and Items for Information

- Informing the Audit Risk Assessment (Item 8.1 – 8.30);
- Closure and Audit of 2019/20 Accounts (Item 8.31 – 8.33);
- Covid-19 and Local Government (Item 8.34 – 8.41)

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON TUESDAY 3 DECEMBER, 2019 AT 4:00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Witton, P.T. (Chairman)
Cartwright, Mrs. S.M. (Vice-Chairman)
Crabtree, S.K. Johnson, J.P.
Fisher, P.A. Jones, Mrs. V.

Also present:

- Jim McLarnon, Engagement Manager, Grant Thornton (External Auditors)

17. Apologies

Apologies for absence were received from Councillor Mrs. P.Z. Stretton.

18. 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.

19. Minutes

It was resolved that the Minutes of the meeting held on 29 July 2019 be approved as a correct record and signed.

20. Internal Audit – Quarter 1 and 2 Report 2019/20

Consideration was given to the Report of the Chief Internal Auditor & Risk Manager (Item 4.1 – 4.13 of the Official Minutes of the Council).

The Chief Internal Auditor & Risk Manager advised Members of the following in respect of the progress report:

- At the end of the quarter, 100% of planned audits had been completed, and it was expected that the full Audit Plan would be completed by year end;
- Of the audits completed, the following assurances ratings were given:
 - One limited;
 - Five partial;

- Two substantial; and
- One no rating (due to be an audit of an external body).
- In respect of the limited assurance audit, Members' were taken through the specific reasons as to why this rating had been given;
 - There were no matters of great concern to make Members aware of in respect of audits in progress and those followed-up in quarters 1 and 2.
 - The IT Audit Plan for 2019/20 was included for approval. This would ordinarily have been submitted to the Committee in March 2019 for approval, but was delayed due to an 'IT needs assessment' being carried out by the IT Audit Contractor, in consultation with the Head of Technology.

RESOLVED:

That:

- (A) The contents of the Internal Audit Report for Quarter 2 of 2019/20 be noted.
- (B) The IT Audit Plan, as set out in Appendix 5 of the report, be approved.

(Councillors S.K. Crabtree and J.P. Johnson arrived at the meeting during the consideration of this item.)

21. Strategic Risk Register

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 5.1 – 5.19 of the Official Minutes of the Council).

The Head of Governance and Corporate Services outlined to Members the following key aspects of the report:

- As at 30 September 2019, the rating for each of the Council's five strategic risks remained unchanged (1 red and 4 amber);
- In respect of risk 16, 'Impact of Welfare Benefit reform', the score for this had reduced since April 2019, and it was hoped that it could be removed from the register at year end as its impact had not been as great as first expected.
- In respect of risk 19, 'The organisation does not have sufficient Management / Officer capacity to deliver its corporate priorities and statutory duties', the Council's management capacity was being monitored and managed on an on-going basis, and a review of it was currently underway. Additionally, progress on delivering key projects was reported through the Priority Delivery Plans (PDPs) to Cabinet and Scrutiny.

RESOLVED:

That the progress made in the identification and management of the strategic risks be noted.

22. Annual Governance Statement – Progress Report

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 6.1 – 6.9 of the Official Minutes of the Council).

The Head of Governance and Corporate Services advised Members that of the 9 significant governance issues identified, 7 were progressing well. 2 were behind schedule due to other matters taking priority during the year, these being:

- Employees' Code of Conduct – a draft had been prepared and would be considered by Leadership Team early in 2020;
- Contracts Register – this would be a big piece of work to undertake and linked to some similar work being carried out by Staffordshire County Council.

RESOLVED:

That the contents of the progress report on the Annual Governance Statement for 2018-19 be noted.

23. Treasury Management – Mid-Year Report 2019/20

Consideration was given to the Report of the Head of Finance (Item 7.1 – 7.17 of the Official Minutes of the Council).

The Head of Finance outlined to Members the following key aspects of the report:

- All of the Council's prudential indicators were being complied with, and it was expected that this would continued going forward.
- The Council's investments continued to perform well, and it was important to ensure these were kept secure and the Council was protected.
- The economic update included in Appendix 2 could change, but this was dependent on the outcome of the forthcoming General Election.

RESOLVED:

That the report, treasury activity and prudential indicators for 2019/20 be noted.

24. Cannock Chase District Council Annual Audit Letter 2018/19

Consideration was given to the Report of the External Auditors (Item 8.1 – 8.14 of the Official Minutes of the Council).

The External Auditor advised that the annual audit letter was a summary version of the audit findings report presented to the Committee in July 2019. As set out on page 3 of the report, an unqualified opinion had been given on the Council's financial statements and value for money arrangements, which was a positive outcome for the authority.

RESOLVED:

That the report of the External Auditors be noted.

25. Audit Progress Report and Sector Update

Consideration was given to the Report of the External Auditors (Item 9.1 – 9.14 of the Official Minutes of the Council).

The External Auditor advised that the report set out for Members the work undertaken by the audit team so far during 2019/20, work planned for the 2019/20 audit and the interim audit in January 2020. It was intended that the 2019/20 Audit Plan would be submitted to the Committee for consideration in March next year. Members were also advised that the certification of the Council's Housing Benefit Subsidy Claim had been submitted to the Department for Work and Pensions ahead of the statutory deadline.

In response to a question from a Member, the External Auditor advised that the level of materiality for the Council was initially determined during the planning meetings for future audits, with last year's figures used as a starting point. The level could be amended at the final report stage if needs be, but it was expected to again be approximately 2% of the Council's gross revenue expenditure.

RESOLVED:

That the report of the External Auditors be noted.

The meeting closed at 4:23 p.m.

CHAIRMAN

Report of:	Chief Internal Auditor & Risk Manager
Contact Officer:	Stephen Baddeley
Telephone No:	01543 464415
Key Decision:	No
Report Track:	Audit & Gov Cttee: 29/06/20

AUDIT & GOVERNANCE COMMITTEE
29 JUNE 2020
INTERNAL AUDIT ANNUAL AUDIT REPORT 2019-20

1 Purpose of Report

- 1.1 To present the Internal Audit Annual Report for 2019-20.

2 Recommendations

- 2.1 That the Committee note the Internal Audit Annual Report for 2019-20.

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 Appendix 2) is the culmination of the work of the Section during the course of the year and seeks to:-
- provide an opinion on the adequacy of the control environment;
 - comment on the nature and extent of significant risks; and
 - report the incidence of significant control failings or weaknesses.
- 5.3 The report is a snapshot view of the areas at the time that they were reviewed and does not necessarily reflect the actions that have been or are being taken by managers to address the weaknesses identified. The inclusion or comment on any area or function in this report does not indicate that the matters are being escalated to Members for further action. 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.
- 5.4 The coronavirus pandemic has had an impact on the work of the team and caused some disruption to the completion of the Audit Plan. The Team have worked remotely to complete as many audits for 2019-20 as possible but some have had to be delayed.
- 5.5 The Audit Plan for 2020-21 was due to be approved at the Audit Committee in March but the meeting was cancelled. The plan is currently under review to take into account the changing risks being faced by the Council and a revised plan will be presented to the Committee at a future meeting. In the meantime, the Team has moved to support the verification of Business Rates Grants and will also review changes to working practices during the current homeworking period for most employees as well as supporting and reviewing new processes that are being established for future working.
- 5.6 Due to the cancellation of the meeting in March, the Quarter 3 report was not presented to Committee and the significant findings from the audits issued in Quarter 3 are reported alongside those for Quarter 4 and these are attached as Appendix 1 for information.
- 5.7 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 3 and 4 Audits

Appendix 2 - Internal Audit Annual Report for 2019-20









ITEM NO. 4.

Summary of Significant Findings for Audits Issued in Quarter 3

Audit Reports Issued in Quarter 3

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Management of Parks & Open Spaces	Environment & Healthy Lifestyles	Final	4	Limited 	The main weakness was around the lack of completion of Lone Worker Risk Assessments for the team. In addition weaknesses were found in relation to <ul style="list-style-type: none"> the recording of the cost of repairs in relation to playground equipment was not recorded to allow monitoring/management overview resilience of the service due to reliance on one employee for repairs lack of verification of driving licences etc for employees who drive their own vehicles lack of detailed inventory records of tools and equipment held by the service.
Housing Social Alarms Arrangements	Housing & Partnerships	Final	5	Partial 	<ul style="list-style-type: none"> The contract for the service needs to be finalised and signed. The Council had a stock of items bought in bulk 5 years ago but needs to review the appropriateness and future needs of the service to determine what technology should be used in the future. Arrangements for the future service provision need to be considered either an extension of the current contract or re-tender by the summer of 2020. Contract monitoring arrangements need to be formalised Personal information held by the supplier needs to be regularly reviewed for accuracy.
Private Sector Housing Grants	Environment & Healthy Lifestyles	Final	3	Partial 	<ul style="list-style-type: none"> The Housing Assistance policy needs to be updated to take into account the Regulatory Reform Order. Variations to costs of building work included in the grant should be appropriately documented and approved Procurement advice should be sought regarding the arrangements for the procurement of contractors for disabled adaptations.





Audit Follow-ups Completed in Quarter 3

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Partnerships & CCTV	Housing & Partnerships	Partial 	4	3	0	7	Partial 	<ul style="list-style-type: none"> A Partnership Risk Register had not been finalised at the time of the follow-up Policies and operating procedures for CCTV had also not been finalised Business Continuity Plans need to be written following the relocation of the CCTV control room.
Information Governance	Governance & Corporate Services	Partial 	4	5	0	9	Partial 	<ul style="list-style-type: none"> A draft Information Governance Framework has been produced but this had not been finalised and issued at the time of the follow-up Role descriptions and training need to be finalised for the Senior Information Risk Owner. A review of the Publication Scheme still needs to be completed. Protective Marking for documents needs to be introduced.
Housing Rents	Housing & Partnerships	Partial 	4	1	0	1	Partial 	Work is still required to ensure automatic triggers within the Northgate System are used effectively to reduce the amount of manual intervention required in the management of arrears. This should include the use of aged debt reports.
Public Relations & Communications	Governance & Corporate Services	Partial 	2	0	0	2	Substantial 	

Summary of Significant Findings for Audits Issued in Quarter 4







Audit Reports Issued in Quarter 4



Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Utilities Management	Economic Prosperity	6	Limited !	<p>The Limited Assurance is due to:</p> <ul style="list-style-type: none"> • The Asset Management and Energy Strategy is out of date and needs reviewing. • There are no documented operational procedures in place. • There are no targets set for the reduction of utility usage because this will be part of the Asset Management and Energy Strategy. • There is no action plan encompassing targets for energy consumption and reduction. • There are no Performance reports made to Leadership Team and Council to monitor targets and assist in decision making on Climate Change issues. There are no performance reports made to employees to create an awareness of the utility usage of the Council and encourage good practice to reduce utility usage. • Utility cost reduction alternatives have not been identified, evaluated recorded and implemented.
IT Disaster Recovery and Back up management	Technology★	5	Limited !	<p>The Limited Assurance is due to:</p> <ul style="list-style-type: none"> • The failure to identify the critical services which would need to be restored as a priority or establish timescales for this to be completed. • A lack of testing of the Disaster Recovery Plans in full • A need to update the Disaster Recovery Policy as it has not been reviewed since 2012. The contents no longer fully reflect the back-up solutions now in use and support this with detailed plan and operational procedures. • Senior Management have not set acceptable tolerances for downtime of critical systems. • Key personnel in the Technology Section not being aware of the disaster recovery policies and procedures.

Audit	Head of Service	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Public Buildings/ Facilities Management	Economic Prosperity	3	Partial 	<ul style="list-style-type: none"> • There is a need to retender most of the contracts in place for repairs and maintenance. • Most processes do not have procedure notes in place despite the team being small and most roles being single person specialisms. • There is a lack of formal inspection reports • There is a lack of a planned/programmed maintenance regime.
Payment Card Industry Data Security Standard Compliance	Financial Management /Technology★	3	Partial 	<ul style="list-style-type: none"> • Some work is still required to ensure all methods of card payment have been reviewed and are compliant. • A timetable for the Annual Compliance Review should be produced to ensure it is completed and covers all relevant areas. • Internal & External penetration testing was carried out annually and not quarterly as required by the standards
Safeguarding Children & Vulnerable Adults	Housing & Partnerships	4	Partial 	<ul style="list-style-type: none"> • There is a need to develop a full training package for staff based on roles and responsibilities in addition to the high level online training used. • Staff dealing with safeguarding matters had not all completed the latest corporate Data Protection/GDPR training. • There is a need to review and update the existing CRB policy to reflect the current DBS process.
Housing Properties Safety & Compliance Procedures	Housing & Partnerships	3	Partial 	<ul style="list-style-type: none"> • Fire Alarm testing was not carried out weekly at all of the communal flats. • Fire risk assessments for the communal flats had not been reviewed since 2017. • There is no central record of compliance checks which have been undertaken to evidence all relevant checks have been carried out.

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

Audit Follow-ups Completed in Quarters 4

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Property Management (2 nd Follow-up)	Economic Prosperity	Partial 	0	9	0	9	Partial 	Delays in the recruitment of the Strategic Asset Manager have led to most of the actions not being fully implemented at the time of this 2 nd Follow-up. But actions are now in progress particularly around the implementation of a Property Database and development of an Asset Management Strategy.
Lease Holder Recharges	Housing & Partnerships	Partial 	0	6	0	6	Partial 	Progress has been made in the production of procedure notes. Work has stalled on the development of a centralised record of Leaseholder information which means several departments still retain their own lists which can have differences. Work is still ongoing in terms of the billing situation to see if efficiencies can be gained.
Homelessness Provisions & Housing Options Team	Housing & Partnerships	Partial 	0	1	0	1	Partial 	Work has commenced on the development of operational procedure notes but these have not yet been completed.

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Fleet Management & Vehicle Workshop	Environment & Healthy Lifestyles	Partial 	1	8	0	9	Partial 	<ul style="list-style-type: none"> • A corporate Fleet Management Group has been established with relevant managers. This has started work on producing Fleet Management Policies and driving guidance but these have not yet been finalised. • Procedures for the Garage Workshop are also under development. • Work has commenced on the market testing of suppliers across the workshop operation. • Work is ongoing with Finance to streamline the payment processes for Road Tax etc.

Cannock Chase District Council Internal Audit Annual Report 2019-20

June 2020



working together

CONTENTS

Section		Page
1	Introduction	2
2	Review of Control Environment	4
3	Significant Issues Arising 2019-20	5
4	Audit Performance	7
5	Fraud & Irregularity Work	7
 Appendix		
	Audits Planned and Completed in 2019-20 by Classification:-	
1a	No Assurance	9
1b	Limited	10
1c	Partial	11
1d	Substantial	12
2	Follow-Ups	13
3	Improvement Plan for Internal Audit	15

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 2019-20. 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.

Requirement for Internal Audit

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

Review of Internal Audit

- 1.7 A review of the Internal Audit has been undertaken within the year as part of the Quality Assurance and Improvement Programme as required by the Public Sector Internal Audit Standards.
- 1.8 There were two key elements to the review this year:-
- i. the Chief Internal Auditor has conducted a self-assessment of the section in relation to compliance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN); and
 - ii. reference to the External Quality Assessment (EQA) carried out by Cipfa in November 2016. The outcome of this review was presented to the Audit Committee in March 2017. The next EQA is due to be completed in 2021.
- 1.9 The review concluded that Internal Audit is effective and conforms sufficiently with the requirements of PSIAS/LGAN to ensure that the opinion given in this Annual Report can be relied upon for assurance purposes. Where actions have been identified these are attached in Appendix 3 at the end of this report.
- 1.10 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”.
- 1.11 This is not a common practice in Local Government where Members do not routinely get involved in detailed employment matters. It is felt that sufficient other safeguards to the independence of Internal Audit are currently in place within the Council such as allowing the Chief Internal Auditor the unfettered right of access to the Audit Committee Chair and Chief Executive to raise any concerns. It is therefore felt that this area of non-conformance does not compromise the effectiveness of Internal Audit although PSIAS/LGAN requires it to be disclosed in the Annual Audit Report.

- 1.12 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”.
- 1.13 In order to ensure the quality of each audit, the Senior Auditor, the Principal Auditor or the Chief Internal Auditor carries out a file review for each audit prior to the reports being issued. The Chief Internal Auditor also reviews and signs-off every report before it is issued. These processes form part of the internal quality assurance process and helps to provide a consistent approach between the auditors.

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 2019-20 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;”

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

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 Four systems have been given limited assurance:

- (i) Utilities Management;
- (ii) Management of Parks & Open Spaces;
- (iii) Housing Application (Northgate): and
- (iv) IT Disaster Recovery & Back up Management .

Although there are gaps and weaknesses in the controls in these areas, no material discrepancies have been found and as such it is considered that they are not a significant governance issue at this stage. Nonetheless, it is essential that the deficiencies in these systems are addressed in order to prevent future material discrepancies.

2.8 During March 2020 we saw a large scale move to homeworking due to the Coronavirus pandemic. This has led to a rapid revision of some key processes especially where we were reliant on physical signatures as part of the process e.g. Creditor Payments, HR processes as well as the rapid introduction of new processes such as the Community Hub and Business Grants. Internal Audit has been involved on advising on some of these processes but has not had the opportunity to review them fully to confirm their operation. This is not considered to be a significant issue for the 2019-20 Financial Year but it is likely to have a more significant impact in relation to the 2020-21 year; Internal Audit plans to review these areas in more detail in the coming year.

2.9 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

3. SIGNIFICANT ISSUES ARISING 2019-20

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

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

	Assurance				
	Substantial	Partial	Limited	No Assurance	No Opinion
Number of Audits	6	11	4	0	3
For further information	See Appendix 1d	See Appendix 1c	See Appendix 1b	See Appendix 1a	See paragraph 3.3

3.3 Three areas were reviewed but the nature and depth of the work meant that it was not appropriate to issue a formal opinion on the level of assurance although where necessary recommendations have been made. The areas were:

- (i) Health & Wellbeing Major Projects;
- (ii) New Social Housing Building Schemes; and
- (iii) Pensions Assurance for the County

3.4 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 2019-20.

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

3.6 Follow-ups were completed for 13 areas (2 areas were followed-up twice in the year). At the end of the year -

- 2 areas had improved from Partial to Substantial
- 11 areas remained Partial Assurance.

3.7 In total 82 recommendations were followed-up of which:

- 29 recommendations (35%) had been implemented;
- 51 recommendations (62%) were in progress at the time of the follow-up; and
- 2 recommendations had not been implemented at least partially at the time of follow-up.

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

4 AUDIT PERFORMANCE

4.1 The table below indicates the Section's performance against the audit plan for 2019-20. Performance in the last quarter of the 2019-20 Audit year was adversely affected by the COVID-19 pandemic which saw major disruption to the operation of the Council in March; this meant that it was not possible to complete all of the work in progress. In addition recruitment to the Internal Audit Apprentice position also took longer than anticipated which meant that a number of audits had to be deferred.

	2019-20				2018-19
	Planned	Actual	Actual %	Target %	Actual
Original Plan	26	24	92%	90%	81%

4.2 Twenty four audits were completed in the year out of the twenty six planned for in the original 2019-20 Audit Plan. Six audits had commenced but not been completed by the end of the year. These are:

- Sundry Debtors;
- Building Control & Inspection;
- Land charges;
- Housing Property Services;
- IT Capacity Management & Resilience; and
- Critical Information Systems not supported by IT/Corporate Department.

4.3 Included in the completed audits figure above are five audits which were originally part of the 2018-19 audit plan but were not completed in that year. The audits completed this year from the 2018-19 Audit Plan were:

- Payment Card Industry Data Security Standard Compliance;
- Mobile Devices;
- IT Strategy;
- Housing Application (Northgate); and
- IT Project Management

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

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.

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 District Council.
- 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 2019-20 matches which were released in January 2019 and have been reviewed. No significant issues were identified.

Appendix 1a

Audits Planned and Completed in 2019-20 by Assurance LevelNo Assurance**Definition**

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

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

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

Appendix 1b

Limited Assurance Audits**Definition**

One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 9 or higher.

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

Audit Area	Service Lead Officer	No of Recommendations
Utilities Management	Economic Prosperity	6
Management of Parks & Open Spaces	Environment & Healthy Lifestyles	4
Housing Application (Northgate)	Housing & Partnerships	3
IT Disaster Recovery and Back up management	Technology★	5

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

Appendix 1c

Partial Assurance Audits**Definition**

One or more Medium (Amber) risks are lacking appropriate controls and/or controls are not operating effectively to manage the risks. The residual risk score for the affected Medium risks are 6 or below. Prompt action is required by management to address the weaknesses identified in accordance with the agreed action plan.

Audit Area	Service Lead Officer	No of High/Medium Recommendations
Public Buildings/ Facilities Management	Economic Prosperity	3
Private Sector Housing Grants	Environment & Healthy Lifestyles	4
Countryside Management & Rangers Service	Environment & Healthy Lifestyles	3
Housing Benefits Overpayment Team	Financial Management	1
Payment Card Industry Data Security Standard Compliance	Financial Management /Technology★	2
Safeguarding Children & Vulnerable Adults	Housing & Partnerships	4
Housing Social Alarms Arrangements	Housing & Partnerships	5
Housing Properties Safety & Compliance Procedures	Housing & Partnerships	3
Mobile Devices	Technology★	6
IT Strategy	Technology★	2
IT Project Management	Technology★	6

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

Appendix 1d

Substantial Assurance Audits**Definition**

All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively.



















No action is required by management.

Audit Area	Service Lead Officer
Town Centre Management & Development	Economic Prosperity
Economic Development & Tourism	Economic Prosperity
Housing Benefits	Financial Management
Council Tax	Financial Management
National Non-Domestic Rates	Financial Management
Payroll	Human Resources★













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

Appendix 2

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

Audit	Head of 'Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance
			Implemented	In Progress	Not Implemented	Total	
Property Management	Economic Prosperity	Partial 	0	9	0	9	Partial 
Street Cleansing	Environment & Healthy Lifestyles	Partial 	3	4	1	8	Partial 
Miscellaneous Engineering Functions	Environment & Healthy Lifestyles	Partial 	2	2	0	4	Partial 
Fleet Management & Vehicle Workshop	Environment & Healthy Lifestyles	Partial 	1	8	0	9	Partial 
Information Governance	Governance	Partial 	4	5	0	9	Partial 
Public Relations & Marketing (1 st Follow-up)	Governance	Partial 	1	2	0	3	Partial 
Stores Function	Housing & Partnerships	Partial 	5	4	0	9	Partial 
Homelessness Provisions & Housing Options Team	Housing & Partnerships	Partial 	1	1	0	2	Partial 
Lease Holder Recharges (1 st Follow-up)	Housing & Partnerships	Partial 	0	5	1	6	Partial 

INTERNAL AUDIT – ANNUAL REPORT 2019-20

Audit	Head of 'Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance
			Implemented	In Progress	Not Implemented	Total	
Lease Holder Recharges (2 nd Follow-up)	Housing & Partnerships	Partial 	0	6	0	6	Partial 
Partnerships & CCTV	Housing & Partnerships	Partial 	4	3	0	7	Partial 
Rent Debit, Collection & Arrears	Housing & Partnerships	Partial 	4	1	0	5	Partial 
Homelessness Provisions & Housing Options Team	Housing & Partnerships	Partial 	0	1	0	1	Partial 
Insurance	Governance	Partial 	2	0	0	2	Substantial 
Public Relations & Marketing (2 nd Follow-up)	Governance	Partial 	2	0	0	2	Substantial 

Appendix 3

IMPROVEMENT PLAN FOR INTERNAL AUDIT – 2020-21

Source	Actions	Person Responsible for Implementation	Timescale
Annual Review	Internal Audit will review working paper design and use of technology to move closer to having a totally electronic audit file.	Chief Internal Auditor & Risk Manager	Jan 2021
Annual Review	Internal Audit will look at progressing some mapping of Assurance provided by others and how this can be taken into account	Chief Internal Auditor & Risk Manager	March 2021
Annual Review	Internal Audit will continue to explore ways of utilise Computer Assisted Audit Techniques into their work	Chief Internal Auditor & Risk Manager	March 2021

Report of:	Head of Governance & Corporate Services
Contact Officer:	Judith Aupers
Telephone No:	01543 464411
Portfolio Leader:	Corporate Improvement
Key Decision:	No
Report Track:	Audit & Gov Cttee: 29/06/20 Cabinet: 16/06/20

AUDIT & GOVERNANCE COMMITTEE

29 JUNE 2020

STRATEGIC RISK REGISTER

1 Purpose of Report

- 1.1 To set out details of the Council's Strategic Risk Register as at 31 May 2020.

2 Recommendations

- 2.1 That the Committee notes the draft strategic risk register and considers the progress made in the identification and management of the strategic risks.

3 Key Issues and Reasons for Recommendation

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

Risk Colour	Number of Risks at 30 September 2019	Number of Risks at 31 May 2020
Red	1	4
Amber	4	3
Green	0	0
TOTAL	5	7

- 3.2 Although the Strategic Risk Register has been reviewed, it has not yet been formally approved by the Cabinet and could be subject to change. The Register has however been brought to the Audit & Governance Committee as it supports the Annual Governance Statement.

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 are those that could have a significant impact on the Council's ability to deliver its Corporate Priorities and Objectives.
- 5.4 A fundamental review of the strategic risks/opportunities facing the Council has been undertaken to take account of the impact that the pandemic and the lockdown arrangements are having . The risks have been scored and action plans put in place to ensure that they are managed effectively. A summary of the Council's strategic risk register as at 31 May 2020 is attached as **Appendix 1**.
- 5.5 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)

5.6 The number of strategic risks has increased from 5 to 7 and the key changes are summarised below:

- One risk has been deleted (risk 16) as the impact of the reform of Benefit payments has now stabilised;
- Three new risks related to the impact of the pandemic have been added;
- Four risks have been re-framed to reflect the effects of the pandemic.

5.7 The number of risks which have been scored as high (Red) has increased from one to four as a result of the pandemic and the lockdown arrangements:

- The Council's financial stability is adversely affected in the short and medium term (previously red risk);
- The economy of the District is adversely impacted;
- The Council's key contractors remain sustainable and continue to provide value for money; and
- The Council doesn't have sufficient officer capacity or financial resources to sustain delivery of essential services, key projects and support work on recovery.

5.8 The detailed actions plans for each risk are set out in the full strategic risk register attached at **Appendix 2**. This includes a progress update. The action plans are closely aligned to the Council's Recovery plans and will be kept under review.

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**

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

Appendix 1 – Summary of Strategic Risks – 31 May 2020

Appendix 2 – Strategic Risk Register – 31 May 2020

Previous Consideration

None

Background Papers

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

Cannock Chase CouncilSummary of Strategic Risk Register as at May 2020

Risk No	Potential Risks	Risk Owner	Date Added to Register	Residual Risk Score at Sept 2019	Residual Risk Score at May 2020	Direction of Travel over period reported
RED RISKS						
C1	The Council's financial stability is adversely affected in the short and medium term (Re-worded – previously risk reference 18)	Head of Finance	May 2020	12 RED	20 RED	↑
C2	The economy of the District is adversely impacted (Re-worded – previously risk reference 25)	Head of Economic Prosperity	May 2020	9 AMBER	20 RED	↑
C4	The Council's key contractors remain sustainable and continue to provide value for money (New Risk)	Head of Environment & Healthy Lifestyles	May 2020	N/A	15 RED	
C5	The Council doesn't have sufficient officer capacity or financial resources to sustain delivery of essential services, key projects and support work on recovery (Re-worded – previously risk reference 19)	Managing Director	May 2020	9 AMBER	15 RED	↑
AMBER RISKS						
C7	Failure to put in place safe working practices and social distancing measures to protect employees and the public (New Risk)	Head of Governance & Corporate Services	May 2020	N/A	10 AMBER	
C3	Failure to work in partnership to sustain support to vulnerable residents post Covid-19 (New Risk)	Head of Housing & Partnerships	May 2020	N/A	9 AMBER	

Risk No	Potential Risks	Risk Owner	Date Added to Register	Residual Risk Score at Sept 2019	Residual Risk Score at May 2020	Direction of Travel over period reported
C6	Failure to repel or recover from a Cyber-attack including targeted ransomware, malware and Distributed Denial of Service (DDoS) attacks. The move to home working has increased the vulnerability to malware issues. Re-worded – previously risk reference 23)	Head of Technology	May 2020	9 AMBER	9 AMBER	↔

DELETED RISKS

Risk No	Potential Risks	Risk Owner	Date Added to Register	Score at Sept 2019	Score at May 2020	Direction of Travel over period reported
16	Impact of Welfare Benefit Reform	Heads of Finance and Housing & Partnerships	April 2013	9 AMBER	2 GREEN	↓

Key to Direction of Travel

Risk has decreased



Risk level unchanged



Risk has increased

Cannock Chase District Council – Strategic Risk Register as at 31 May 2020

Ref No: C1	Risk: The Council’s financial stability is adversely affected in the short and medium term		
Risk Owner: Head of Finance	Portfolio: The Leader		
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Unable to provide desired levels of service • Town Centre redevelopment proposals are impacted • Council size becomes too small to sustain a viable organisation 			
<p>Links To Priorities:</p> <ul style="list-style-type: none"> • Supporting Recovery – Financial work stream • Corporate PDP - Making the best use of limited resources – managing our people, money and assets 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 – RED
Residual/Net Risk Score (ie with controls)	Likelihood: 4	Impact: 3	Total Score: 20 - RED
<p>Controls in Place</p> <ul style="list-style-type: none"> • Medium term financial plan in place • Annual Financial Plan and Medium Term Financial Strategy to 2022/23 in place • The Revenue Budget for 2020/21 and indicative budgets for 2021/22 are effectively balanced with a deficit of £584,000 for 2022/23. • Working Balances maintained • Comprehensive Service Review being undertaken to re-align resources to Corporate Plan • Corporate Budget Monitoring • Evaluation of consultations on changes to government funding regimes 			

Actions Planned	Timescale/ Person Responsible	Progress/Comments
<p>Determine a Financial Recovery Strategy</p> <ul style="list-style-type: none"> • Establish Recovery work stream • Agree Terms of Reference • Determine work programme 	<p>Managing Director/ Head of Finance</p>	<p>Terms of Reference drafted</p>

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Monitor Financial Impact of COVID-19	Head of Finance	
Implement Interim Financial strategy	Head of Finance	
Update Financial Plan in relation to the deferment of 75% Business Rates Retention and Fair Funding by a year	Head of Finance	
Refresh Medium Term Financial Plan based upon alternative scenarios of short /medium and long term impact of in relation to external funding sources	Head of Finance	
Lobby MHCLG via MP/DCN and LGA re financial impact of COVID 19 on SBC	Managing Director/ Head of Finance	Ongoing contact with M.P.s, DCN, West Midland Chief Executives, LGA and directly with ministers.
Determine feasibility of extending Business Rates Pool into 2021/22 Monitor impact of COVID-2019 on pool by authority on a month by month basis Liaise with S& SoT Business Rate Pool Members re options to maintain viable pool for 2021/2022 Prepare options report to Leaders and Chief executives	Head of Finance	
Determine impact of Government proposals for key funding regime changes for 2022/23	Head of Finance	
Programme of service reviews to be undertaken to ensure that resources are aligned to the Council's priorities and are operating as efficiently as they can be		

Overall Progress Summary:

Impact of COVID-19 on CCDC for 2020-21 is estimated to be £2.7 million with Government support to date only amounting to £1.1 million.

Medium Term impact cannot be determined at this stage however fundamental changes to Government Funding notably the implementation of 75% Business Rates Retention and Fair Funding and Business Rates Reset have been postponed to 2022/23

Details of whether Business Rates Reset will now take place and reforms to New Homes bonus are still awaited.

Ref No: C2	Risk: The economy of the District is adversely impacted		
Risk Owner: Head of Economic Prosperity	Portfolio: Economic Development & Planning		
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Increase in numbers of resident unemployed and economically inactive • Business failures and associated job losses • Reduced growth and prosperity for local residents • Decline of town centres / impact on major redevelopment proposals • NNDR / Council Tax Income does not grow 			
<p>Links To Priorities:</p> <ul style="list-style-type: none"> • Supporting Recovery – Economic work stream • Promoting Prosperity 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Residual/Net Risk Score (ie with controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
<p>Controls in Place</p> <ul style="list-style-type: none"> • Economic Prosperity Strategy • Economic Recovery Plan • Cannock Town Centre Development Prospectus • The Local Plan Review to identify future development opportunities • Proactive work with GBSLEP/West Midlands Combined Authority • Business Relationships work/promoting the District via the Economic Development functio 			

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Local implementation of national support measures: business rates holidays, Retail & Hospitality Grants, Small Business Grants, Discretionary Grants.	Head of Finance / Head of Economic Prosperity	Significant progress made in distributing business support grants with 90% of funding distributed to local businesses. Discretionary Fund to be launched June 2020.
Produce an Economic Recovery Plan	Head of Economic Prosperity	Terms of reference for Economic Recovery work stream drafted
Refresh the Economic Prosperity Strategy to take account of changing economic environment	Head of Economic Prosperity	
Revisit regeneration proposals for Cannock Town Centre in light of change to economic climate and reduced investor/developer confidence.	Head of Economic Prosperity	Forms part of the Economic Recovery work stream.
Pro-actively work with WMCA, GBSLEP to promote the District and identify opportunities for growth during recovery phase	Head of Economic Prosperity	The Council continues to actively participate in the GBSLEP and Combined Authority and both organisations are leading on the region's response to economic recovery.
Revised Local Plan to be produced and delivered	Head of Economic Prosperity	Local Plan Review underway; the preferred option stage of the plan is due to go out to consultation later in 2020 but may be delayed due to COVID-19.

Overall Progress Summary: #

The District's economy is highly likely to be severely impacted by the COVID-19 pandemic and lockdown and this will lead to a reduction in investment, closure of businesses and an increase in unemployment. The Council will need to develop an economic recovery plan to set out how the Council can support the economy, help businesses to survive and to support new businesses to start-up. Major investments such as the McArthurGlen Designer Outlet and Rugeley Power Station continue to be absolutely critical in supporting the prosperity and growth of the District.

Ref No: C3	Risk: Failure to work in partnership to sustain support to vulnerable residents post Covid-19		
Risk Owner: Head of Housing & Partnerships		Portfolio: Crime and Partnerships	
<p>Consequences Of Risk: Vulnerable people at risk of not receiving help and support therefore increasing issues such as:</p> <ul style="list-style-type: none"> • Rough Sleepers displaced • Increased Reliance on Food Banks • Distribution of emergency food supplies • Increased Social Isolation • Increased number of Safeguarding Referrals • Increases in criminality – distraction burglary; cyber crime; county lines etc. • Increased incidents of anti social behaviour • Increased number of Domestic Abuse Incidents • Community Unrest & Tensions 			
<p>Links To Priorities:</p> <ul style="list-style-type: none"> • Supporting Recovery – Community work stream • Improving Community Wellbeing 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 RED
Residual/Net Risk Score (ie with controls)	Likelihood: 3	Impact: 3	Total Score: 9 AMBER
<p>Controls in Place</p> <ul style="list-style-type: none"> • Community Vulnerability Hub Established • Weekly Community Safety Hub • Housing First Project with Spring Housing • Frequent Meetings with Food Banks & Voluntary Sector • Centralised Emergency Food Supply • Daily management of safeguarding referrals for both adults and children • Weekly multi agency Community Safety Hub meetings – proactive problem solving • Weekly threat and risk Community Safety and Police meeting – managing threat and risk to district (people / place / Covid–19 breaches) • Development of a weekly MARAC (Multi Agency Risk Assessment Conference) regarding high risk Domestic Violence cases • Community Wellbeing Partnership in place that can escalate any issues to Local Strategic Partnership • Commissioned services in place to support with mental health and substance misuse, antisocial behaviour and domestic abuse. • Representation at County, Regional and National level multi-agency partnership meetings • Evictions currently suspended 			

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Group being set up to support the Community Recovery work stream – this will look at: <ul style="list-style-type: none"> • Lessons learnt • How the level of support can be sustained going forward • Planning for the future and development of an action plan 	Head of Housing & Partnerships	
Extend commissioned services that provide lower level support to individuals experiencing drugs and alcohol use and mental health; outreach support for anti-social behaviour; and sanctuary provision for domestic abuse	Head of Housing & Partnerships	
Supporting Vulnerable Residents – Follow up telephone calls	Head of Housing & Partnerships – May to June 2020	400+ calls completed (28.05.2020)
Housing 1 st Project – Secure permanent accommodation for the Rough Sleepers	Strategic Tenancy Services Manager	2 Year Contract Awarded to Spring Housing – accommodation secured for 3 Rough Sleepers (01.06.2020)
To maximise the benefit of any legacy from the increase in voluntary activity in the local community	Head of Housing & Partnerships	On-going meetings scheduled – work with Support Staffordshire on social prescribing
Work in conjunction with Inspiring Healthy Lifestyles to support individuals and communities to mitigate the impact of Covid-19 on health and well being	Head of Environment	On-going – family activity packs have been delivered to households
Further Development of the MARAC	On-Going (PCSCCTV Manager) Staffordshire Police	The Community Safety Team (CST) continue preparatory work around the new weekly local MARAC - an area of business which will become key as the lockdown starts to ease and the level of hidden domestic abuse becomes more apparent

<p>Establishing a strong link with the Community Vulnerability Hub</p>	<p>On-Going (PCSCCTV Manager)</p>	<p>CST will be the point of contact for any officers making safe and well calls where they feel that there may be a safeguarding concern. The CST will do the necessary re safeguarding be it a referral to the Community Safety Hub or signposting to safeguarding services.</p>
--	---------------------------------------	---

Overall Progress Summary:

The Community Vulnerability Hub was established within days of the lockdown. Through Support Staffordshire links with the voluntary sector have been strengthened and residents have been supported with emergency food parcels. 11 Rough Sleepers have been rehoused in hotel accommodation during the pandemic and on-going support is in place to support the Rough Sleepers into permanent accommodation. The Council have sent 4,800 letters to vulnerable residents and this is being followed up with telephone calls to residents who have not made contact.

Throughout the transition period, Community Safety Hub (CSH) attendance has remained strong, with all key stakeholders (Police, Fire and Rescue, Adult Social Care etc.) dialling in. Recent weeks have also seen several other partners embracing the change, thus bringing attendance in line with pre-'lockdown' levels.

ITEM NO. 5.

Ref No: C4	Risk: The Council's key contractors remain sustainable and continue to provide value for money		
Risk Owner: Head of Environment & Healthy Lifestyles		Portfolio: Culture & Sport and Environment	
Consequences Of Risk: <ul style="list-style-type: none"> • Potential for an individual contract failure resulting in a service not being delivered • Reputational damage and complaints • Financial loss 			
Links To Priorities: <ul style="list-style-type: none"> • Supporting Recovery – Organisational work stream 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 RED
Residual/Net Risk Score (ie with controls)	Likelihood: 3	Impact: 5	Total Score: 15 RED
Controls in Place <ul style="list-style-type: none"> • Regular contact with key personnel for each contractor • Contract management • Any key issues are discussed with Leadership Team and Members as appropriate • Discussions with other authorities who have the same or similar contracts 			

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Service delivery of key contracts is being monitored and managed	Head of Environment & Healthy Lifestyles Waste & Engineering Services Manager Ongoing during response and recovery as required	Regular contact is being maintained with contractors to resolve any issues

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Financial assistance to be provided where appropriate to support key contractors	Head of Finance Head of Environment & Healthy Lifestyles Ongoing during response and recovery as required	Payments being made in advance to assist with cash flow and 20% top up agreed by Cabinet for furloughed staff up until the end of June 2020.
Contact with other Councils, Local Government Association and Sport England	Heads of Service Contracts and Procurement Manager Ongoing during response and recovery as required	Contact is being maintained with other Councils that have the same type of contracts and or contractors to share information on issues and support provided Interest logged on 10 th April with Sport England to receive any available support/consultancy to ensure that Council's, Leisure Trusts and Operators survive this period of uncertainty.
Lobbying of Ministry of Housing, Communities and Local Government (MHCLG) via Members of Parliament, District Council Network and Local Government Association re financial impact of COVID 19 on CCDC	Managing Director Head of Finance Ongoing during response and recovery as required	Information provided regarding the financial impact of COVID-19 on contracted services
Monitoring Government guidance on COVID-19 on services that can be delivered as lockdown is eased	Heads of Service Service Managers Contracts and	Recovery plans being developed by Contractors in consultation with the Council to respond to further lifting of restrictions. Golf course re-opened 23 May 2020.

Overall Progress Summary:

Regular contact is being maintained with the Council's key contractors. Recovery plans are being developed by Contractors, in consultation with the Council, to respond to further lifting of restrictions and re-instate services where possible.

Management of this risk is largely outside the control of the Council as it is a national issue and depends on the Government's plans for easing lockdown and support to businesses. However, the Council is working with its contractors to support them during lockdown and in implementing their recovery plans.

Ref No: C5	Risk: The Council doesn't have sufficient officer capacity or financial resources to sustain delivery of essential services, new Covid19 Government policies, key projects and support work on recovery		
Risk Owner: Managing Director		Portfolio: The Leader	
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • The Council's response during a declared Major Incident is not effective; • Services and projects are not delivered and this impacts on residents / the public; • The requirements of any new Covid19 related Government policies not implemented effectively; • Employees wellbeing affected, increase in absence due to stress 			
<p>Links To Priorities:</p> <ul style="list-style-type: none"> • Supporting Recovery – economic, organisational, community work streams • All Council Priorities 			
Gross Risk Score (i.e. without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Residual/Net Risk Score (i.e. with controls)	Likelihood: 3	Impact: 5	Total Score: 15 - RED
<p>Controls in Place</p> <ul style="list-style-type: none"> • Regular assessment of implications of Government / MHCLG Covid19 related policy announcements as set out in Coronavirus Bulletins and Ministerial Letters for action. • Additional funding secured for Covid19 related policies e.g. Test and Trace, resettling rough sleepers etc. • Suspension of lower priority activities, meetings and projects. • Management capacity issues are monitored by Leadership Team; officer time reallocated to more important duties as required e.g. Vulnerability Hub. Day to day operational capacity issues addressed by managers e.g. sickness absence. • Regular monitoring of priorities • Provision of support to employees especially as majority remain working remotely. 			

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Regular assessment of implications of Government / MHCLG Covid19 related policy announcements as set out in Coronavirus Bulletins and Ministerial Letters for action	Leadership Team	This is an ongoing daily activity at the current time due to the volume of Government policy announcements.
Review of existing priorities and PDP's in light of Recovery Planning work	Leadership Team / Cabinet	This is in progress and will be reported to Recovery Overview Board and Cabinet
Review of essential services and operational work plans to re-prioritise work	Heads of Service	Ongoing
Where necessary, considering whether resources from other parts of the Council can be transferred for a period.	Leadership Team	Ongoing operational decisions

Overall Progress Summary:

The Council continues to respond to a declared Major Incident from March 2020 and this has had an immediate and direct impact on officer capacity as has the impact of Coronavirus on the workforce re remote working / self- isolating / cancellation of annual leave etc. It has placed considerable and continuing pressure on key service areas

Officer capacity has had to be prioritised to deliver an effective response to the Covid19 pandemic and this has meant the delivery of new programmes of work in compressed time periods e.g. business grant payments, supporting NHS Shielding / vulnerable people in the community with the voluntary sector, securing PPE, Test and Trace programme etc.

Work is in progress to review essential services to assess resilience over the next few months. Work has commenced on reviewing the Priority Delivery Plans for 2020/21 alongside the development of Covid19 Recovery work stream plans. At the current time, not all of the Council's PDP priorities can be taken forward due to the various and uncertain impacts of Covid19.

Ref No: C6	Risk: Failure to repel or recover from a Cyber-attack including targeted ransomware, malware and Distributed Denial of Service (DDoS) attacks. The move to home working has increased the vulnerability to malware issues.		
Risk Owner: Head of Technology	Portfolio: Corporate Improvement		
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Data, Systems and Applications inaccessible • Inability to deliver Council services • Cybercrime/ Fraud/ Ransom demands/ Financial harm • Reputational damage locally and nationally • Data Loss & breach of Data Protection Act (DPA) • Financial Loss 			
<p>Links To Priorities:</p> <ul style="list-style-type: none"> • Supporting Recovery – Organisational work stream 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 - RED
Residual/Net Risk Score (ie with controls)	Likelihood: 3	Impact: 3	Total Score: 9 - AMBER
<p>Controls in Place</p> <ul style="list-style-type: none"> • Information Risk Management Regime – Assess the risks to our information assets, effective governance structure, Leadership Team engagement with cyber risk, produce supporting information management policies. • Secure configuration – Corporate policies and processes to develop secure baseline builds • Network Security – Protection and secured perimeter of external security threats and untrusted networks • Managing user privileges – All users of ICT systems provided with privileges suitable for their role • User education and awareness – Security policies that describe acceptable and secure use of ICT assets • Incident management – Incident response and disaster recovery capabilities that address the full range of incidents that can occur • Malware prevention – Produce policies that directly address the business processes (such as email, web browsing, removable media and personally owned devices) • Monitoring – Established monitoring taking into account previous security incidents and attacks. Annual IT Health Check and penetration testing conducted by a Council of Registered Ethical Security Tester (CREST)/Communications-Electronics Security Group (CESEG) Listed Advisor Scheme (CLAS) - accredited Government Communication Headquarters (GCHQ) approved consultants. • Removable media controls – Produce removable media policies that control the use of removable media for the import and export of information • Home and mobile working – Assess the risks to all types of mobile working including remote working and develop appropriate security policies 			

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.
Monitoring – External and Internal checks. Threat and vulnerability assessment and remediation including Annual IT Health Check by CLAS approved consultant with remedial work carried out	Ongoing/ Head of Technology	Annual Health check completed in August 2019. Follow-up check is planned for August 2020.
Application Security Assessment and Remediation action taken	Annually Head of Technology	The healthcheck will produce an action plan to feed into this.
Limit the access to critical systems and data by non-corporate devices.	January 2021 Head of Technology	During 2020 we have been able to increase the number of corporate laptops that access the internal systems.
Exploring options to improve security for sharing information with external partners	Ongoing Head of Technology	Further use of Teams to provide secure access to data for our partners.
The move to home working has increased the vulnerability to malware issues. The use of cloud technology has reduced the likelihood due to the data being segregated across systems and devices.	On-going Head of Technology	Most of the email mailboxes are now held in the cloud. Data files will also be moved during 2021/22

Overall Progress Summary:

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

Ref No: C7	Risk: Failure to put in place safe working practices and social distancing measures to protect employees and the public		
Risk Owner: Head of Governance & Corporate Services	Portfolio: Corporate Improvement and Town Centre Regeneration		
<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> • Failure to meet health and safety standards could lead to prosecution. • Unable to restore some services. • Risk of infection to employees, partners/contractors in the workplace and the public • Employees refuse to return to work 			
<p>Links To Priorities:</p> <ul style="list-style-type: none"> • Supporting Recovery – Organisational work stream 			
Gross Risk Score (ie without controls)	Likelihood: 4	Impact: 5	Total Score: 20 RED
Residual/Net Risk Score (ie with controls)	Likelihood: 2	Impact: 5	Total Score: 10 AMBER
<p>Controls in Place</p> <ul style="list-style-type: none"> • Health & Safety Policies and Practices both existing and revised • Health & Safety controls (including risk assessment) in place in line with Government Guidance and best practice • Health & Safety Advice provided • Provision of Occupational Health advice as required • Promotion of wellbeing, signposting to information, mental health champions 			

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Organisational Recovery work stream to oversee the development of a co-ordinated approach to ensuring the safe return on employees to the workplace	Head of Governance & Corporate Services	Sub-Groups set up and initial meeting held.
Workplace risk assessments to be completed in line with HSE and Government Guidelines and action plans developed	Corporate Asset Manager	Workplace risk assessments are being prepared

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Role based risk assessments to be completed in line with HSE and Government Guidelines, employee guidance prepared and employees briefed before returning to work	Service Managers	Risk assessments and guidance being prepared
Continue to monitor and review guidance issued by Government and communicate to managers as required	Chief Internal Auditor & Risk Manager	
Consult with trade unions and employees as required to ensure a joined-up approach is agreed and accepted	Head of Governance & Corporate Services and HR Manager	
Risk assessments to be published on website		
Review content of Health & Well-being Strategy to take account of impact of COVID-19 on the workforce	HR Manager	

Overall Progress Summary:

Risk assessments were prepared at the outset of lockdown and are being updated to reflect the latest Government Guidance. Work commenced on workplace risk assessments. Initial meeting held with Trade Union reps. Guidance on PPE has been issued and reflected in risk assessments – to be reviewed and updated.

Report of:	Head of Governance & Corporate Services
Contact Officer:	Judith Aupers
Telephone No:	01543 464411
Key Decision:	No
Report Track:	Audit & Gov Cttee: 29/06/20

AUDIT & GOVERNANCE COMMITTEE
29 JUNE 2020
ANNUAL GOVERNANCE STATEMENT 2019-20

1 Purpose of Report

- 1.1 To set out the Council's Annual Governance Statement for the year 2019-20.

2 Recommendation

- 2.1 That the Committee approves of the Annual Governance Statement for 2019-20.

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 2019-20 (which is current up to June 2020) is attached as Appendix 1.
- 3.3 The draft AGS has been compiled by the Leadership Team. The AGS has been drafted using various sources of assurance which together form the review of the Council's governance arrangements. The key sources of assurance are:
- (i) assurances from Leadership Team;
 - (ii) assurances from the 3 statutory officers;
 - (iii) the risk management reports;
 - (iv) the annual internal audit report / opinion; and
 - (v) external assurance reports.

3.4 The review of the Council's governance arrangements has identified areas for improvement and these are set out in the action plan contained within the AGS at Appendix 1.

3.5 An update on the progress in actioning the issues from the 2018-19 AGS is attached at Appendix 2. In summary, of the 9 items:

- 5 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 not progressed.

In light of the coronavirus pandemic, the outstanding issues have been re-assessed to allow resources to be focussed on planning for recovery. The issues which remain a priority have been included in the AGS for action in 2020/21 and the remainder have been deferred for completion in 2021/22.

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 2019-20

Appendix 2: Progress Report for AGS 2018-19

Annex 1: Summary of Governance Framework

Background Papers –

Annual Internal Audit Report 2019-20
Strategic Risk Register

**CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2019-20**

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 2020 and up to the date of approval of the Annual Governance Statement.

2.4 At the point that the national lockdown came into effect, the Council had to make a number of changes to its normal governance arrangements. However, the modified arrangements have adequate controls in place and all urgent decisions are documented.

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 2019-20.
- 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, which are aligned to the Council's 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 2019-20 has been used to provide an independent view on the adequacy of the governance framework.

In the annual report to the Audit & Governance Committee, the Chief Internal Auditor has independently assessed the Council’s internal control environment and given a “**partial assurance**” opinion that the Council’s governance arrangements were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy. The Chief Internal Auditor has not identified any issues for inclusion in the Annual Governance Statement. Where deficiencies in internal control were identified during reviews, assurance was provided that these had been or would be resolved in an appropriate manner. Such cases will continue to be followed-up as part of the routine operation of the Internal Audit function.

4.8 **Risk Management** - during 2019-20 the Audit & Governance Committee received regular progress reports regarding the management of strategic risks. There are currently 4 red risks for inclusion as significant governance issues:

- The Council’s financial stability is adversely affected in the short and medium term;
- The economy of the District is adversely impacted;
- The Council’s key contractors remain sustainable and continue to provide value for money; and
- The Council doesn’t have sufficient officer capacity or financial resources to sustain delivery of essential services, key projects and support work on recovery

4.10 **Assurance from the Statutory Officers** - assurances have been sought, through discussions with 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:

- Planning for recovery for the District and the Council
- Financial pressures as a result of the pandemic;
- Capacity issues in trying to maintain the delivery of essential services and plan for recovery for the District; and
- The need to return to normal democratic processes.

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

- (i) Audit Findings (dated 29 July 2019 and reported to Audit & Governance Committee 29 July 2019); and
- (ii) Annual Audit Letter (dated 13 August 2019 and reported to Audit & Governance Committee 3 December 2019).

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** – due to the COVID-19 pandemic, it has not been practical to seek written assurance from Heads of Services. However, the Leadership Team has 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>Development of Recovery Strategy re Coronavirus Pandemic</p> <p>A Recovery Strategy is being prepared to deal with the effects of COVID-19 on the Borough. The strategy will focus on 4 key areas:</p> <ul style="list-style-type: none"> • Economic recovery; • Financial recovery; • Community recovery; and • Organisational recovery. 	Leadership Team	Ongoing
<p>Financial Stability</p> <p>The Council has incurred both additional expenditure and a material loss of income from fees and charges etc. Despite receiving some additional grant funding, the pandemic is likely to have a significant impact on the Council's finances both in the current year and for the foreseeable future particular as a result of the impact on the Local Economy. This compounds the ongoing financial uncertainty regarding the future funding regime for local government.</p> <p>This will be addressed by:</p> <ul style="list-style-type: none"> • Monitoring the Financial Impact of COVID-19; • Implementing an Interim Financial strategy; • Refreshing the Medium Term Financial Plan; and • Determining a Financial Recovery Strategy. 	Managing Director and Head of Finance	Ongoing

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>The Economy of the District</p> <p>The pandemic will have a considerable impact on the economy of the District and the Council's plans will need to be reviewed to reflect this. The key actions are:</p> <ul style="list-style-type: none"> • Produce an Economic Recovery Plan; • Refresh the Economic Prosperity Strategy to take account of changing economic environment; and • Pro-actively work with WMCA, GBSLEP to promote the District and identify opportunities for growth during recovery phase. 	Head of Economic Prosperity	
<p>The Council's Key Contractors</p> <p>The lockdown arrangements have resulted in uncertainty for the Council's key contractors and their ability to remain sustainable and continue to provide value for money.</p> <p>The Council is working to support them during lockdown, providing financial assistance and in implementing their recovery plans.</p>	Head of Environment & Healthy Lifestyles	Ongoing
<p>Officer Capacity & Financial Resources</p> <p>With the delivery of essential services, key projects and work on recovery resources are stretched. This is being managed through:</p> <ul style="list-style-type: none"> • Regular assessment of implications of Government / MHCLG Covid19 related policy announcements as set out in Coronavirus Bulletins and Ministerial Letters for action; • Review of existing priorities and PDP's in light of Recovery Planning work; and • Review of essential services and operational work plans to re-prioritise work. 	Managing Director	Ongoing

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>The return to normal democratic processes</p> <p>The lockdown affected the normal committee meeting cycle, with a number of meetings cancelled/postponed, and led to the introduction of virtual meetings.</p> <p>A settled calendar of meetings will be re-instated as lockdown is lifted. This includes consideration as to holding full Council meetings and supporting other functions such as Scrutiny.</p>	Head of Governance & Corporate Services	Ongoing
<p>Implications arising from EU Exit</p> <p>There is considerable uncertainty about the effect of Brexit on legislation as it affects the Council.</p> <p>The effects of Brexit on legislation and how it affects the Council will be monitored and appropriate action taken to ensure continuing compliance.</p>	All Heads of Service	Ongoing

- 6.2 There are a number of key governance issues outstanding from the 2018-19 Annual Governance Statement that have yet to be fully addressed. These have been re-assessed and a number of actions have been deferred until 2021-22 to allow resources to be focussed on planning for recovery from the effects of the pandemic. The issues which have been assessed as a priority have been included in the table at 6.1 and the remainder are set out in the table below.

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct has been completed. A revised Code has been agreed with Leadership Team. Managers and the Trade Unions need to be consulted before the Code is passed to Council for approval.</p> <p>The Code will be reviewed in light of the impact of COVID-19 to see if any changes need to be made before it is consulted on and passed to Council for approval.</p>	Head of Human Resources, Head of Law & Administration and Head of Governance & Corporate Services	2021/22

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Information Governance</p> <p>An Information Governance Framework has been drafted to complement the existing policy documents. The next stage is for this to be considered by Leadership Team.</p> <p>The revision of the Retention of Documents Schedule needs to be completed and employees made aware of it.</p>	Head of Governance & Corporate Services	2021/22
<p>Contracts Register</p> <p>Management of Contracts in particular ensuring adequate timeframe for re-letting of major contracts e.g. housing/leisure.</p> <p>Develop and maintain departmental contracts registers and procurement plans to support the timely planning for the procurement of contracts in future.</p>	Head of Governance & Corporate Services and Leadership Team	2021/22
<p>Effective management of Corporate Assets and compliance</p> <ul style="list-style-type: none"> • Ensure robust systems in place to secure compliance across full range of building related risk; • Review condition surveys for Council owned assets and identify a phased plan for maintenance / investment (linked to development of Asset Strategy / Plan below)Development of a new Asset Management Strategy / Plan. 	Head of Economic Prosperity and Corporate Assets Manager	2021/22

Signed:

.....
Chair of the Audit & Governance Committee

.....
Date

.....
Leader of the Council

.....
Date

.....
Managing Director




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Date


on behalf of Cannock Chase District Council




ITEM NO. 6.


**PROGRESS REPORT AS AT 31 MAY 2020
ON THE SIGNIFICANT GOVERNANCE ISSUES
FROM THE ANNUAL GOVERNANCE STATEMENT FOR 2018-19**


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



No.	Issue & Action	Timescale & Lead Officer	Progress/Comments	Status
1	<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct has been completed. The revised Code needs to be approved by Leadership Team and Council. Once approved, all employees will need to be made aware of the new Code of Conduct.</p>	<p>September 2019</p> <p>Head of Human Resources, Head of Law & Administration and Head of Governance & Corporate Services</p>	<p>The Code has been updated and approved by Leadership Team. Managers and the Trade Unions are to be consulted prior to formal approval by Council.</p>	

No.	Issue & Action	Timescale & Lead Officer	Progress/Comments	Status
2	<p>Information Governance</p> <p>(a) An Information Governance Framework needs to be developed to complement the existing policy documents.</p> <p>(b) The revision of the Retention of Documents Schedule needs to be completed and employees made aware of it.</p>	<p>January 2020</p> <p>October 2019</p> <p>Head of Governance & Corporate Services</p>	<p>A framework has been drafted and is being consulted upon prior to going to Leadership Team.</p> <p>The Retention of Documents Schedule is being reviewed as part of the data audit</p>	<p></p> <p></p>
3	<p>Contracts Register</p> <p>Management of Contracts in particular ensuring adequate timeframe for re-letting of major contracts e.g. housing/leisure. Develop and maintain departmental contracts registers and procurement plans to support the timely planning for the procurement of contracts in future.</p>	<p>January 2020</p> <p>Head of Governance & Corporate Services and Leadership Team</p>	<p>Progress on this has been delayed due to other work taking priority.</p>	<p></p>

No.	Issue & Action	Timescale & Lead Officer	Progress/Comments	Status
4	<p>Financial Stability</p> <p>The Approved Budget and Plan currently provides an ongoing balanced budget. This 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 which 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. Actions planned include:</p> <ul style="list-style-type: none"> • Robust Medium Term financial strategy to continue to take a pro-active approach to mitigate the effects of further financial reductions. • Increase level of reserves to manage potential risks. • Undertake a range of service reviews to identify savings and growth options. • Continue careful management of all Council's budgets and assets to maximise their impact. 	Ongoing Managing Director and Head of Finance	The Budget and 3 year Financial Plan was approved by Council in February 2020. However the impact of changes in the Local Government Funding regime is still unknown with its design ongoing and implementation deferred to 2021/22(now 2022/23). The Budgetary Issue has been further exacerbated by COVID-19 as reflected in the 2020/21 Governance Issues	

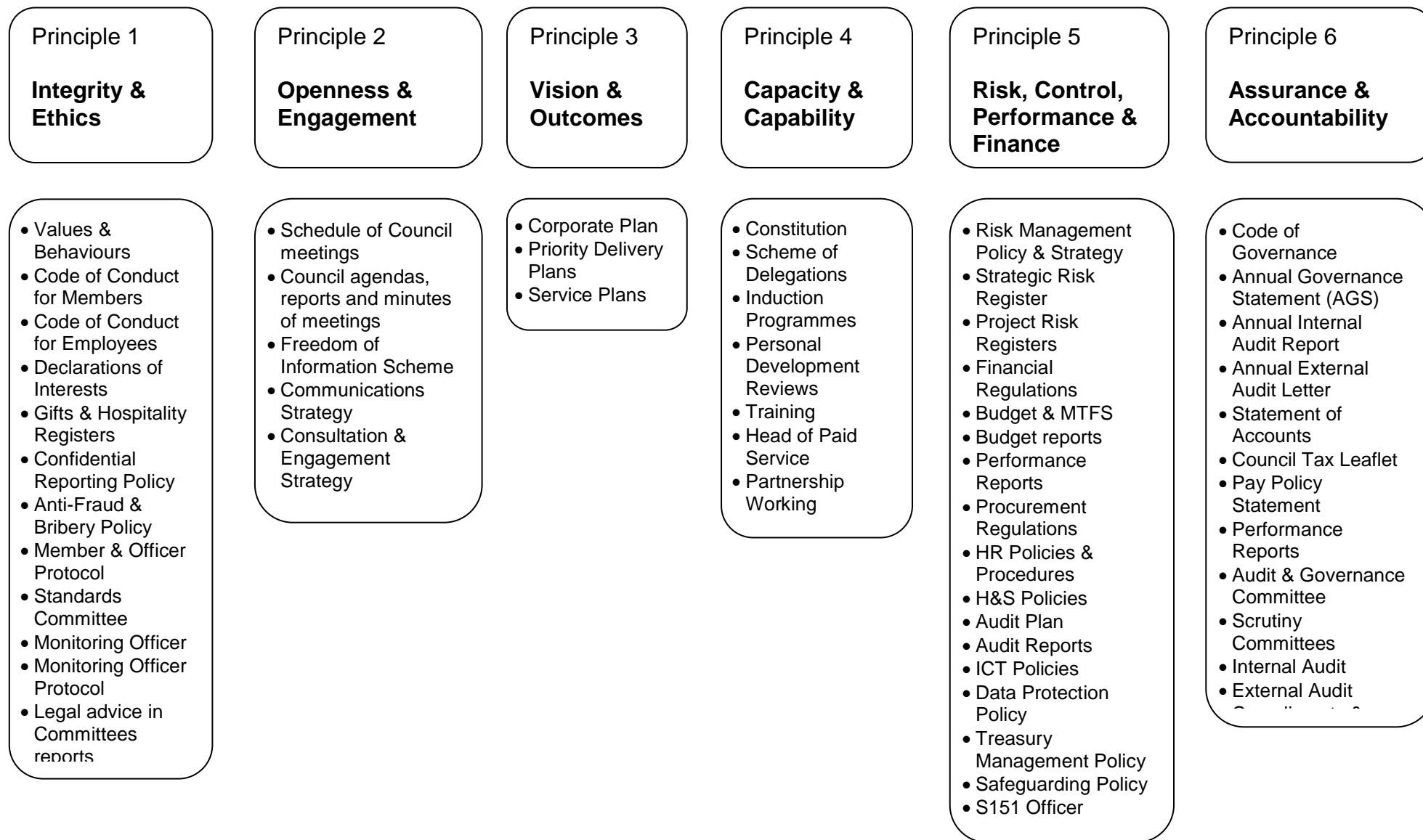
No.	Issue & Action	Timescale & Lead Officer	Progress/Comments	Status
5	<p>Management capacity and delivery of the Council’s corporate priorities and statutory duties</p> <p>In order to ensure that there is adequate management and officer capacity to deliver the Council’s priorities in the period 2019 – 2023, it is planned to:</p> <ul style="list-style-type: none"> • Ensure that all priorities in the Priority Delivery Plans are resourced appropriately. • Ensure that health and safety compliance across all services is maintained as a priority. • Through a programme of service reviews, realign resources with corporate priorities where necessary. • Leadership Team to maintain an overview of the performance of the organisation through ‘managing the business’ indicators to identify any capacity issues earlier and take appropriate remedial actions. • Additional projects / requests many need to be refused or deferred until following financial year. • Succession planning to anticipate retirements especially at senior manager level. • Identification of additional resources for project management/back filling 	Ongoing Managing Director	<p>The Council’s management capacity is being 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. In some instances additional funding has been approved to bring in additional capacity eg to support the work on climate change arising from the Council motion.</p> <p>PDP Priorities not on target are reviewed by Leadership Team and resource implications are considered.</p> <p>The service review process has been established and a consultant appointed to support this work.</p> <p>Work has commenced on succession planning.</p>	

No.	Issue & Action	Timescale & Lead Officer	Progress/Comments	Status
5.	<p>Continued</p>		<p>The pandemic has exacerbated the situation as officers are working on response, recovery and operational matters. Work is in progress to prioritise work and re-allocate resources accordingly.</p> <p>Once the following pieces of work have completed, there will need to be a review of the Council's management structure to ensure it is fit for purpose moving forward:</p> <ul style="list-style-type: none"> · post Covid19 review of PDP priorities; · post Covid19 Recovery Strategy; · any agreed transformation programme; · service reviews outcomes; and · draft action plan to deliver Climate Change net zero target by 2030 	
6	<p>Implications arising from EU Exit</p> <p>There is considerable uncertainty about the effect of Brexit on legislation as it affects the Council.</p> <p>The effects of Brexit on legislation and how it affects the Council will be monitored and appropriate action taken to ensure continuing compliance.</p>	<p>Ongoing All Heads of Service</p>	<p>The situation continues to be monitored and discussed at Leadership Team</p>	

No.	Issue & Action	Timescale & Lead Officer	Progress/Comments	Status
7	<p>Effective management of Corporate Assets and compliance</p> <ul style="list-style-type: none"> Review of resources and capacity (Recruit Corporate Asset Manager and restructure roles in the Property Services Team) Ensure robust systems in place to secure compliance across full range of building related risk Review condition surveys for Council owned assets and identify a phased plan for maintenance / investment (linked to development of Asset Strategy / Plan below) Development of a new Asset Management Strategy / Plan Regular briefings of Managing Director on progress against compliance agenda. 	<p>April 2020 (Subject to appointment of Corporate Assets Manager)</p> <p>Head of Economic Prosperity and Corporate Assets Manager</p>	<p>Corporate Asset Manager is now in post and has been tasked with taking forward the review of condition surveys on Council owned properties and developing a new Asset Management Strategy. Compliance issues are being actively managed.</p> <p>Timescale for production of the Asset Management Strategy is being reviewed in light of the impact of the pandemic and will be picked up as part of the recovery work stream.</p>	
8	<p>Economic Growth</p> <p>It will be necessary to balance the Council's economic growth aspirations and speculative investment:</p> <ul style="list-style-type: none"> Need to ensure Business Rates and Council Tax compliance; Consider alternative funding sources; Procurement of Cannock town centre development partner; Management of gap funding; and Development of an Economic Prosperity Strategy 	<p>Ongoing</p> <p>Head of Finance / Head of Economic Prosperity</p>	<p>The impact of COVID-19 and the associated lockdown will have a significant impact on the District's economy. The Council will need to develop an Economic Recovery Plan and review/refresh the Council's Economic Prosperity Strategy (approved by Cabinet in January 2020).</p>	

Annex 1

Governance Framework



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External Audit Plan Update

Year ending 31 March 2020

Cannock Chase District Council

12th June 2020



Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Cannock Chase District Council ('the Council') as reported in our Audit Plan dated 6th of March 2020, for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan dated 6th of March, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020. We will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Council's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audit

We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

Changes to our VfM approach

We will be updating our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risks identified – Covid-19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

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19 March 2020

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Dear Bob

Covid-19 – Potential impact on this year's Annual Accounts and Audit

I hope that you and your colleagues are keeping well. I know that as a public sector body, the whole organisation will be very focused on your responsibilities to the wider community. We wish you well in executing these responsibilities and recognise that your main priority is, and always will be, the public you serve. For those of us who work within finance, these are sobering times, and a time perhaps for a new sense of perspective about what is important.

Within Grant Thornton, our primary commitments are to the welfare of our people, our clients and of course our wider social responsibilities as part of the community. With that in mind, I will be arranging a call shortly with you to discuss how we can work most effectively with you over the coming weeks, and during the period of the virus. We recognise that you will have a numbers of processes in place to prevent physical interaction which is not business critical and of course we will want to comply with them.

In this context, we need to discuss the extent to which remote working is possible during the accounts audit. Following the government's announcement on Monday 16 March, we are also closing our offices for the foreseeable future and have asked our people to work from home rather than in the office. Many other organisations are doing similar things. Whilst there are some audit tasks which are best undertaken in person such as physical asset verification – other things can be done remotely. It would be good to discuss how we approach this.

I would also welcome the opportunity to discuss potential accounts and audit considerations with you. I have set out some key considerations in an appendix.

On a final note, we anticipate that the timetables may change either because of illness within our respective teams, because of the practical challenges of working remotely, or because of wider factors. We are currently discussing the impact of this with various Government bodies and will update you when there is greater clarity.

I hope this is helpful in setting out some context for the coming weeks. I look forward to discussing with you further. In the meantime, can I encourage you to share this letter with relevant colleagues, including the Chief Executive and Audit Chair.

Yours sincerely

John Farrar

Engagement Lead
Grant Thornton

The following are some of the key issues which we suggest you consider as part of year end closedown. The list may not be exhaustive. As events unfold over the coming weeks, we will discuss these with you further.

Issue to consider

Impact on reserves, financial health and whether the council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (and resulting impact on the VfM conclusion)

Impact on valuation of PPE and assumptions made by valuers, particularly in respect of carrying value to current value assessment (impact could be especially significant in respect of assets held at fair value e.g. investment properties and assets held for sale)

Viability and value of long-term investments and proposed regeneration of Cannock Town Centre in the short term e.g. properties, industrial units, shopping centre

Recoverability of loans or guarantees which may have been made to third parties

Collectability of debt and assumptions made in bad debt provisions

Impact of recent reductions in the value of financial assets on the actuary's estimate of the IAS19 net pension liability (if actuary's base their estimate on asset values at 31 December 2019, updated estimates will be required)

Impact on post-balance sheets events (the consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events, but some form of disclosure is likely to be needed)

Disclosure of impact in narrative report / annual report

Disclosure of critical judgements

Disclosure of material estimation uncertainties

Content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation

Considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion)

Impact on reporting to those charged with governance and signing arrangements

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Informing the audit risk assessment for Cannock Chase District Council 2019/20



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	8
Fraud Risk Assessment	9
Laws and Regulations	13
Impact of Laws and Regulations	14
Going Concern	16
Going Concern Considerations	17
Related Parties	21
Accounting Estimates	23
Appendix A Accounting Estimates	25

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Governance Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

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Purpose

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Audit, Risk & Assurance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

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General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?	IFRS16 new leasing standard to be implemented from the 1/4/20 but will require disclosure of potential impact in this years accounts. Business rates appeals.
2. Have you considered the appropriateness of the accounting policies adopted by the authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Accounting policies have been reviewed within the finance team. There are no events or transactions that will require us to change or adopt new policies.
3. Is there any use of financial instruments, including derivatives?	Financial instruments used are only in relation to: Money Market Funds Fixed term deposits Certificates of deposit
4. Is Are you aware of any significant transaction outside the normal course of business?	We are not aware of any significant transactions outside the ordinary course of business.

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General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Not aware of any changes
6. Are you aware of any guarantee contracts?	Cannock is acting as a guarantor for the finance agreement between Inspiring Healthy lifestyles and the finance provider. They are paying an amount as an equipment bond to cover the Council as part of the guarantee which will be repayable at the end of the guarantee period.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by the authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors used on insurance claims, appointed by insurance agents. Agency solicitors used in legal to cover vacancies Solicitors used on licensing issues
9. Have any of the authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Link asset services – Treasury and financial instrument valuations at year end Lambert Smith Hampton – Fixed asset valuations Other advisors used for land valuations and professional advice on regeneration

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Risk & Assurance Committee and management. Management, with the oversight of the Audit Risk & Assurance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Risk & Assurance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Risk & Assurance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Risk & Assurance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Risk & Assurance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Authority's management.

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Fraud risk assessment

Question	Management response
<p>1. Have the authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the authority's risk management processes link to financial reporting?</p>	<p>Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. The S151 Officer has the overall responsibility for assessing the risk of material misstatement in the financial statements and is supported by management who provide the appropriate evidence for this assessment. In addition, work is carried out by Internal Audit on overall fraud risk areas and specifically on Council Tax, Housing Benefit and Social housing payments fraud. All work undertaken by Internal Audit has fraud considerations built into it. The risk of material misstatement of the accounts due to undetected fraud is low. Investigation into Revenues & Housing fraud is the responsibility of the compliance team within Revenues and benefits.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The classes of transactions most at risk, relate to accounts payable, council tax and housing benefit</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the authority as a whole or within specific departments since 1 April 2019?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>None</p>

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Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the authority where fraud is more likely to occur?</p>	<p>No specific fraud risks have been identified in the year.</p> <p>The potential for fraud exists in the application for financial benefits or assistance or in the handling of financial transactions.</p> <p>Fraud generally is likely to occur in the Revenues and Benefits function and the payment of creditors function.</p>
<p>5. What processes do the authority have in place to identify and respond to risks of fraud?</p>	<p>The Council have in place the following frameworks Anti Fraud and Bribery ; Confidential Reporting and Money Laundering. Internal Audit to review internal control procedures on a regular basis.</p>
<p>6. How would you assess the overall control environment for the authority, including:</p> <p>the process for reviewing the effectiveness the system of internal control;</p> <p>internal controls, including segregation of duties; exist and work effectively?</p> <p>If not where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Internal controls, including whether segregation of duties exist, are reviewed by Internal Audit as part of their routine and investigative work; exceptions are reported to managers and inform the Internal audit opinion.</p>

Fraud risk assessment

Question	Management response
7. Are there any areas where there is potential for misreporting?	Misreporting could occur whereby management overrides controls however internal control and internal audit reviews are in place to mitigate this potential
8. How do the authority communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported?	The Council has a staff code of conduct, Confidential Reporting Framework and Financial regulations in place. All staff are regularly reminded of these. In respect of contractors ethical considerations are built into all contracts. There is an Anti Fraud and corruption framework and a Confidential reporting framework in place which explain the procedures to follow. Staff are expected to report suspicious or fraudulent behaviour. No significant issues have been reported and no issues have been reported under the bribery act.
9. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	The posts involved in the functions as identified in question 4 are potentially high risk posts together with Treasury Management . Internal control; Procedure notes; Separation of duties and management review exist to assess and manage this situation
10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?	2018/19 financial statement disclosure of related party transactions did not identify any potential fraud risks. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.

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Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Risk & Assurance Committee?</p> <p>How does the Audit Risk & Assurance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Internal Audit Risk Based Plan is approved by the Audit and Governance Committee before commencement each year. Internal Audit complete a robust review of internal controls on a risk basis and report regularly to Audit and Governance Committee. The Audit and Governance Committee are informed of the audit opinions and seek management reassurance on the improvement of controls where the consequences are considered high risk. At each meeting, Audit and Governance Committee members receive an update on instances of actual, suspected or alleged fraud investigations that have occurred since the last meeting and their outcomes.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Risk & Assurance Committee, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Risk & Assurance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

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Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the authority's regulatory environment that may have a significant impact on the authority's financial statements?</p>	<p>The Monitoring Officer, Heads of Service and Management are responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that the Monitoring Officers responsibilities cover:</p> <ul style="list-style-type: none"> ■ complying with the law of the land (including any relevant Codes of Conduct); ■ complying with any General Guidance issued, from time to time, by the Standards Committee and / or advice of the Monitoring Officer; ■ making lawful and proportionate decisions; and ■ generally, not taking action that would bring the Council, their offices or professions into disrepute. <p>The Monitoring Officer has access to all Council committee reports and raises awareness on legal requirements at meetings where needed. In addition in terms of any specific legal issues the Monitoring Officer would get involved at an early stage.</p> <p>Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p> <p>The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements.</p> <p>Work undertaken by Internal Audit ensures compliance with the relevant laws and regulations</p>
<p>2. How is the Audit Risk & Assurance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>All committee papers (with the exception of the Audit and Governance Committee) are required to include an assessment of potential legal implications.</p> <p>Assurance is also provided through the Internal Audit Annual Report and opinion and the Annual Governance Statement.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>Management are not aware of any</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

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Impact of laws and regulations

Question	Management response
5. What arrangements does the authority have in place to identify, evaluate and account for litigation or claims?	The Monitoring Officer and the Section 151 Officer identify and evaluate the impact of litigation and claims which are then recorded as expenditure, as a provision or disclosed as a contingent liability in the accounts. This impact is mitigated in some cases by appropriate insurance cover.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

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Going concern considerations

Question	Management response
1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements for both the authority? What was the outcome of that assessment?	As part of the treasury strategy and the budget setting, the Council has produced a three year financial plan and believes the treatment of a going concern basis is reasonable.
2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the authority's business plan and the financial information provided to the authority throughout the year?	The Financial Plan has been prepared by appropriately qualified and experienced staff in consultation with service managers. The scrutiny committee also reviews financial plans before approval. The financial assumptions are therefore consistent with the Councils service plan. Reports in year are consistent with the budget set.

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Going concern considerations

Question	Management response
3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The financial plan explicitly considered the government changes in terms of grant settlement and the financial settlement. The plan is updated to reflect the financial settlement.
4. Have there been any significant issues raised with the Audit Risk & Assurance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	Although assumptions are regularly challenged by the Audit and Governance Committee, no such issues have been raised.
5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	Financial monitoring has not identified any such adverse financial indicators.

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Going concern considerations

Question	Management response
6. Does the authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the authority's objectives? If not, what action is being taken to obtain those skills?	The Council has the relevant expertise to deliver the Council's strategy and objectives.
7. Does the authority have procedures in place to assess their ability to continue as a going concern?	The Financial Strategy considers the financial position of the authority over the short, medium and long term and is designed to ensure that the Council continues as a going concern. Internal Audit's work plan provides an on-going review of key elements of the Strategy to ensure its delivery or to highlight at an early stage any unforeseen risks. In addition the Treasury management strategy sets out the core cash balances of the authority over a 3 year budget period to 2022/23.
8. Is management aware of the existence of events or conditions that may cast doubt on the authority's ability to continue as a going concern?	No events or conditions have been identified.

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Going concern considerations

Question	Management response
<p>9. Are arrangements in place to report the going concern assessment to the Audit Risk & Assurance Committee ? How has the Audit Risk & Assurance Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>The Audit and Governance Committee consider a number of reports which provide them with assurance that the Council continues as a going concern. These include the Statement of Accounts, Revenue and Capital outturn reports including analysis of reserves held, and Treasury management Strategies. They also receive reports stating that all controls and risks have been managed appropriately and as Members will have access to all reports produced across the Council.</p>

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the authority perspective but material from a related party viewpoint then the authority must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. What controls does the authority have in place to identify, account for and disclose related party transactions and relationships ?	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none">■ Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.■ Annual return from senior managers/officers requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests.■ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.■ Review of the accounts payable system and identification of amounts paid to assisted or voluntary organisations.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit Risk & Assurance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Commercial in confidence

Accounting Estimates

Question	Management response
1. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	None identified.
2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes.
3. How is the Audit Risk & Assurance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Assurance is given by the use of expert advisers in relation to fixed assets and pensions, also via the statement of accounts which highlight the major areas of estimates.

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Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	Valuations are made by the in-house valuer for Council dwellings and an external valuer (Lambert Smith Hampton) for all other assets. Valuations are in line with RICS guidance on the basis of 5 year rolling valuations based on classes of asset with an interim desk top review to compare the carrying values and fair values.	Accounting standards require formal revaluations sufficiently regular to ensure the carrying amount does not differ materially from fair value at the year end. In addition valuations must be carried out simultaneously for each class of asset.	In – house and external Valuer	Valuations are made in line with guidance-reliance on an expert. Valuations now undertaken for each class of asset simultaneously.	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: <ul style="list-style-type: none"> ■ Council Dwelling – 75 years ■ Other land and buildings – 65 years ■ Equipment/vehicles 5 years ■ Infrastructure 25 years These are based on information from the valuer.	Consistent asset lives applied to each asset category	Use both in-house And external Valuer	The method makes some generalisations. For example, a new building can have a life as short as 15 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member. The valuer is appropriately qualified.	No

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Appendix A (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis. Asset Lives and values are obtained from the valuer	Consistent application of depreciation method across all assets.	No	The length of the life is determined at the point of acquisition or revaluation according to: ■ Depreciation is not applied in the year of Addition ■ Assets that are not fully constructed are not depreciated until they are brought into use	No.
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use of external valuer.	Valuations are made in-line with RICS guidance - reliance on expert.	No
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their internal treasury consultants and other finance professionals.	Take advice from finance professionals	Yes Link Asset Services	Take advice from finance professionals, if required.	No

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Appendix A (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Calculations by Head of Finance based on information from third parties e.g. insurers and solicitors.	No	Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the service if it is virtually certain that reimbursement will be received by the Council.	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing	Members of the Finance team calculate the provision from the aged debt listing based on prior experience.	No	Consistent proportion used across aged debt as per the Code. This is based on type of debt and historic payment pattern.	No

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Appendix A (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance team collate accruals of Expenditure and Income from purchase ledger and budget information. Activity is accounted for in the financial year that it takes place, not when money is paid or Received.	Purchase ledger and management accounts information assessed by Finance team.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Non Adjusting events – events after the balance sheet date	S 151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.	Heads of service notify S151 Officer.	This would be considered on individual circumstances.	This would be considered on individual circumstances	No

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Appendix A (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund (LGPS) Actuarial gains/losses	The Council is an admitted body to the Local Government Pension scheme.	Rely on the calculations made by the actuary, based on information provided by the Authority. The Actuary's report is reviewed for reasonableness by senior staff.	Yes - Actuary for the pension schemes	Reliance on expertise of the actuaries of the pension Scheme	No
Finance Leases	Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.	Finance review contracts and payments to ensure the lease is categorised correctly as a finance lease or an operating lease	No	Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).	No



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1 June 2020

Dear Bob,

Preparation and audit of the 2019/20 Statement of accounts

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times.

Preparation of the statement of accounts is the responsibility of the responsible financial officer. In this letter we set out some key issues relating to the preparation and audit of 2019/20 financial statements, some of which are also covered by CIPFA's recent Bulletin 05 Closure of the 2019/20 Financial Statements. We would welcome early engagement with you on these matters and will make arrangements to discuss them with you further.

Financial reporting issues arising as a result of the Covid-19 pandemic

As noted in Bulletin 05, there are numerous issues that will impact local authorities as a result of the Covid-19 pandemic.

Possible implications for the 2019/20 statement of accounts include:

- impairment of non-current assets
- impairment of investments
- changes in expected credit losses
- changes in the fair value of investment properties, surplus assets and financial instruments affecting measurement and disclosure
- events after the reporting period requiring adjustment to the accounts or disclosure
- increased estimation uncertainty
- commentary on the effects of the pandemic on the authority within the narrative report

Bulletin 05 provides guidance in relation to these matters and references the requirements of the Code. We would welcome early engagement with you regarding the authority's assessment of the impact of the pandemic on its 2019/20 statement of accounts.

Going Concern basis of accounting

Paragraphs 43-45 of Bulletin 05 refer to the Going Concern basis of accounting. It confirms that that local authorities can only be discontinued under statutory prescription and as such should continue to prepare their financial statements on a going concern basis. The bulletin also discusses whether an authority needs to make an assessment of its ability to continue as a going concern.

Grant Thornton UK LLP's view is that in preparing their financial statements authorities are required to disclose material uncertainties related to events or conditions that may cast significant doubt upon their ability to continue as a going concern. In view of the Covid-19 pandemic and pressures on local authority finances, consideration of this requirement will come into sharper focus in audits of 2019/20 financial statements.

In conducting your audit we will comply with our responsibilities under International Standard on Auditing 570 *Going Concern*, and also with Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom* issued by the Public Audit Forum to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.

Accounting for the McCloud and Sargeant judgements in 2019/20

CIPFA published a McCloud Briefing (<https://www.cipfa.org/services/networks/pensions-network/event-documents/cipfa-mccloud-briefing-note>) on 9 March to assist local, police and fire authorities and LGPS funds in commissioning IAS19 valuations for inclusion in the 2019/20 statements of accounts. This Briefing provided some background to the McCloud and Sargeant judgements.

Subsequently on 30 April CIPFA has published Bulletin 05 Closure of the 2019/20 Financial Statements (<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-05-closure-of-the-201920-financial-statements>).

Grant Thornton's UK LLP's view remains as communicated during our 2018/19 audit. The two tribunals give rise to a legal obligation that is required to be measured under IAS 19. Disclosure of a contingent liability in relation to the McCloud and Sargeant judgements is not, in our view, appropriate, and where this has a material impact on the financial statements, we would have to consider the implications for our opinion.

Deferral of the implementation of IFRS 16 Leases

At its meeting on 27 March CIPFA/LASAAC agreed to defer the implementation of IFRS 16 Leases to the 2021/22 financial year, with an effective date of 1 April 2021. This decision aligns with the proposals across the public sector.

Although the implementation of IFRS 16 has been delayed to 1 April 2021, in our view authorities still need to include disclosure in their 2019/2020 statements to comply with the requirement at 3.3.4.3 of 2019/20 Code and underlying requirement of IAS 8 paragraphs 30 and 31. As a minimum, we would expect authorities to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, we expect the financial statements to state this.

Valuation uncertainty and RICS Covid-19 Valuation practice alert

The Code requires that where assets are revalued the revaluations shall be sufficiently regular to ensure that carrying amounts do not differ materially from current value at the end of the reporting period.

We note a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19, and that different markets will react differently. RICS has issued a Valuation practice alert following the pandemic, and in practice we are noting that a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Our expectation is that authorities will assess the impact of such disclosures, taking account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in relation to major sources of estimation uncertainty.

I hope this is helpful and I look forward to engaging with you on the issues raised in this letter.

Yours sincerely

John Farrar

Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

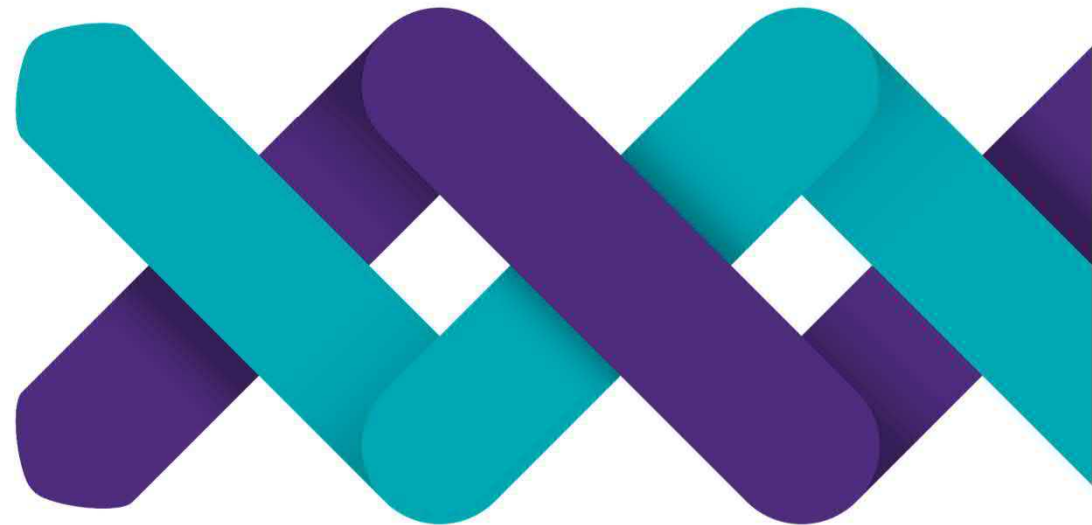
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Covid-19 and Local Government

A Grant Thornton briefing for audit committees

June 2020



Context

Public services, including local government, have been at the forefront of the emergency response to the Coronavirus (COVID-19) pandemic. Very few local government services have not been impacted by COVID-19, as councils have had to create new service lines as part of the emergency response, such as their work in identifying and supporting shielded and vulnerable citizens. They have also had to redeploy people to new roles and repurpose assets to new functions. For example, by closing leisure centres and repurposing them as temporary mortuaries or food banks.

Prior to COVID-19 local government had to adapt to significant reductions in funding during a period of austerity. For example, spending on local services fell by 21% in real terms between 2009-10 and 2017-18. However, underlying this high level reduction are much larger reductions in expenditure on specific service lines. In broad terms, councils managed austerity by significantly reducing spending on discretionary services, in order to protect statutory services to the most vulnerable people, particularly social care services. In addition, councils had to place greater reliance on fees and charges income. They have also had to be innovative in generating new income sources, particularly taking more commercial approach. This commercialisation trend is now changing, however, as authorities seek to balance social outcomes with financial sustainability.

COVID-19 has had a further significant impact on local government finances. This is the result of three main factors:

- increase in expenditure in managing the emergency response, such as purchase of PPE, provision of food and medical supplies to shielded citizens, and increased costs in relation to adult social care;
- lost income due to close services, such as leisure centres, and reductions in income from other sources, such as car parking, business rates and council tax; and
- non-delivery of savings plans

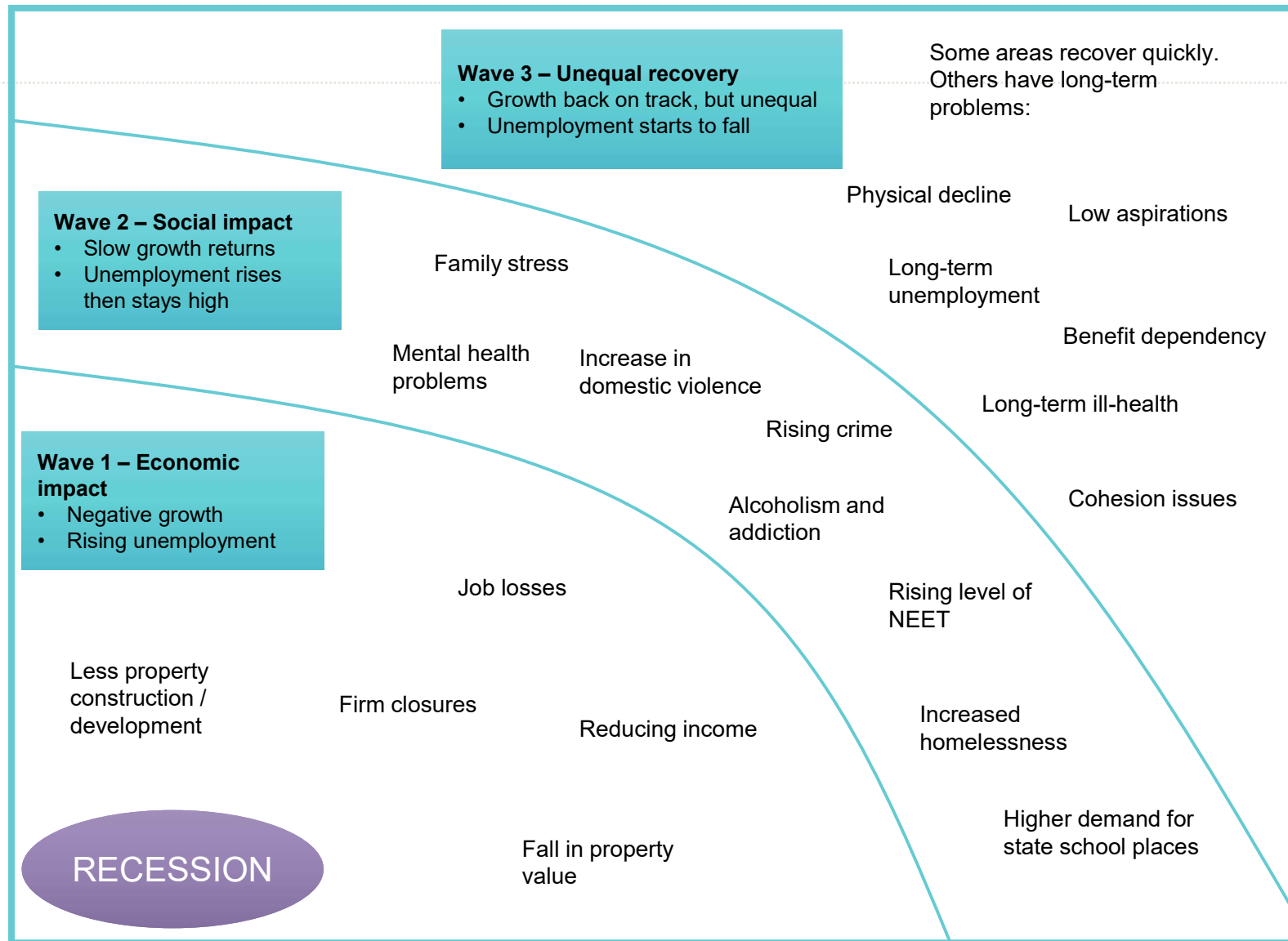
Whilst central government has made significant additional funding contributions to local government, in recognition of the financial consequences of COVID-19, the total funding gap for councils in England is currently estimated to be £6billion by the Local Government Association. The sector is still in the process of determining the longer term financial impact. Tranches of government funding provided so far have generally focussed on alleviating financial pressures created by COVID-19 related to additional council expenditures, so have limited benefit in offsetting lost income, such as that relating to leisure services, car parking income and other fees and charges.

This stark financial context has significant implications for the sector. Particularly as councils start to move from the emergency response stage to the recovery planning stage of COVID-19. The key risks councils will therefore need to consider include:

- how they stand up closed services such as leisure centres, the impact of COVID-19 on future demand, and the operational challenges of service delivery with on-going social distancing rules;
- how service delivery may need to change as a result of learning from COVID-19 and how long-lasting cultural and behavioural changes will impact on their operating models;
- the impact on local markets such as social care and transport, and the financial consequences of market and supply chain failure;
- how the economic impact of COVID-19 will impact on service need and on the demand for income generating services; and
- whether certain services will need to reduce or cease to manage the funding gap.
- exploration of opportunities for more radical change that may have arisen from COVID-19, such as building on the large-scale transfer of care that has taken place and the opportunities regarding reablement, and broader integration with health.

Given the fast moving events and new policy announcements by government in response to Covid-19 Clearly these risks are subject to change and this is not an exhaustive list. However, understanding these various scenarios, their potential financial implications, and resources available to deliver them will nevertheless be critical over the short to medium term.

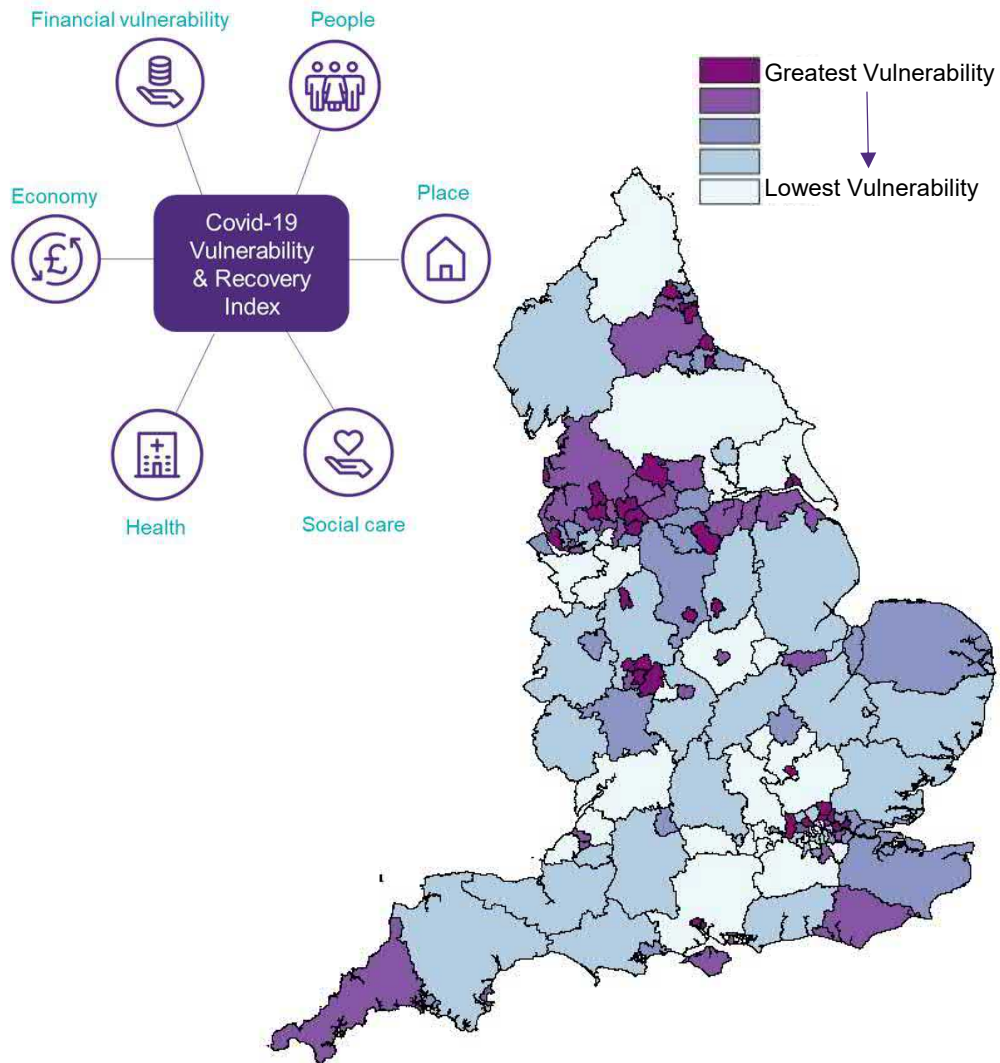
Can we learn from previous recessions?



Source: Audit Commission







Covid-19 Vulnerability Index

Overall Index (including Financial Recovery basket)



Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community	 <ul style="list-style-type: none"> • Multiple lockdowns and ongoing disruption • Community dependency and expectation of sustained response • Turbulence and activism within the VCS • Socio-economic inequality is compounded • Failure of leisure and cultural services 	<ul style="list-style-type: none"> • Smooth exit from lockdown to a “new normal” • Community mobilisation is channelled into ongoing resilience • Strengthened VCS relationships and focus • Systemic response to inequality is accelerated • Leisure and cultural services adapted to social distancing
Business & economy	 <ul style="list-style-type: none"> • 16% reduction in GVA for 2020 based on OBR reference scenario • Slow / uneven economic recovery and “long tail” on unemployment • Central gov / BEIS focus investment on areas furthest behind • Loss of tourist & student spend causes unmitigated damage • 'V' shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> • 5-10% reduction in GVA • Rapid economic recovery with employment levels close behind • Central government “back winners” with investment • Adaptation allows resumption of tourist and student economy • Business base is weighted towards growth sectors
Health & wellbeing	 <ul style="list-style-type: none"> • Increased demand and escalating need due to fallout from lockdown • Newly-vulnerable cohorts place strain on the system • Unit costs increase further as markets deteriorate and providers fail • SEND transport unable to adapt to social distancing • Imposed disruption of care system 	<ul style="list-style-type: none"> • Positive lifestyle changes and attitudes to care reduce demand • Needs of newly vulnerable cohorts met through new service models • New investment in prevention and market-shaping manage costs • New ways of working leading to stronger staff retention • Locally-led reform of health and care system
Political & regulatory	 <ul style="list-style-type: none"> • Local government side-lined by a centralised national recovery effort • Unfunded burdens (e.g. enforcement and contact-tracing) • Councils in the firing line for mismanaging recovery 	<ul style="list-style-type: none"> • Local government empowered as leaders of place-based recovery • Devolution and empowerment of localities • Councils at the forefront of civic and democratic renewal
Environment	 <ul style="list-style-type: none"> • Opportunity missed to capture and sustain environmental benefits • The end of the high street / town centres • Emissions and air quality worsened by avoidance of public transport • Capital programmes stuck 	<ul style="list-style-type: none"> • Ability to invest in transport modal shift and green infrastructure • Changed working patterns rejuvenate town centres • Sustained impact on emissions due to new behaviours • New, shovel-ready infrastructure programmes
Organisational	 <ul style="list-style-type: none"> • Inadequate funding forces fiscal constraint • Working practices return to status quo – increased operating costs • Imposed structural change within the place • Austerity 2 • Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> • Adequate funding enables a programme of targeted investment • Learning and adaptation to new operating environment • Energised system-wide collaboration and reform • Fiscal reform and civic renewal • Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

Recovery planning and implementation

Set out below are examples of recovery planning activity that are being considered by councils. This activity needs to align to the Government's recovery strategy and to existing Government priorities such as levelling-up and future proofing against covid related government policy shifts.

Recovery planning	Recovery implementation
Recovery planning strategy and framework development	Recovery plan implementation
Risk assessments, research into which parts of the local economy have been most severely hit and which groups of people will need additional support.	Reviews of long term corporate plans/strategies, place vision, service plans, in context of phased lockdown release
Planning for standing up closed services	Place-based leadership – working with other public services, private and third sector to redefine place
Integrating social distancing into the public realm, eg offering supplies of hand sanitiser and masks. Increased need for digital advertising and awareness raising	Redefining front-line services, council as match-maker, convener and incentiviser as well as service deliverer or commissioner. Removal of internal silos (eg supporting vulnerable families).
Review of supply chain vulnerability	More long-term and strategic partnerships and funding models for third sector
Supporting local businesses evolve to a new normal post-COVID-19 world, including more trading on-line	Re-evaluation of vulnerability, including eligibility criteria. Likely to put in place structures that outlast the crisis, such as provisions to help the homeless and those in gig economy jobs
Providing leadership for longer-term investment and delivery, to support economic recover rather than just focusing on short-term actions	Review and update Local Plan
Reframe capital programme to support economic, social and environmental recovery / sustainability	Reconfiguration of municipal estate and property portfolio and commercial investments
Renewed strategic financial planning and focus on financial management	Emergency planning reviews and learning
Data recognised as core pillar of city resilience, barriers to data collaboration and information governance removed/standardised	Long-term financial sustainability planning
Government monitoring regime on additional funding for councils and covid funding administered by councils	Increase in outcomes based procurement and focus on social value

