



Please ask for: Matt Berry
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21 July 2021

Dear Councillor,

Audit & Governance Committee

4:00pm, Thursday 29 July 2021

Council Chamber, Civic Centre, Beecroft Road, Cannock

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

Training for all Members of the Committee will be taking place from 2:30pm (prior to the meeting at 4pm) in the Council Chamber

Yours sincerely,

B. Kean
Interim Managing Director

To: Councillors

Jones, P.G.C. (Chairman)
Newbury, J.A.A. (Vice-Chairman)
Allen, F.W.C. Kruskonjic, P.
Crabtree, S.K. Sutton, Mrs. H.M.
Hoare, M.W.A.

Agenda

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 6 April 2021 (enclosed).

4. **Internal Audit Annual Report 2020-21**

Report of the Chief Internal Auditor & Risk Manager (Item 4.1 – 4.21).

5. **Annual Governance Statement 2020-21**

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

6. **Strategic Risk Register**

Report of the Head of Governance and Corporate Services (Item 6.1 – 6.26).

7. **Cannock Chase District Council Audit Plan 2020-21**

Report of the External Auditors (Item 7.1 – 7.21).

Cannock Chase Council
Minutes of the Meeting of the
Audit and Governance Committee
On Tuesday 6 April 2021 at 4:00pm
Held via Remote Access

Part 1

PRESENT:
Councillors

Stretton, Mrs. P.Z. (Chairman)
Jones, Mrs. V. (Vice-Chairman)

Cartwright, Mrs. S.M. Woodhead, P.E.
Todd, Mrs. D.M.

Also present:

- Avtar Sohal, Engagement Lead, Grant Thornton (External Auditors)
- Hamze Samatar, Engagement Manager, Grant Thornton (External Auditors)

23. Apologies

Apologies were submitted for Councillor R.J. Hughes.

24. 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.

25. Minutes

The Minutes of the meeting held on 8 February 2021 were approved as a correct record.

26. Internal Audit Progress Report 2020-21

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

The Chief Internal Auditor advised that it had not been possible to provide quarterly progress reports this year due to dealing with Covid-19 related matters, therefore the latest update set out the position as at 31 January 2021, and in report paragraph 5.4, the final row of the table should read that two pieces of work were issued, with the other being 'Environment & Healthy Lifestyles Major Projects'. Members were then taken through the main details of Appendices 1 to 3 of the report.

(Councillor Todd joined the meeting during the presentation of the report.)

In response to a query from a Member regarding the partial audits listed in appendix 3 and whether full assurance would be achieved within the required timescales as set out in the audit plan for 2020/21, the Chief Internal Auditor advised that the audit plan performance (as referenced in appendix 1) was about the work of the Internal Audit team and not about the assurances being turned around. There was however slight concern that the recommendations for the partial audits had not been actioned, in particular for the Housing Rents and Information Governance audits as these were second follow-ups, although it was acknowledged that the Covid-19 pandemic had impacted on work being done.

In response to a query from another Member as to whether it would be appropriate for the Committee to write to the relevant risk owners noting the current position, but hoping that the recommendations would be actioned soon, the Head of Governance and Corporate Services advised that if the Committee wished to write individually or collectively to Leadership Team then she could raise at future Leadership Team meetings that the Committee wished to see matters moved forward. The Committee was supportive of this approach being taken.

Resolved:

That the progress report be noted.

27. Internal Audit Plan for 2021-22

Consideration was given to the Report of the Chief Internal Auditor & Risk Manager (Item 5.1 – 5.8 of the Official Minutes of the Council).

The Chief Internal Auditor & Risk Manager took the Committee through the main detail of the report as set out on pages 5.1 to 5.3, and advised that the full audit plans for 2021/22 for the Committee's approval were set out in Appendices 2 and 3.

In response to a query from a Member as to whether the proposed audit plans included anything raised by the External Auditors, the Chief Internal Auditor & Risk Manager advised that nothing was included to this effect. The Plan as set out was run by the External Auditors out of courtesy, and whilst they could not direct or place reliance on the work of the Internal Audit team, they could use the audits included in the Plan for information gathering. The Engagement Manager further advised that they operated independently from the Council and would look at the work of the Internal Audit team to inform their risk assessment in the final stages, and during the audit to be informed of any issues. Furthermore, the scope of the Internal Auditors' work would be considered and whether they had the capacity to do so.

Resolved:

That the Audit Plan for 2021-22 be approved.

28. Annual Audit Letter 2019/20

Consideration was given to the Report of the External Auditors (Item 6.1 – 6.15 of the Official Minutes of the Council).

The Engagement Lead introduced himself to the Committee, advising that he would be taking over this role from John Farrar and directing the work of the Engagement Manager with the Council.

The Engagement Manager took the Committee through the following aspects of the report:

- Executive summary
- Significant audit risks
- Value for Money conclusion

In response to a query from a Member about how the Council compared with other authorities in respect of the error level for materiality, the Engagement Manager advised that the figure varied for local authorities, but this Council was considered to be in a better position owing to the level of controls in place, and so was in a lower risk category. The Engagement Lead further advised that a range of full materiality was in place and this Council was at the higher end due to having a lower level of risk of material misstatement. In councils where weaknesses existed in controls, red flags in internal audit reports and other issues, then materiality levels would be set lower and more testing be carried out.

Resolved:

That the Report of the External Auditors be noted.

29. Audit Progress Report and Sector Update

Consideration was given to the Report of the External Auditors (Item 7.1 – 7.22 of the Official Minutes of the Council).

The Engagement Manager took the Committee through the following aspects of the report:

- Progress at March 2021
- Other certification work undertaken
- Audit Deliverables
- Value for Money Arrangements
- Revised auditing standard 540: Auditing Account Estimates and Related Disclosures

In response to a query from a Member concerning the Redmond review of local audit, the Engagement Lead advised they had been involved in some national reviews and were happy with review report as it echoed many of the issues and challenges faced by auditors at present. The number of auditors had been declining whilst regulatory requirements had increased, leading to a deficiency in delivering high quality audits. There was still lots of ongoing debate about the recommendation to establish a new regulator, and in respect of audit fees, work could not be conducted using the baseline fee set by Public Sector Audit Appointments and as such, auditors were unable to invest in their workforce and create a sustainable market.

Resolved:

That the Report of the External Auditors be noted.

The meeting closed at 5:00 p.m.

CHAIRMAN

| | |
|-------------------------|--|
| Report of: | Chief Internal Auditor & Risk Manager |
| Contact Officer: | Stephen Baddeley |
| Contact Number: | 01543 464415 |
| Report Track: | Audit & Gov C'ttee: 29/07/21 |

Audit & Governance Committee
29 July 2021
Internal Audit Annual Report 2020-21

1 Purpose of Report

- 1.1 To present the Internal Audit Annual Report for 2020-21

2 Recommendation(s)

- 2.1 That the Committee note the Internal Audit Annual Report for 2020-21

3 Key Issues and Reasons for Recommendations

Key Issues

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

Reasons for Recommendations

- 3.2 The Audit & Governance Committee is tasked with receiving the Annual Report and using it to inform their work including the review of the Annual Governance Statement.

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 2020-21 as possible but some have had to be delayed.

5.5 Work completed in Quarter 4 has not previously been presented to committee; information for work completed in Quarter 4 is attached as Appendix 1.

5.6 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 Risk Management

None

6.5 Equality & Diversity

None

6.6 **Climate Change**

None

| |
|-----------------------------------|
| 7 Appendices to the Report |
|-----------------------------------|

Appendix 1 - Summary of Significant Findings Quarter 4 Audits

Appendix 2 - Internal Audit Annual Report for 2020-21

Previous Consideration



None





Background Papers

Files held by the Chief Internal Auditor

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 |
|-----------------------------|----------------------|---------------------------------------|--|--|
| Cyber & Network Security | Technology★ | 6 | Limited  | <ul style="list-style-type: none"> • A number of older servers were found to still be in use due to legacy applications. • A large number of users had full access rights to the network. • Some laptops had not been updated with recent virus protection due to not connecting to the network for a significant period. • More work was needed to ensure the network access was properly controlled and restricted to authorised devices. • Better records were required for the set-up and purpose of the firewall rules. • Only 50% of employees had completed the Cyber Security training |
| National Non-Domestic Rates | Financial Management | 1 | Partial  | <ul style="list-style-type: none"> • User accounts were found not always to be deleted promptly when staff no longer need access and one user had higher access rights than their role required. |

| Audit | Head of Service | Number of High/Medium Recommendations | Assurance | Comments & Key Issues |
|-----------------------|----------------------|---------------------------------------|--|--|
| Staff Expenses | HR★ | 5 | Partial  | <ul style="list-style-type: none"> • A significant number of mileage forms were poorly completed and did not contain sufficient information to allow mileage claims to be adequately verified. • A number of forms were found not to have supporting VAT receipts for fuel meaning VAT could not be reclaimed. • One form was not certified by a person who was authorised to approve mileage payments. |
| Housing Benefits | Financial Management | 0 | Substantial  | |
| Payroll | HR★ | 0 | Substantial  | |
| Covid Response Review | Corporate | | Substantial  | |

★ 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 | | |
| Housing Social Alarms Arrangements | Housing & Partnerships | Partial  | 4 | 0 | 1 | 5 | Partial  | Work still needs to be done to determine the long-term options for the function and to re-tender the contract. |
| Rent Debit, Collection & Arrears 2nd Follow Up | Housing & Partnerships | Partial  | 0 | 0 | 1 | 1 | Partial  | Work still needs to be completed to automate the issue of standard arrears letters. |
| Information Governance 2nd Follow Up | Governance & Corporate Services | Partial  | 1 | 0 | 4 | 5 | Partial  | <ul style="list-style-type: none"> • A draft information Governance Framework has been produced but put on hold during the pandemic. • Training for Senior Information Risk Owners still needs to be provided. • The Publication Scheme needs to be updated • Work on a Protective Marking Scheme has not been progressed. |

Cannock Chase District Council Internal Audit Annual Report 2020-21

July 2021



working together

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Appendix**Audits Planned and Completed in 2020-21
by Classification:-**

| | | |
|----|-------------------------------------|----|
| 1a | Limited | 9 |
| 1b | Partial | 10 |
| 1c | Substantial | 12 |
| 2 | Follow-Ups | 13 |
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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 2020-21. 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 2021-22.
- 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 2020-21 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 The opinion this year has placed more reliance on observations and awareness of the Council’s processes whilst supporting front-line services and on the advice and guidance given relating to revision of processes to deal with the Covid pandemic rather than only relying on detailed audit work.

2.7 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.

The Council's response to Covid allowed most services to operate well throughout the year although and new working methods allowed processes to be modified to cope with a predominantly homeworking workforce. Some cessation of services had to occur where the risks were felt to be significant but these were based on solid risk assessments and due to compliance with Government guidelines.



2.8 Two systems have been given limited assurance:

- (i) Critical Information Systems not supported by IT
- (ii) Cyber and Network Security.

2.9 Due to the Council's reliance on IT and the increasing threat of attack the Cyber and Network Security Audit has been deemed to be a significant governance concern and will be flagged up for consideration in the Annual Governance Statement.

2.10 The Critical Information Systems findings have not been classified as significant in terms of the Council's overall governance arrangements. However it is essential that the deficiencies identified are addressed in order to prevent future material discrepancies.

2.11 From March 2020 we saw a large scale move to homeworking due to the Coronavirus pandemic this persisted throughout the 2020-21 year and to date a significant number of employees are still predominantly working from home. 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 was involved on advising on some of these processes and some have been reviewed as part of the 2020-21 internal audit work or reliance placed on the knowledge of the systems through consultancy work.

2.12 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 2020-21

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 | 5 | 6 | 2 | 0 | 2 |
| 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) Pensions Assurance for Staffordshire County Council; and
- (ii) Environment & Healthy Lifestyles Major Projects

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 2020-21.

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 6 areas At the end of the year -

- 1 area had improved from Partial to Substantial.
- 5 areas remained Partial Assurance.

3.7 In total 25 recommendations were followed-up of which:

- 10 recommendations (40%) had been implemented;
- 9 recommendations (36%) were in progress at the time of the follow-up; and
- 6 recommendations (24%) 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 2020-21. Performance for 2020-21 Audit year was adversely affected by the COVID-19 pandemic which saw major disruption to the operation of the Council – a revised plan was approved by Committee 8th February 2021 however ongoing restrictions and a second lockdown had further impact on the teams ability to complete the intended work.

INTERNAL AUDIT – ANNUAL REPORT 2020-21

| | 2020-21 | | | | 2019-20 |
|---------------------|---------|--------|----------|----------|---------|
| | Planned | Actual | Actual % | Target % | Actual |
| Revised Plan | 17 | 15 | 88% | 90% | 92% |

- 4.2 Fifteen audits were completed in the year out of the seventeen planned for in the revised 2020-21 Audit Plan.
- 4.3 Five audits had commenced but not been completed by the end of the year. These are:
- Housing Void Management
 - Housing Allocations
 - Local Enterprise Partnership Arrangements / Combined Authority
 - IT Asset Management
 - Cloud Strategy and Security
- 4.4 One audit planned for the year had not commenced at the end of the year, IT Asset Management. This will be rolled-over to 2021-22.
- 4.5 Included in the completed audits figure above are four audits which were originally part of the 2019-20 audit plan but were not completed in that year. The audits completed this year from the 2019-20 Audit Plan were:
- Land Charges
 - IT Capacity Management & Resilience
 - Critical Information Systems not supported by IT
 - Debtors
- 4.6 In addition to the audit plan the Section has also carried out a number of other pieces of ad hoc work and consultancy exercises during the year, these included advice on system changes and new system being implemented as part of the Covid response and recovery arrangements.
- 4.7 Members of the Internal Audit Team were deployed to support front line services and Covid response work for part of the year which impacted on performance. This included supporting the Post Room, Community Hub Calls and validation work for Covid Grants.

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;
- Carried out Verification work of Covid Grants and followed up on a number of alleged fraudulent applications.
- Been alert to fraud risks in the audits carried out in the year

Fraud/Irregularity Investigations

- 5.2 The team has not been involved in any special investigations relating to fraud or irregularities in the year relating to Cannock Chase District Council.
- 5.3 Two allegations were received through the Council's Confidential Reporting and Anti-fraud and Bribery frameworks in the year. Neither allegation was substantiated so detailed investigations were not carried out.

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 2020-21 matches which were released in January 2021 and are being reviewed by relevant departments. No significant issues have been identified from the work carried out to date.

Appendix 1a

Audits Planned and Completed in 2020-21 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 1bLimited 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 |
|--|----------------------|-----------------------|
| Critical Information Systems not supported by IT | Technology★ | 3 |
| Cyber and Network Security | Technology★ | 6 |

★ 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 |
|-------------------------------------|---------------------------------|-----------------------------------|
| National Non-Domestic Rates | Financial Management | 1 |
| Creditors | Financial Management | 1 |
| Debtors | Financial Management | 5 |
| Land Charges | Governance & Corporate Services | 3 |
| Staff Expenses | HR★ | 5 |
| IT Capacity Management & Resilience | Technology★ | 7 |

★ 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 |
|------------------------------|----------------------|
| Housing Benefits | Financial Management |
| Council Tax | Financial Management |
| Council Tax Reduction Scheme | Financial Management |
| Payroll | HR★ |
| Covid Response Review | Corporate |

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

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

| Audit | Head of Service | Original Assurance | High/Medium Risk Recommendations | | | | Revised Assurance |
|--|----------------------------------|--|----------------------------------|-------------|-----------------|-------|--|
| | | | Implemented | In Progress | Not Implemented | Total | |
| Housing Safety & Compliance | Environment & Healthy Lifestyles | Partial  | 0 | 3 | 0 | 3 | Partial  |
| Lease Holder Recharges | Housing & Partnerships | Partial  | 0 | 6 | 0 | 6 | Partial  |
| Housing Social Alarms Arrangements | Housing & Partnerships | Partial  | 4 | 0 | 1 | 5 | Partial  |
| Rent Debit, Collection & Arrears 2nd Follow Up | Housing & Partnerships | Partial  | 0 | 0 | 1 | 1 | Partial  |
| Information Governance 2nd Follow Up | Governance | Partial  | 1 | 0 | 4 | 5 | Partial  |
| Grounds Maintenance | Environment & Healthy Lifestyles | Partial  | 5 | 0 | 0 | 5 | 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. Some progress has been made but the Section is considering purchasing an Internal Audit Working Paper System which could improve efficiency in the team. | Chief Internal Auditor & Risk Manager | Jan 2022 |
| 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 | Ongoing |
| Annual Review | Internal Audit will continue to explore ways of utilise Computer Assisted Audit Techniques into their work | Chief Internal Auditor & Risk Manager | Ongoing |

| | |
|-------------------------|--|
| Report of: | Head of Governance & Corporate Services |
| Contact Officer: | Judith Aupers |
| Telephone No: | 01543 464 411 |
| Report Track: | Audit & Gov C'ttee: 29/07/21 |

Audit & Governance Committee
29 July 2021
Annual Governance Statement 2020-21

1 Purpose of Report

- 1.1 To set out the Council's Annual Governance Statement for the year 2020-21.

2 Recommendation(s)

- 2.1 That the Committee approves of the Annual Governance Statement for 2020-21.

3 Key Issues and Reasons for Recommendations

- 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 2020-21 (which is current up to July 2021) 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 Heads of Services and 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 2019-20 AGS is attached at Appendix 2. In summary, of the 7 items:

- 4 items have been completed or are on target to be completed; and
- work is in progress on 3 of the items.

A number of these issues are ongoing due to the nature of the pandemic and have also been included in the AGS for 2020-21.

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:-

Item No. 5.3

- 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.

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| 6 Implications |
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6.1 Financial

None.

6.2 Legal

None.

6.3 Human Resources

None.

6.4 Risk Management

None.

6.5 Equality & Diversity

None.

6.6 Climate Change

None.

7 Appendices to the Report

Appendix 1: Annual Governance Statement 2020-21.

Appendix 2: Progress Report for the Annual Governance Statement 2019-20.

Annex 1: Summary of Governance Framework

Previous Consideration

None.

Background Papers

Annual Internal Audit Report 2020-21

Strategic Risk Register

**CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2020-21**

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 2021 and up to the date of approval of the Annual Governance Statement.

- 2.4 At the point that the first national lockdown came into effect, the Council had to make a number of changes to its normal governance arrangements and many of these have remained in place since that time. The modified arrangements have adequate controls in place and have been kept under review.

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 2020-21.
- 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 also a formal Shadow Cabinet in place, which provides an opportunity to challenge decisions and how they are made.

As a result of the need to make urgent decisions during the pandemic, regular meetings were held with all political group leaders to brief them and take decisions where necessary. A Recovery Overview Board comprising all Group Leaders and a number of Cabinet Members was established to shape the response to and planning for recovery from the pandemic.

- 4.4 **Overview and Scrutiny committees** - the Council had 4 Scrutiny Committees during 2019-20, which were 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 Audit Plan for 2020-21 was revised as a result of the pandemic with work focussed on systems where controls were changed to support the move to homeworking and new areas of work arising from Covid response and recovery work. This work 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 identified Cyber and Network Security as a significant issue 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 2020-21 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

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

- Cyber security
- Ongoing support to the Council's leisure contractor, IHL
- Impact of the pandemic on the District's economy

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;
- Further sharing of services with Stafford Borough Council;
- Effect of the pandemic on the ability to hold decision making meetings
- Implementation of the new finance system.

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

- (i) Audit Findings (dated 26 November 2020 and reported to Audit & Governance Committee 30 November 2020); and
- (ii) Annual Audit Letter (dated 25 March 2021 and reported to Audit & Governance Committee 6 April 2021).

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

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

5. Opinion on the Governance Framework

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

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

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

5.4 The Audit & Governance Committee will have responsibility for ensuring the delivery of the actions needed to improve the Council's governance framework.

6. Significant Governance Issues

6.1 The Council's key governance issues are outlined in the action plan below. The majority of the issues are ongoing from the previous AGS and relate to the effects of the coronavirus pandemic. There are also 4 actions from the 2018-19 Annual Governance Statement which hadn't been fully completed and were deferred to allow resources to be focussed on response and recovery from the effects of the pandemic.

| Issue & Action | Officer Responsible | Target Date |
|---|------------------------|----------------|
| <p>Response and Recovery from the Coronavirus Pandemic</p> <p>A Recovery Strategy was prepared to deal with the effects of COVID-19 on the District and considerable progress has been made in implementing this. Those residual actions which have not yet been completed in full have now been incorporated into the new Corporate Plan which sets out the Council's priorities for the next 3 years.</p> <p>The Corporate Plan now represents the overarching document of the Council incorporating the Council's Response, Recovery and Reshape Strategy</p> | <p>Leadership Team</p> | <p>Ongoing</p> |

| Issue & Action | Officer Responsible | Target Date |
|--|---------------------------------------|-------------|
| combined with the refreshed medium term priorities , aims and objectives | | |
| <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 has had a significant impact on the Council's finances during 2020-21 and this is continuing into 2021-22 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 has been/ will be addressed by:</p> | Managing Director and Head of Finance | |
| <ul style="list-style-type: none"> Monitoring the Financial Impact of COVID-19; | Head of Finance | Ongoing |
| <ul style="list-style-type: none"> Implementing an Interim Financial strategy; | Head of Finance | Completed |
| <ul style="list-style-type: none"> Refreshing the Medium Term Financial Plan; and | Head of Finance | Ongoing |
| <ul style="list-style-type: none"> Determining a Financial Recovery Strategy. | Head of Finance | Ongoing |
| <p>The Economy of the District</p> <p>The pandemic is having a considerable impact on the economy of the District and the Council's plans will be reviewed to reflect this, the timing of this will be linked to the end of existing Government support measures likely to be at the end of September 2021.</p> <p>During 2020/21, an Economic Recovery Plan was put in place setting out the actions for the initial response and recovery.</p> <p>In the longer term, Supporting Economic Recovery is a key priority in the new Corporate Plan and this sets out the key actions for 2021-24 which includes</p> <ul style="list-style-type: none"> Working with McArthurGlen to maximise the economic benefits of the new Designer Outlet Supporting local businesses with their recovery through the provision of advice and support grants Working in partnership to provide support to newly unemployed residents to increase skills levels Developing plans to re-shape our town centres Submitting a bid for £20m to the Government's | Head of Economic Prosperity | Ongoing |

| Issue & Action | Officer Responsible | Target Date |
|--|--|--------------------|
| <p>Levelling Up Fund for Cannock Town Centre</p> <ul style="list-style-type: none"> • Investing £12.9m of our Housing Investment Fund to deliver c100 new Council properties • Supporting the re-development of the former Rugeley Power Station to create a zero carbon community. | | |
| <p>The Council's Key Contractors</p> <p>The Council's key contractors, in particular its Leisure contractor IHL, have been adversely affected by the successive lockdowns.</p> <p>In addition, the originating authority of IHL, Wigan Metropolitan Council terminated their contract with IHL wef from the 1 April 2021.</p> <p>Revised arrangements have now been put in place with IHL and Selby District Council ,the other remaining contract of IHL, to secure the medium term future of the contract. In accordance with the options contained in the current contract that terminates in February 2022 the contract for CCDC has been extended by five years, subject to annual agreement of the Management Fee.</p> <p>The Council is continuing to work to support them by providing financial assistance re the impact of the pandemic and in implementing their recovery plans.</p> | Head of Environment & Healthy Lifestyles | Ongoing |
| <p>Officer Capacity</p> <p>With the delivery of essential services, key projects, the introduction of new services, and work on recovery, resources are stretched. Early in the first lockdown, key projects planned for 2020-21 were re-prioritised and a number were either deferred or reshaped to reflect the impact of the pandemic. Priorities have been kept under review throughout.</p> <p>Priorities and capacity have been taken into account in preparing the new Corporate Plan for 2021-24 and the supporting delivery plans. 9 key strategic priority projects have been identified for 2021-22 and additional resources have been allocated where appropriate.</p> <p>In 2021 there is a short-term capacity issue at senior management level due to the MD leaving, one Head of Service retiring and the interim MD due to retire at the end of July. Interim staffing arrangements, covering an initial 12 month period, have been put in</p> | Managing Director | Ongoing |

| Issue & Action | Officer Responsible | Target Date |
|--|---|----------------------------------|
| <p>place pending a review of the potential to share a Chief Executive on an ongoing basis and other services more widely with Stafford Borough Council.</p> | | |
| <p>Shared Services</p> <p>The interim arrangements include the sharing of Stafford Borough Councils Chief Executive with Cannock Chase District Council pending the development of a business case to assess the potential for an extension to the existing sharing of services between the two Councils.</p> <p>The sharing arrangement is for a 14 month period wef 1 June 2021, including a handover period of 2 months, the development and consideration of a business case within a further 6 months, and then either confirmation of the ongoing sharing arrangements or a six month cover period whereby CCDC determine their own arrangements for the Head of Paid service role. The business case will include a review of the governance arrangements that would be needed to support the sharing of a Chief Executive and further services. The key actions are:</p> <ul style="list-style-type: none"> • Development of the business case. • Review of governance arrangements. • Business case to be submitted to both Councils for consideration. | <p>Shared Services Board</p> | <p>January 2022</p> |
| <p>Decision Making Meetings</p> <p>The first lockdown affected the normal committee meeting cycle, with a number of meetings cancelled/postponed.</p> <p>As a result of the need to make urgent decisions during the pandemic, regular meetings were held with all political group leaders to brief them and take decisions where necessary. A Recovery Overview Board comprising all Group Leaders and a number of Cabinet Members was established to shape the response to and planning for recovery from the pandemic.</p> <p>The introduction of virtual meetings allowed for a settled calendar of meetings to be re-instated and this included Remote Cabinet Meetings.</p> <p>However, since May 2021 the need for the physical attendance of Members at decision making meetings</p> | <p>Chief Executive and Monitoring Officer</p> | <p>Will be kept under review</p> |

| Issue & Action | Officer Responsible | Target Date |
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| <p>has been re-introduced. This presents a number of challenges to ensure that democratic processes can take place and safely. Risk assessments are being undertaken for each venue used. Virtual attendance is being considered where it is lawful to do so. Delegated authorities are kept up to date.</p> | | |
| <p>Cyber Security</p> <p>There is an increasing risk of cyber-attacks. Work is planned to further enhance the Council's security arrangements, and this includes:</p> <ul style="list-style-type: none"> • A Cyber Security group to be formed • Access to the network to be limited to corporate devices only • a checklist of Cyber specific action to be added to the Technology Major Incident process for response in the event of an incident. • Cyber Awareness training made compulsory. • Protective Domain Name Servers used on all corporate devices | Head of Technology | November 2021 |
| <p>New Finance System</p> <p>The Council has procured a new Finance system. The implementation timetable has been impacted by the pandemic and a phased implementation introduced. The main system went live on 1 April 2021 but other elements will be implemented over the coming months.</p> <p>Contingency plans were put in place to maintain the existing financial system for a 12 month period</p> <p>The core external elements of the system in terms of payments to creditors , etc and income collection were up and running from day one.</p> <p>Teething troubles are being experienced with the new internal accounting elements of the system and the following actions are planned:</p> <ul style="list-style-type: none"> • Ongoing project management • Testing and checking that the system is operating as expected • User training. • Post implementation review <p>The Council's financial accounts for 2020-21 are being closed down on the old system</p> | Head of Finance | Ongoing |

| Issue & Action | Officer Responsible | Target Date |
|--|---|----------------------|
| <p>Employees' Code of Conduct (deferred in 2020-21 due to pandemic)</p> <p>The review of the Employees' Code of Conduct has been completed. The 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> | <p>Head of Human Resources, Head of Law & Administration and Head of Governance</p> | <p>December 2021</p> |
| <p>Information Governance (deferred in 2020-21 due to pandemic)</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 all employees made aware of it.</p> | <p>Head of Governance & Corporate Services</p> | <p>December 2021</p> |
| <p>Contracts Register (deferred in 2020-21 due to pandemic)</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> | <p>Head of Governance & Corporate Services and Leadership Team</p> | <p>October 2021</p> |
| <p>Effective management of Corporate Assets and compliance (deferred in 2020-21 due to pandemic)</p> <ul style="list-style-type: none"> • Ensure robust systems in place to secure compliance across full range of building related risks; • 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. | <p>Head of Economic Prosperity and Corporate Assets Manager</p> | <p>Ongoing</p> |

Signed:

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Chair of the Audit & Governance Committee

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Date

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Leader of the Council



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Date



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Managing Director


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Date



on behalf of Cannock Chase District Council

**Progress Report as at 30 June 2021
On the Significant Governance Issues
From the Annual Governance Statement for 2019-20**




| No. | Issue & Action | Lead Officer & Timescale | Progress/Comments | Status |
|-----|---|--|---|--|
| 1 | <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. | <p>Leadership Team Ongoing</p> | <p>A recovery strategy and action plan was prepared and approved by Cabinet. Progress at the end of March 2021 has been reported to Cabinet and Scrutiny. A new Corporate Plan has been approved which sets out the Council priorities and key actions for 2021-24 and this has been framed around the Council's ongoing commitment to supporting recovery.</p> |  |
| 2 | <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>Managing Director and Head of Finance Ongoing</p> | <p>Monitoring of the Financial impact of Covid-19 is ongoing. The potential impact of the pandemic has been reflected in the Financial Plan approved by Cabinet (12 November 2020) and the Budget approved by Council (10 February 2021). As a result of the additional government funding provided in 2020-21 and the compensation scheme for sales , fees and charges and local taxation the impact in 2020-21 has been addressed.</p> <p>In addition the Provisional Local Government Finance Settlement (17 December 2020)</p> |  |

| No. | Issue & Action | Lead Officer & Timescale | Progress/Comments | Status |
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| | <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 | | <p>enabled a balanced budget to be set for 2021-22, albeit by the use of reserves, however the medium term financial stability of the Council is dependent upon changes arising from the future funding regime for local government.</p> | |
| 3 | <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. | <p>Head of Economic Prosperity</p> | <p>An Economic Recovery Plan was developed and agreed by Cabinet.</p> <p>Supporting Economic Recovery is a key priority in the Council's new Corporate Plan and includes five objectives</p> <ul style="list-style-type: none"> (i) Supporting jobs, enterprise and skills (ii) Reshaping our town centres (iii) Increasing affordable housing (iv) Well-designed communities (v) Clean and green recovery <p>The Council will refresh its Economic Prosperity Strategy during 2021 to set out its economic vision for District post pandemic.</p> |  |
| 4 | <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> | <p>Head of Environment & Healthy Lifestyles</p> <p>Ongoing</p> | <p>The government instruction to close all culture and leisure facilities on 20 March 2020 and again on 5 November and 6 January 2021 has had significant financial implications for the Council's operator, IHL</p> <p>In addition, Wigan Metropolitan Borough Council announced in September 2020 that they intended to terminate their contract with IHL from 1 April 2021.</p> <p>Their contract represented approximately</p> |  |

| No. | Issue & Action | Lead Officer & Timescale | Progress/Comments | Status |
|-----|---|--------------------------------------|---|---|
| | | | <p>60% of IHL's overall operation and combined with the impact of COVID 19 on the leisure industry created material concerns for Cannock Chase Council over the future viability of IHL.</p> <p>Cabinet at its meeting on the 14 January considered options to enable the continuity and future delivery of Council's leisure and culture services provision in the district. Having confirmed the ongoing financial viability of IHL a Management Fee was agreed for 2021/22 with annual reviews thereafter.</p> | |
| 5 | <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. | <p>Managing Director Ongoing</p> | <p>The PDPs for 2020/21 were reviewed and a number of projects/ actions rescheduled for 2021/22.</p> <p>Throughout the pandemic Leadership Team has regularly assessed the implications of Government announcements and reprioritised services and resources accordingly.</p> <p>There is a short-term capacity issue at senior management level due to the MD leaving, one Head of Service retiring and the interim MD due to retire at the end of July. Interim staffing arrangements have been put in place pending a review of the potential to share a Chief Executive on an ongoing basis and other services more widely with Stafford Borough Council.</p> |  |

| No. | Issue & Action | Lead Officer & Timescale | Progress/Comments | Status |
|-----|--|---|--|---|
| 6 | <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> | <p>Head of Governance & Corporate Services</p> <p>Ongoing</p> | <p>A full calendar of meetings resumed and were held remotely for the remainder of the municipal year. With effect from the Annual Council meeting in May, meetings in person have been resumed in line with legislative requirements.</p> |  |
| 7 | <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>All Heads of Service</p> | <p>Heads of Service have continued to monitor Government updates following the agreement of the terms of the UK's exit from the EU. No significant issues have been identified to date.</p> |  |

Key to Status Indicators:

| Status | Description |
|---|---|
|  | <p>The action is making significant progress towards completion or has been completed</p> |
|  | <p>The action is making some progress towards being completed</p> |
|  | <p>Work has not commenced on the action</p> |

Governance Framework

Principle 1

Integrity & Ethics

- Values & Behaviours
- Code of Conduct for Members
- Code of Conduct for Employees
- Declarations of Interests
- Gifts & Hospitality Registers
- Confidential Reporting Policy
- Anti-Fraud & Bribery Policy
- Member & Officer Protocol
- Standards Committee
- Monitoring Officer
- Monitoring Officer Protocol
- Legal advice in Committees reports

Principle 2

Openness & Engagement

- Schedule of Council meetings
- Council agendas, reports and minutes of meetings
- Freedom of Information Scheme
- Communications Strategy
- Consultation & Engagement Strategy

Principle 3

Vision & Outcomes

- Corporate Plan
- Priority Delivery Plans
- Service Plans

Principle 4

Capacity & Capability

- Constitution
- Scheme of Delegations
- Induction Programmes
- Personal Development Reviews
- Training
- Head of Paid Service
- Partnership Working

Principle 5

Risk, Control, Performance & Finance

- Risk Management Policy & Strategy
- Strategic Risk Register
- Project Risk Registers
- Financial Regulations
- Budget & MTFS
- Budget reports
- Performance Reports
- Procurement Regulations
- HR Policies & Procedures
- H&S Policies
- Audit Plan
- Audit Reports
- ICT Policies
- Data Protection Policy
- Treasury Management Policy
- Safeguarding Policy
- S151 Officer

Principle 6

Assurance & Accountability

- Code of Governance
- Annual Governance Statement (AGS)
- Annual Internal Audit Report
- Annual External Audit Letter
- Statement of Accounts
- Council Tax Leaflet
- Pay Policy Statement
- Performance Reports
- Audit & Governance Committee
- Scrutiny Committees
- Internal Audit
- External Audit
- Compliments & Complaints Policy

| | |
|-------------------------|--|
| Report of: | Head of Governance & Corporate Services |
| Contact Officer: | Stephen Baddeley |
| Contact Number: | 01543 464415 |
| Report Track: | Cabinet: 10/06/21 Audit & Gov Cttee: 29/07/21 |

Audit & Governance Committee

29 July 2021

Strategic Risk Register

1 Purpose of Report

- 1.1 To set out details of the Council's Strategic Risk Register as at 1 April 2021.

2 Recommendation(s)

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

3 Key Issues and Reasons for Recommendations

Key Issues

- 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 Status | Number of Risks at 31 October 2020 | Number of Risks at 1 April 2021 |
|--------------------|---|--|
| Red (High) | 4 | 4 |
| Amber (Medium) | 3 | 3 |
| Green (Low) | 0 | 0 |
| TOTAL | 7 | 7 |

Reasons for Recommendations

- 3.2 The Audit & Governance Committee are responsible for monitoring progress in completing actions identified in the Strategic Risk Register.

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 was undertaken in May 2021 to take account of the impact that the pandemic and the lockdown arrangements. The risk register has been monitored at intervals and actions progressed to manage the risk. The risk register has been updated as at 1st April and a summary is attached as **Appendix 1**. The 1st April review has aligned the risks to the new Corporate Plan priorities.
- 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)

- There has been no change in the number of strategic risks; there are 7 strategic risks of which 4 have been scored as high and 3 as medium.

- 5.6 Risk 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” has increased from a 15 Red to 20 Red. This reflects the short-term issues capacity issues arising from the imminent retirement of a Head of Service and the interim Managing Director. It is anticipated that the proposed sharing of Stafford Borough Council’s Chief Executive for the next 14 months whilst a business case is developed for future sharing will include a review of management capacity. As part of the work on the new Corporate Plan, 9 key strategic projects have been identified and resources will be focussed on the delivery of these.
- 5.7 Risk C4 “The Council’s key contractors remain sustainable and continue to provide value for money” has reduced from a 20 Red to 15 Red; this reflects the work that has been done with the Contractors to assist them in dealing with the impact of Covid and other changes. Whilst still a high risk some improvement has been seen particularly with IHL, the Council’s leisure and culture contractor. IHL have been affected by both the effects of the pandemic and the loss of a key contract. The Council has worked with IHL to put a financial recovery plan in place and as restrictions are being eased sites are now being re-opened.
- 5.8 The detailed action 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 **Risk Management**

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

6.5 **Equality & Diversity**

None

6.6 **Climate Change**

None

| |
|-----------------------------------|
| 7 Appendices to the Report |
|-----------------------------------|

Appendix 1 – Summary of Strategic Risks – 1 April 2021

Appendix 2 – Strategic Risk Register – 1 April 2021

Previous Consideration

None

Background Papers

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

Cannock Chase Council

Summary of Strategic Risk Register as at 1 April 2021

| Risk No | Potential Risks | Risk Owner | Date Added to Register | Residual Risk Score at October 2020 | Residual Risk Score at April 21 | Direction of Travel over period reported |
|--------------------|---|--|------------------------|-------------------------------------|---------------------------------|--|
| Red Risks | | | | | | |
| C1 | The Council's financial stability is adversely affected in the short and medium term | Head of Finance | May 2020 | 20 Red | 20 Red | ↔ |
| C2 | The economy of the District is adversely impacted | Head of Economic Prosperity | May 2020 | 20 Red | 20 Red | ↔ |
| C4 | The Council's key contractors remain sustainable and continue to provide value for money | Head of Environment & Healthy Lifestyles | May 2020 | 20 Red | 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 | Managing Director | May 2020 | 15 Red | 20 Red | ↑ |
| Amber Risks | | | | | | |
| C7 | Failure to put in place safe working practices and social distancing measures to protect employees and the public | Head of Governance & Corporate Services | May 2020 | 10 Amber | 10 Amber | ↔ |
| C3 | Failure to work in partnership to sustain support to vulnerable residents post Covid-19 | Head of Housing & Partnerships | May 2020 | 9 Amber | 9 Amber | ↔ |

Item No. 6.6

| Risk No | Potential Risks | Risk Owner | Date Added to Register | Residual Risk Score at October 2020 | Residual Risk Score at April 21 | Direction of Travel over period reported |
|---------|---|--------------------|------------------------|--|--|--|
| C6 | <p>Failure to repel or recover from a Cyber-attack including targeted ransomware, malware, and Distributed Denial of Service (DDoS) attacks.</p> <p>The move to home working has increased the vulnerability to malware issues.</p> | Head of Technology | May 2020 | <p style="text-align: center;">9 Amber</p> | <p style="text-align: center;">9 Amber</p> | ↔ |

Key to Direction of Travel

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

Cannock Chase District Council – Strategic Risk Register as at 1st April 2021

| | | | |
|--|---|-----------|------------------------------|
| 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 | | |
| Consequences Of Risk: <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 | | | |
| Links To Priorities: <ul style="list-style-type: none"> • Financially Resilient Council | | | |
| Gross Risk Score (i.e. without controls) | Likelihood: 4 | Impact: 5 | Total Score: 20 – Red |
| Residual/Net Risk Score (i.e. with controls) | Likelihood: 4 | Impact: 3 | Total Score: 20 – Red |
| Controls in Place <ul style="list-style-type: none"> • Medium term financial plan in place • Annual Financial Plan and Medium-Term Financial Strategy to 2023/24 in place • The Revenue Budget for 2021/22 is balanced with a potential deficit of £1,359,000 for 2022/23 if a new regime is implemented • 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>Completed Terms of Reference and Work Programme Agreed</p> |
| <p>Monitor Financial Impact of COVID-19</p> | <p>Head of Finance</p> | <p>Monthly monitoring in place</p> |
| <p>Implement Interim Financial strategy</p> | <p>Head of Finance</p> | <p>Completed Interim Financial Strategy considered by Recovery Overview Board and Cabinet</p> |
| <p>Update Financial Plan in relation to the deferment of 75% Business Rates Retention and Fair Funding by a year</p> | <p>Head of Finance</p> | <p>Scenarios developed reflecting potential treatment of growth and levy Details awaited of new timescale for implementation</p> |
| <p>Refresh Medium Term Financial Plan based upon alternative scenarios of short /medium- and long-term impact of in relation to external funding sources</p> | <p>Head of Finance</p> | <p>Ongoing Financial Plan approved by Cabinet 12th November 2020. New Financial Plan to be completed in 2021/22</p> |
| <p>Lobby MHCLG via MP/DCN and LGA re financial impact of COVID 19 on SBC</p> | <p>Managing Director/ Head of Finance</p> | <p>Ongoing contact with M.P.s, DCN, West Midland Chief Executives, LGA and directly with ministers.</p> |

| Actions Planned | Timescale/ Person Responsible | Progress/Comments |
|---|---------------------------------------|--|
| <p>Determine feasibility of extending Business Rates Pool into 2021/22</p> <p>Monitor impact of COVID-2019 on pool by authority on a month-by-month basis</p> <p>Liaise with Staffordshire & Stoke-on-Trent Business Rate Pool Members re options to maintain viable pool for 2021/2022</p> <p>Prepare options report to Leaders and Chief executives</p> | Head of Finance | Pool Established for 2021/22 |
| Determine impact of Government proposals for key funding regime changes for 2022/23 | Head of Finance | Ongoing |
| 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 | Managing Director/ Head of Finance | To form part of 2022-23 Budget Process |

Overall Progress Summary:

Monitoring of the Financial impact of Covid -19 is ongoing. The estimated impact of the pandemic has been reflected in the Medium-Term Budget as approved by Council with a balanced budget in place for 2021-22.

The medium-term financial stability of the Council is however dependent upon changes arising from the future funding regime for local government. Details in relation to the implementation of 75% Business Rates Retention and Fair Funding and Business Rates Reset are still awaited

A consultation document in relation to the Future of New Homes Bonus, beginning in 2022/23, was published on the 21 February 2021 (a response from the Council was submitted in advance of the closing date of 7 April 2021)

| | | | |
|---|--|-----------|------------------------------|
| Ref No: C2 | Risk: The economy of the District is adversely impacted | | |
| Risk Owner: Head of Economic Prosperity | Portfolio: District Development | | |
| Consequences Of Risk: <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 | | | |
| Links To Priorities: <ul style="list-style-type: none"> • Supporting Economic Recovery | | | |
| Gross Risk Score (i.e. without controls) | Likelihood: 4 | Impact: 5 | Total Score: 20 – Red |
| Residual/Net Risk Score (i.e. with controls) | Likelihood: 4 | Impact: 5 | Total Score: 20 - Red |
| Controls in Place <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/SSLEP/West Midlands Combined Authority • Business Relationships work/promoting the District via the Economic Development function | | | |

| Actions Planned | Timescale/ Person Responsible | Progress/Comments |
|---|--|---|
| <p>Business support</p> <ul style="list-style-type: none"> Local implementation of national support measures: business rates holidays, Retail & Hospitality Grants, Small Business Grants, Discretionary Grants. | <p>Head of Finance / Head of Economic Prosperity</p> | <p>Significant progress has been made in distributing business support grants. Over 1,700 businesses have been paid grant with over £20m of funding allocated. Unused monies to be returned to MHCLG.</p> <p>Discretionary Fund closed at the end of August 2020.</p> <p>Chancellor announced on 5th November an additional package of financial support for businesses including extension of Coronavirus Job Retention Scheme (Furlough) and further business support grants to assist businesses directly affected by the pandemic and lockdown restrictions. Council will again be responsible for administration and distribution of these funds.</p> |
| <ul style="list-style-type: none"> Encourage new inward investment and local business growth working in partnership with LEPs, Growth Hubs and County Council. | <p>Head of Economic Prosperity</p> | <p>Cabinet approved in September 2020 an application for Discretionary Business Rate Relief to support expansion of local company Super Smart Services Ltd – potentially creating c325 new jobs.</p> |
| <p>Produce an Economic Recovery Plan</p> | <p>Head of Economic Prosperity</p> | <p>Terms of reference for Economic Recovery work stream has been agreed by the Recovery Overview Board.</p> |
| <p>Refresh the Economic Prosperity Strategy to take account of changing economic environment</p> | <p>Head of Economic Prosperity</p> | <p>Impact of economic recession is currently being monitored by the Economic Recovery subgroup.</p> <p>Economic Prosperity Strategy refresh will set out the Council's plan to tackle the increase in unemployment and create a pipeline of new job opportunities. Work has started on the refresh but timescale for completion has been put back until early 2021 due to 2nd wave of COVID-19 and increasing economic uncertainty.</p> |

Item No. 6.12

| Actions Planned | Timescale/ Person Responsible | Progress/Comments |
|--|----------------------------------|--|
| Revisit regeneration proposals for Cannock Town Centre in light of change to economic climate and reduced investor/developer confidence. | Head of Economic Prosperity | Officers are currently progressing technical work to examine feasibility of demolition of MSCP. Business case to be prepared and presented to Cabinet by spring 2021. Avon Road Car Park – Cabinet have approved disposal of the site – terms currently being agreed. |
| Pro-actively work with the West Midlands Combined Authority (WMCA), Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP), and Stoke-on-Trent and Staffordshire Local Enterprise Partnership (SSLEP) 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 SSLEP and Combined Authority and both organisations are leading on the region’s response to economic recovery. GBSLEP is supporting the District with a number of new initiatives including the £2m Pivot and Prosper Grant fund and ‘Click and Drop’ scheme targeted at independent retailers in Cannock, Hednesford and Rugeley town centres South Staffordshire College has secured £550k of funding from SSLEP to develop a Digital Skills Academy as part of £23m SSLEP allocation from MHCLG Getting Building Fund. |
| Revised Local Plan to be produced and delivered | Head of Economic Prosperity | Local Plan Review underway, however due to COVID-19 work has been delayed. Revised Local Development Scheme is being prepared and will be presented to Cabinet in January 2021. Officers are reviewing the potential impact of the Planning White Paper. |

Overall Progress Summary: The District’s economy is being severely impacted by the COVID-19 pandemic and lockdown and there is continued economic uncertainty due to the ongoing threat of COVID-19 and second national lockdown. The District’s unemployment rate has increased significantly since March 2020 and in the short-medium term is not expected to increase significantly due to the Government’s decision to extend the Furlough scheme until March 2021. The Council will need to refresh its Economic Prosperity Strategy to set out how the Council can support the economy, create new job opportunities, 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: Neighbourhood Safety & Partnerships | | |
| Consequences Of Risk: Vulnerable people at risk of not receiving help and support therefore increasing issues such as: | | | |
| <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 | | | |
| Links To Priorities: | | | |
| <ul style="list-style-type: none"> • Supporting Health & Wellbeing | | | |
| 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: 3 | Total Score: 9 – Amber |
| Controls in Place | | | |
| <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 | | | |

Item No. 6.14

| Actions Planned | Timescale/ Person Responsible | Progress/Comments |
|---|--|--|
| <p>Group being set up to support the Community Recovery work stream – this will look at:</p> <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 | <p>Head of Housing & Partnerships</p> | <p>Lessons Learnt Report Completed</p> <p>CCSN have confirmed that the Group is no longer active and will be working in a signposting capacity. CCDC has taken on the role of Anchor Organisation across the District.</p> |
| <p>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</p> | <p>Head of Housing & Partnerships</p> | <p>Human Kind Charity – Drug & Alcohol Support - Commissioned by SCC</p> <p>Exploring options to fund a Specialist Mental Health Worker (Housing Options Funding)</p> |
| <p>Supporting Vulnerable Residents – Follow up telephone calls</p> | <p>Head of Housing & Partnerships – May to June 2020</p> | <p>400+ calls completed (28.05.2020)</p> <p>3000+ calls completed</p> <p>Project complete</p> |
| <p>Housing 1st Project – Secure permanent accommodation for the Rough Sleepers</p> | <p>Strategic Housing Manager</p> | <p>2-year contract awarded to Spring Housing under Rough Sleepers Pathway Project in partnership with Lichfield DC – Option available to extend for further 2-year period to continue to provide a rough sleeping outreach service and housing first accommodation and support for entrenched (complex needs) rough sleepers.</p> <p>5 rough sleepers rehoused and supported in the HRA flats provided to Spring Housing under a management agreement.</p> <p>Other long-term accommodation secured for a further 2 Rough Sleepers.</p> <p>Application for Next Steps Accommodation Programme Funding Bid for £115k (match funded) for purchase and letting of 2 additional flats. In progress with one sale completed and refurbishment work commenced. Purchase of 2nd flat in</p> |

Item No. 6.15

| Actions Planned | Timescale/ Person Responsible | Progress/Comments |
|---|--|--|
| | | <p>progress. NSAP deadline for practical completion is 30 June 2021. Risk due to leasehold issues which may result in 2nd property purchase not achieving practical completion by deadline.</p> <p>Consideration currently being given to a grant application under 21/22 RSAP (Rough Sleeping Accommodation Programme).</p> |
| <p>To maximise the benefit of any legacy from the increase in voluntary activity in the local community</p> | <p>Head of Housing & Partnerships</p> | <p>On-going meetings scheduled – work with Support Staffordshire on social prescribing</p> <p>Cabinet has approved funding for Support Staffordshire to engage with the Voluntary Sector – project starts 01.12.2020</p> <p>Support Directories Produced by Support Staffordshire and Rugeley Community Church</p> |
| <p>Work in conjunction with Inspiring Healthy Lifestyles to support individuals and communities to mitigate the impact of Covid-19 on health and well being</p> | <p>Head of Environment</p> | <p>On-going – family activity packs have been delivered to households</p> <p>Voluntary Groups – Summer Recess</p> <p>SPACE Project given go-ahead</p> |
| <p>Further Development of the MARAC</p> | <p>Complete (PCSCCTV Manager) Staffordshire Police</p> | <p>Weekly MARAC's have now been operational since September and are held weekly after the Community Safety Hub (CSH), with chairing responsibilities alternating chaired between Staffordshire Police and the Partnerships Manager.</p> <p>From its launch date of 15th September 2020 - a total of 81 cases have been discussed with action plans put in place.</p> |
| <p>Establishing a strong link with the Community Vulnerability Hub</p> | <p>Complete & On-Going (PCSCCTV Manager)</p> | <p>This has been adopted as part of daily business.</p> |

Overall Progress Summary:

First lockdown - the Community Vulnerability Hub was mobilised within days of the lockdown. Following the initial response stage and with the end of Shielding demand had considerably dwindled for this level of intensive support. A part time role within the Housing Department has been approved to manage the high level of complex cases that have emerged prior to and during lock-down. The Foodbanks have reported no increase in the demand for food and this may be due to the Governments funding of School Meals. Moving forward meetings with the voluntary sector have been scheduled bimonthly with the agreement that should there be a spike or local lockdown the groups are willing to remobilise. Internally over 50 staff members have supported the hub.

Second Lockdown – Additional call handlers assigned to support the Clinically Extremely Vulnerable Residents (4,200+) to register for on-line food delivery slots and low-level support. The Head of Service has established links with Cannock and Hednesford Salvation Army and Rugeley Community Church working in conjunction with Support Staffs are seen to be the emerging “Anchor Organisations” within the District. The local list of Vulnerable Residents (including CEV) had been refreshed (7,000+ residents).

The Community Vulnerability Hub are continuing to make fortnightly telephone calls to 80 + individuals who are vulnerable – this work is funded by the County Council and will cease at the end of June 2021. The Head of Service is talking to two voluntary groups that hopefully we can transition the calls to.

There are 4 / 5 single residents currently in temporary accommodation and we are working with them to source permanent accommodation.

The two Foodbanks have seen a decrease in activity and a number of Community Tables have popped up across the District; both Foodbanks have a sufficient supply of Food.

The Heath Hayes and Wimblebury Group has stood its volunteers down. Meetings with the Voluntary Sector will move to Quarterly basis and the Covid-19 Support Webpage is being updated.

In order to assist residents with on-line shopping the County Council have made available 7 tablets that can be gifted to residents on a first come basis.

| | | | |
|--|---|-----------|------------------------------|
| 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(s): Housing, Heritage & Leisure and Environment & Climate Change | | |
| 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"> • Financially Resilient Council | | | |
| 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 |
| 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 • Appointment of Leisure, Culture & Commonwealth Games Officer on two-year fixed term contract to 2022-2023 to support the service and manage relationships with IHL | | | |

| 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 | <p>Head of Finance Head of Environment & Healthy Lifestyles</p> <p>Ongoing during response and recovery as required</p> | <p>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.</p> <p>Discussions are ongoing between the Council and key IHL officers to identify full financial impact and develop sustainable recovery plans. The 2nd lockdown is likely to have a significant impact on the financial viability of IHL. This has led to the review and increase of the risk score</p> <p>The withdrawal of Wigan Metropolitan Borough council (WMBC) from their contract with IHL, the 3rd national lockdown and the uncertainty with Selby District Council, (SDC) and their contractual relationship with IHL have had a continuing impact on the viability and financial risk on the operator IHL:</p> <p>The Council has now secured £210k from the National Leisure Recovery Fund, (NLRF) administered by Sport England on behalf of Government.</p> <p>A formal Deed of Variation, (DoV) has been drafted and is to be executed between IHL and Cannock and IHL and SDC to put in place a mechanism for 'open book' accounting and continuous monitoring of the financial performance and viability of IHL in line with the report to Cabinet on January 2021. There remains some uncertainty in relation to the contractual relationship between IHL and SDC and this continues to have an adverse impact on Cannock Chase DC.</p> |

Item No. 6.19

| Actions Planned | Timescale / Person Responsible | Progress/Comments |
|--|---|---|
| Contact with other Councils, Local Government Association and Sport England | <p>Heads of Service Contracts and Procurement Manager</p> <p>Ongoing during response and recovery as required</p> | <p>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</p> <p>Interest logged on 10th April with Sport England to receive any available support/consultancy to ensure that Council's, Leisure Trusts and Operators survive this period of uncertainty. Sport England have been contacted again on 10th November 2020 with regard to possible support</p> <p>Cannock have been actively engaged with the Staffordshire Leisure Officers Group, (PALS) to share experience, knowledge and learning in relation to the impact of the pandemic on Leisure and Culture Services.</p> |
| 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 | <p>Managing Director Head of Finance</p> <p>Ongoing during response and recovery as required</p> | <p>Information provided regarding the financial impact of COVID-19 on contracted services.</p> <p>Managing Director and Head of Finance are continuing to lobby local MP.</p> <p>Letter to MP 16th October 2020 and further contact made on 10th November 2020</p> |
| Monitoring Government guidance on COVID-19 on services that can be delivered as lockdown is eased | <p>Heads of Service Service Managers Contracts and</p> | <p>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.</p> <p>Chase Leisure Centre (Dry side) re-opened 25th July 2020 and Swimming Pool 1st August 2020</p> <p>Rugeley Leisure Centre (Dry side) re-opened 1st August 2020</p> <p>AGP at Bradbury re-opened from 10th August 2020</p> <p>Recovery progress has been hampered by 2nd Lockdown 5 Nov to 2nd December.</p> |

| Actions Planned | Timescale / Person Responsible | Progress/Comments |
|-----------------|-----------------------------------|--|
| | | <p>Recovery plans in place for re-opening of Leisure and Culture facilities following the announcement of the staged lifting of lockdown restrictions:</p> <p>March 29th: Re-opening of outdoor facilities and activities, Golf, Five's, ATP</p> <p>April 12th: Reopening of individual fitness, personal trainer, disability access, swimming facilities at Chase LC.</p> <p>May 17th: Reopening of indoor group exercise, indoor team events, Museum & Prince of Wales (Reduced Capacity)</p> <p>June 21st: All activities and facilities; with the exception of Rugeley Swimming facilities (contractors to complete refurbishment by end of summer).</p> |

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.

Progress has been made with regard to the safe re-opening of some of the key leisure facilities. However, this recovery and the risk of future sustainability has been impacted by the 2nd and third lockdowns, resulting in a reassessment of the risk score. This risk is partially mitigated through receipt of £210k and the finalisation of the proposed Deed of Variation. The overall likelihood remains at 3 and impact at 5 giving an unchanged residual risk score of 15 as there remains contractual uncertainty between IHL and Selby DC.

In respect of the Waste Contract all services are being provided and discussions are ongoing with the Regional and Local Contract Managers to monitor and resolve any local issues around contaminated waste levels etc. Soft market testing has been undertaken with other Staffordshire Councils in respect of waste recycling contracts.

The waste recycling tenders have been received and evaluated and the options around service continuation are being reviewed and due to be reported to Cabinet in Q1 2021-22.

| 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 | | |
| Consequences Of Risk: <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 | | | |
| Links To Priorities: <ul style="list-style-type: none"> Financially Resilient Council | | | |
| Gross Risk Score (i.e. without controls) | Likelihood: 4 | Impact: 5 | Total Score: 20 – Red |
| Residual/Net Risk Score (i.e. with controls) | Likelihood: 4 | Impact: 5 | Total Score: 20 – Red |
| Controls in Place <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 activity | |

Item No. 6.22

| Actions Planned | Timescale/ Person Responsible | Progress/Comments |
|---|----------------------------------|--|
| Review of existing priorities and PDP's in light of Recovery Planning work | Leadership Team / Cabinet | The PDP's for 2020/21 have been reviewed and revised PDPs approved by Council. A review of Corporate Priorities has been completed and a new Corporate Plan produced for 2021-24 which takes into account ongoing recovery work. |
| Review of essential services and operational work plans to re-prioritise work | Heads of Service | The majority of services are now operating normally with only a small number affected by the lockdown that came into effect at the start of 2021. |
| Where necessary, considering whether resources from other parts of the Council can be transferred for a period. | Leadership Team | Ongoing operational decisions |
| Management review | Managing Director | Following the resignation of the Managing Director, the Deputy MD is now acting as the interim MD. Plans are also in hand for interim arrangements to cover the imminent retirement of the Head of Environment and Healthy Lifestyles. As the interim MD is also due to retire at the end of July, Council is to be asked to approve in May the appointment of the Chief Executive of Stafford Borough Council as joint Chief Executive for 14 months pending the development of a business case for longer term sharing between the two Councils. As part of this work, there will be a review of the management structure. |

Overall Progress Summary:

The majority of services are now operating normally with just a few affected by the lockdown restrictions. Work from the response and recovery phases continues to have an ongoing impact on officer capacity and with considerable pressure on key service areas. Officer capacity continues to be reviewed and work prioritised. Going forward, the management structure will be reviewed as part of the development of a business case for further sharing of services and a Chief Executive with Stafford Borough Council.

| | | | |
|---|--|-----------|-------------------------------|
| 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: Innovation and High Streets | | |
| <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"> • Financially Resilient Council | | | |
| 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: 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 | | | |

Item No. 6.24

| 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 2020. Follow-up check is planned for November 2021. |
| Application Security Assessment and Remediation action taken | Annually Head of Technology | The health-check will produce an action plan to feed into this. |
| Limit the access to critical systems and data by non-corporate devices. | September 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 | Email mailboxes are now held in the cloud. Data files will also be moved during 2021/22 |
| Add Geo restrictions to O365 and Virtual office. | Systems Manager | Complete |
| Require one-time passwords for all network connections. | Systems Manager | Complete |

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 ensure that there are adequate safe working practices and social distancing measures in place to protect employees and the public | | |
| Risk Owner: Head of Governance & Corporate Services | Portfolio: Innovation and High Streets | | |
| Consequences Of Risk: <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 | | | |
| Links To Priorities: <ul style="list-style-type: none"> • Financially Resilient Council | | | |
| Gross Risk Score (i.e. without controls) | Likelihood: 4 | Impact: 5 | Total Score: 20 – Red |
| Residual/Net Risk Score (i.e. with controls) | Likelihood: 2 | Impact: 5 | Total Score: 10 – Amber |
| Controls in Place <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 | Process established and guidance issued to managers to support initial return to the workplace. This is being reviewed and updated as restrictions ease |

Item No. 6.26

| 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 | Guidance has been issued to managers and role-based risk assessments are being completed, as required, and agreed with the Health & Safety Officer and the Trade Unions |
| Continue to monitor and review guidance issued by Government and communicate to managers as required | Chief Internal Auditor & Risk Manager | Work is ongoing to monitor and update guidance for managers in accordance with changes made regarding local and national restrictions |
| Review content of Health & Well-being Strategy to take account of impact of COVID-19 on the workforce | HR Manager | This is being considered as part of the Organisational Recovery work. HR have put in place a range of support for employees and managers to aide mental health and wellbeing. |

Overall Progress Summary:

Risk assessments were prepared at the outset of the first lockdown and have continued to be reviewed and updated to reflect the latest Government Guidance. Workplace risk assessments have been completed for all key sites.

The Organisational Recovery Group is looking at plans for the easing of restrictions over the coming months and this will include reviewing risk assessments and Covid secure procedures.

Whilst much work has been done to comply with COVID secure guidance and ensure the safety of employees and the public and the number of cases has decreased nationally and locally, due to the nature of the pandemic, it is not considered prudent at this time to reduce the risk score. This will be kept under review as restrictions ease.



Cannock Chase District Council Audit Plan

Year ending 31 March 2021

Cannock Chase District Council
29 July 2021



Contents



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| Key matters | 3 | 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 planning 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 the Council or all 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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Key matters

Factors

Sector wide issues

- MHCLG has amended regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September for a period of two years. At the end of this period, MHCLG will review whether there is a continued need to have an extended deadline.
- CIPFA/ LASAAC have announced deferral of IFRS 16 for local authorities to 1 April 2022.
- The FRC thematic reviews published have identified areas for improvement which are relevant to local government in regard to IFRS 15 (revenue from contracts with customers), cash flow statements and the financial reporting effects of COVID-19

Impact of COVID-19 pandemic

- The impact of COVID-19 has been unprecedented on service provision, and the Council have seen a reduction in revenue from discretionary fees and charges.
- Property markets remain volatile in 2020/21 due to the ongoing impact of the pandemic.
- The forecast outturn for the Council is £14,652 which is £1,474k above the budget of £13,177k. The additional costs are primarily due to COVID-19 which were taken into account in the budget report taken in February 2021 which approved a revised 2020/21 budget for portfolios of £14,892k.
- Several COVID-19 measures implemented in 2020/21 will need consideration in order to determine whether there is income and expenditure to be recognised in the CIES.

Other Local issue

- We noted that, following the resignation of the council's Managing Director, there were changes within the council's leadership team during the year. Specifically, the Deputy Managing Director was designated Head of Paid Service and appointed as Interim Managing Director. The Chief Accountant (also the Deputy S151 Officer) was appointed to undertake the role of interim Head of Finance and Interim Section 151 Officer. We will continue to work with the new Managing Director and interim S151 Officer to complete the 2020/21 external audit

Our response

- We will work flexibly in partnership with officers to endeavour to deliver to the revised statutory deadlines.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work, as set further in our Audit Plan, has been agreed with the Head of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work. This will specifically consider the impact of COVID-19.
- Our work on grant funding will establish whether new sources of revenue received in the period have been accounted for appropriately on a principal or agent basis, conditions have been met and income is classified correctly.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control – refer to page 5
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic. We identified a significant risk in regards to the valuation of properties – refer to page 6.
- We are in ongoing dialogue with management in regard to new, innovative developments such as subsidiary companies and will consider these from a Value for Money and accounting perspective

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cannock Chase District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Cannock Chase District Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Accounts Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Accounts Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land, buildings and council dwellings
- Valuation of net pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.2m (PY £1m) for the Council, which equates to approximately 2% of your prior year gross expenditure (cost of service). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.06m (PY £0.06m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risk of significant weakness:

- Financial planning & sustainability

Audit logistics

Our interim visit took place in April and our final visit will take place over the summer. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our audit fee is currently under discussion with management and our regulators. Our final prior year audit was £57,148, subject to final variations for approval by PSAA. We anticipate that this will be uplifted as a result of additional Value for Money requirements, changes to auditing standards in relation to estimates and operational challenges stemming from remote working conditions during the pandemic to £61,624.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|--|---|
| The revenue cycle includes fraudulent transactions (rebutted) | <p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p> | <p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue and expenditure recognition - opportunities to manipulate revenue and expenditure recognition are very limited; and - the culture and ethical frameworks of local authorities, including Cannock Chase District Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Cannock Chase District Council.</p> |
| Management override of controls | <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> - Evaluate the design effectiveness of management controls over journals; - Analyse the journals listing and determine the criteria for selecting high risk unusual journals; - Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; - Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and - Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. |

Significant risks identified (continued)

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|--|---|
| Valuation of land and buildings (PPE) | The Council revalues its land, buildings and council dwellings on a rolling five-yearly basis. | <p>We will;</p> <ul style="list-style-type: none"> - Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - Evaluate the competence, capabilities and objectivity of the valuation expert; - Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; - Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; - Test revaluations made during the year to see if they had been input correctly into the Council's balance sheet; - Evaluate assumptions made by management for assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. |
| Valuation of council dwellings | <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £193m of council dwellings and £60m land & buildings in the prior period) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value of the fair value (for surplus assets) at the financial statements date, where a rolling program is used.</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | |
| Valuation of the net pension liability | <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to the size of the numbers involved (£61.7m as at 31 March 2020) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatements.</p> | <p>We will:</p> <ul style="list-style-type: none"> - Update our understanding of the processes and controls put in place by management to gain reasonable assurance that Council's net pension liability is not materially misstated and evaluate the design of the associated controls; - Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; - Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; - Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; - Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; - Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and - Obtain assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. |

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Accounts Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation (and useful economic lives of assets)
- Fair value of financial instruments (investments)
- Valuation of defined benefit net pension liabilities

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Item No. 7.9



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management via our Informing the Risk Assessment report which we use as a vehicle for updating our understanding of the Council's controls framework. We will present this as a separate report and ask that the Committee review and approve the report to ensure we have a consistent understanding of the Council's arrangements.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate.

Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 12).

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.2m (PY £1.2m), which equates to approximately 2% of your prior period gross cost of services. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k for senior officer remuneration owing to the sensitive nature of these disclosures.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

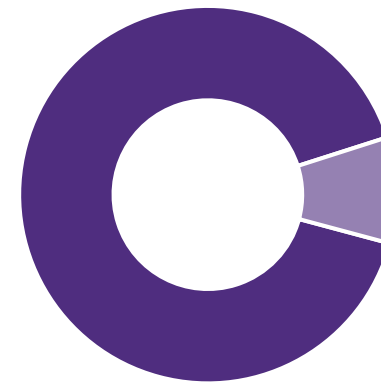
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £60K (PY £60K).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Accounts Committee to assist it in fulfilling its governance responsibilities.

Prior year gross operating costs

£60m Council



■ Prior year gross operating costs

Materiality

£1.2m

Council financial statements materiality (PY: £1.2m)



£0.06m

Misstatements reported to the Audit and Accounts Committee (PY: £0.06m)

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified / unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



Financial planning and sustainability

The impact of Covid-19 could be significant for the Council and that the future models of funding in Local Government are uncertain. The Council's financial plan covers a period of 2020/21 to 2023/24 and is forecasting efficiency requirements each year to achieve a balanced budget and therefore faces significant challenge in the medium term.

Risk response

In response to the risk identified, we will perform further work to understand:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium term plans
- How the Council plans to bridge its funding gaps and identifies achievable savings
- How the Council plans finances to support sustainable delivery of services
- How the Council ensures its financial plan is consistent with other plans; and
- How the Council identifies and manages risks to financial resilience

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

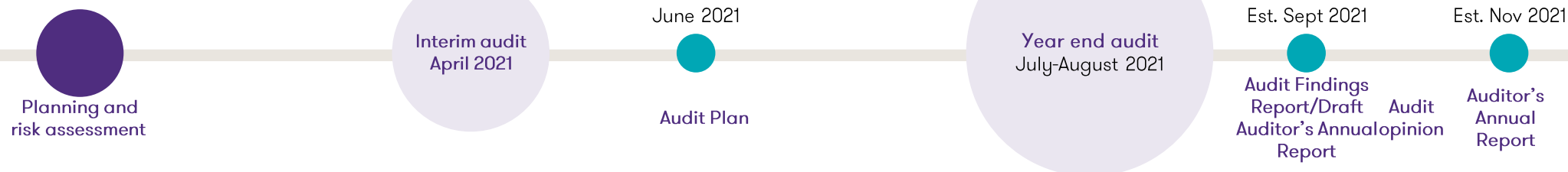
The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Avtar Sohal, Key Audit Partner



Avtar leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained with a commitment to add value to the CCGs.

Aamar Hussain, Audit Manager

As the engagement manager, Aamar is responsible for overseeing delivery of our service and managing the audit process in respect of the Council. He will be in hand to answer any queries, whilst ensuring an efficient audit process.

Harkamal Vaid, Audit Incharge



Hark will work with relevant officers and our operational team to ensure the smooth planning and delivery of the audits. She will oversee the day to day running of the audit and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2018, PSAA awarded a contract of audit for Cannock Chase District Council to begin with effect from 2018/19. Our final prior year audit was £57,148, subject to final variations for approval by PSAA. . Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 12, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21 is still in discussion with management and regulators – for reference, we set out 2019/20 and 2018/19 fees below.

| | Actual Fee 2018/19 | Actual Fee 2019/20 | Proposed fee 2020/21 |
|--------------------------------------|--------------------|--------------------|----------------------|
| Cannock Chase District Council Audit | £44,624 | £57,148 | £61,624 |
| Total audit fees (excluding VAT) | £44,624 | £57,148 | £61,624 |

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

| | |
|---|----------------|
| Scale fee published by PSAA | £40,124 |
| <i>Ongoing increases to scale fee first identified in 2019/20</i> | |
| Raising the bar/regulatory factors | £2,500 |
| Enhanced audit procedures for Property, Plant and Equipment | £1,750 |
| Enhanced audit procedures for Pensions | £1,750 |
| Audit fee 2019/20 (net of additional 19/20 specific Covid 19 surcharge and other one-off fees) | £46,124 |
| <i>New issues for 2020/21</i> | |
| Additional work on Value for Money (VfM) under new NAO Code | £9,000 |
| Increased audit requirements of revised ISAs | £6,500 |
| Proposed increase to agreed 2019/20 fee | £15,500 |
| Total audit fees (excluding VAT) | £61,624 |

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.








None of the services provided are subject to contingent fees.

| Service | Fees £ | Threats | Safeguards |
|---|--------|---|--|
| Audit related | | | |
| Certification of Housing Benefits Subsidy Claim | 15,500 | Self-Interest (because this is a recurring fee) | The level of these recurring fees taken on their own are not a significant threat to independence as the fee for this work is £18,000 in comparison to the expected total fee for the audit of £57,000. Furthermore these fees are not significant relative to Grant Thornton UK LLP's turnover overall; these are also fixed fees and there are no contingent elements to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Certification of Housing Capital receipts grant 2019/20 | 2,500 | Self-Interest (because this is a recurring fee) | |
| Total | 18,000 | | |










Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance




The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

| | Date of revision | Application to 2020/21 Audits |
|--|------------------|---|
| ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements | November 2019 |  |
| ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK) | January 2020 |  |
| ISA (UK) 220 – Quality Control for an Audit of Financial Statements | November 2019 |  |
| ISA (UK) 230 – Audit Documentation | January 2020 |  |
| ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements | January 2020 |  |
| ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements | November 2019 |  |
| ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector | November 2019 |  |

Appendix 1: Revised Auditor Standards and application guidance continued

| | Date of revision | Application to 2020/21 Audits |
|---|------------------|---|
| ISA (UK) 260 – Communication With Those Charged With Governance | January 2020 |  |
| ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment | July 2020 |  |
| ISA (UK) 500 – Audit Evidence | January 2020 |  |
| ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures | December 2018 |  |
| ISA (UK) 570 – Going Concern | September 2019 |  |
| ISA (UK) 580 – Written Representations | January 2020 |  |
| ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) | November 2019 |  |
| ISA (UK) 620 – Using the Work of an Auditor’s Expert | November 2019 |  |
| ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements | January 2020 |  |

Appendix 1: Revised Auditor Standards and application guidance continued

| | Date of revision | Application to 2020/21 Audits |
|---|------------------|---|
| ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report | January 2020 |  |
| ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information | November 2019 |  |
| Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom | December 2020 |  |



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