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21 November 2022

Dear Councillor,

**Audit & Governance Committee**

**6:00pm, Tuesday 29 November 2022**

**Council Chamber, Civic Centre, Beecroft Road, Cannock**

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

Yours sincerely,

**T. Clegg**  
**Chief Executive**

To: Councillors

Jones, P.G.C. (Chair)  
Kraujalis, J.T. (Vice-Chair)  
Beach, A.            Jones, P.T.  
Crabtree, S.K.    Kruskonjic, P.  
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 previous meeting held on 27 July 2022 (enclosed).

**4. Internal Audit Progress Report - November 2022**

Report of the Chief Internal Auditor & Risk Manager (Item 4.1 - 4.11).

**5. Strategic Risk Register**

Report of the Head of Governance and Corporate Services (Item 5.1 - 5.23).

**6. Internal Audit External Quality Assessment 2022**

Report of the Head of Governance and Corporate Services (Item 6.1 - 6.34).

**7. Annual RIPA Review**

Report of the Council Solicitor (Item 7.1 - 7.3).

**8. External Auditor's Annual Report 2020/21**

Report of the External Auditors (Item 8.1 - 8.24).

**Cannock Chase Council**  
**Minutes of the Meeting of the**  
**Audit and Governance Committee**  
**Held on Wednesday 27 July 2022 at 6:00pm**  
**In the Council Chamber, Civic Centre, Cannock**  
**Part 1**

**Present:**  
Councillors

Jones, P.C.G. (Chair)  
Kraujalis, J.T. (Vice-Chair)  
Beach, A.        Jones, P.T.  
Crabtree, S.K.    Kruskonjic, P.  
Hoare, M.W.A.

**1. Apologies**

None.

**2. Declarations 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.

The Chair advised he was a member of the Staffordshire County Council Pensions Committee.

**3. Minutes**

That the Minutes of the meeting held on 25 April 2022 be approved.

**4. Internal Audit Report 2021-22**

Consideration was given to the Report of the Chief Internal Auditor & Risk Manager (Item 4.1 - 4.21).

The Chief Internal Auditor & Risk Manager drew Members attention to Appendix 1 of the covering report, advising that it set out details of audits issued since the last progress report. Of the seven audits listed, five had a substantial assurance rating, and two a partial rating, the reasons for which were set out in the Appendix. Also set out were details of two audits where follow-up work had been completed in quarter 4 of 2021/22.

The Chief Internal Auditor & Risk Manager then took the Committee through the Annual Report for 2021/22, drawing specific attention to the following sections:

- Review of Internal Audit (paragraphs 1.9, 1.10, and 1.11).
- Internal Audit Opinion for 2021-22 (paragraph 2.8).
- Significant Issues Arising During 2021-22 (paragraphs 3.2 to 3.8).

Concerns had been raised about the slow progress on follow-up audits. The reasons for which were varied, but included departmental work pressures, delayed external audits, delivery of Covid-related grant funding schemes, Covid-related inspections impacting the work of the Environmental Health team, and sickness levels affected by the 'omicron' variant of the virus. More recently, support for refugees and asylum seekers, and preparations for the Queen's Baton Relay and Commonwealth Games had also impacted staff resources.

- Audit Performance (paragraphs 4.1 - 4.9)

In response to a query from a Member as to whether the number of planned audits for the year had been overambitious, the Chief Internal Auditor & Risk Manager advised this was not considered to be the case. The audit plan for 2021/22 had been developed in January / February 2021, and since that time, the work of the Team had been impacted by additional lockdowns and other issues.

- Fraud and Irregularity Work (paragraph 5)
- Improvement Plan for Internal Audit 2021-22 (Appendix 3).

**Resolved:**

That the Internal Audit Report 2021-22 be noted.

**5. Annual Governance Statement 2021-22**

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 5.1 - 5.23).

The Head of Governance and Corporate Services drew Members attention to the Annual Governance Statement (Appendix 1 of the covering report), taking the Committee through the 'significant governance issues' as detailed in section 6 of the Statement.

**Resolved:**

That the Annual Governance Statement for 2021-22 be approved.

**6. Strategic Risk Register**

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 6.1 - 6.27) *(presented by the Chief Internal Auditor & Risk Manager)*.

The Chief Internal Auditor & Risk Manager drew Members attention to the Council's risk profile as detailed in report paragraph 3.1, advising that the number of strategic risks had reduced from 7 to 6, and satisfactory progress made on managing said risks.

Report paragraph 5.7 set out the main changes to the Register, and paragraph 5.8 set out details of one risk where the overall score had been reduced.

The summary of the strategic risks as of 1 April 2022 was provided in Appendix 1, and the full Register, including details of actions taken to manage each risk, was included at Appendix 2.

**Resolved:**

That the Strategic Risk Register and progress made in the identification and management of the Strategic Risks be noted.

**7. Treasury Management Report - Increase in Money Market Funds**

Consideration was given to the Report of the Head of Finance (Item 7.1 - 7.4) (*presented by the Chief Accountant*).

The Chief Accountant drew Members attention to report paragraph 5.3, which set out the specific reasons why the increase in Money Market Funds was being requested.

**Resolved:**

That monetary limits with Money Market Funds be increased from £6m to £9m.

The meeting closed at 6:46 p.m.

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**Chair**

<b>Report of:</b>	<b>Chief Internal Auditor &amp; Risk Manager</b>
<b>Contact Officer:</b>	<b>Stephen Baddeley</b>
<b>Contact Number:</b>	<b>01543 464 415</b>
<b>Report Track:</b>	<b>Audit &amp; Governance Committee: 29/11/22</b>

**Audit & Governance Committee**  
**29 November 2022**  
**Internal Audit Progress Report - November 2022**

**1 Purpose of Report**

- 1.1 To present to the Audit & Governance committee for information a progress report on the work of Internal Audit up to 31<sup>st</sup> October 2022.

**2 Recommendation**

- 2.1 That the Committee notes the progress report.

**3 Key Issues and Reasons for Recommendation**

- 3.1 Attached is a progress report showing the audits which have been issued between 1st April 2022 and 31<sup>st</sup> October 2022
- 3.2 The report has been prepared for Members information.

**4 Relationship to Corporate Priorities**

- 4.1 The system of internal controls reviewed by Internal Audit is a key element of the Council's corporate governance arrangements which cuts across all corporate priorities. Management are responsible for the control environment and should set in place policies, procedures, and controls to help ensure that the system is functioning appropriately.

**5 Report Detail**

- 5.1 This report is a summary of the Internal Audit work between 1st April 2022 and 31<sup>st</sup> October 2022 and is a report of progress against the audit plan. **APPENDIX 1** contains progress monitoring information.

- 5.2 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.
- 5.3 The table below gives a summary of the level of assurance for each of the audits completed in the period. More detailed information on each of the reports issued is contained in Appendix 1.

<b>Number of Audits</b>	<b>Assurance</b>	<b>Definition</b>
<b>2</b>	<b>Substantial</b> ✓	All High (Red) and Medium (Amber) risks have appropriate controls in place and these controls are operating effectively.  No action is required by management.
<b>5</b>	<b>Partial</b> ▲	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.
<b>1</b>	<b>Limited</b> !	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.
<b>0</b>	<b>No Assurance</b> ✘	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.
<b>1</b>	<b>N/A</b>	One piece of work was issued where it was not appropriate to issue an Assurance due to the narrow scope of the work

5.4 Appendix 2 lists the audits that were in progress but had not been completed to draft report stage by the end of the quarter.

5.5 Appendix 3 shows the follow-ups that have been issued in the period.

<b>6 Implications</b>
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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

<b>7 Appendices to the Report</b>
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Appendix 1: Progress Monitoring

Appendix 2: Audits Completed by 31<sup>st</sup> October 2022

Appendix 3: Audits in Progress at 31<sup>st</sup> October 2022

Appendix 4: Follow-ups completed by 31<sup>st</sup> October 2022





## Progress Monitoring




Number of Audits in Plan for 2022-23	Audits Completed to Draft	Audits In Progress	Percentage of Plan In Progress or Completed to Date
29	9	11	70%




Level of Assurance	No Assurance	Limited	Partial	Substantial	N/A
Number of Audits Issued in Year to date	0	1	5	2	1

N/A is where the nature of the review did not enable an opinion to be issued on the area under review. This is normally where the focus is narrow or where a project is at an early stage of progress.

Audits Completed by 30<sup>th</sup> October 2022

Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Change Control	Technology	Draft	5	 Limited	<ul style="list-style-type: none"> <li>• Whilst there is a process for Change Requests the Council have not developed a Change Control Policy covering all aspects of the process and roles/responsibilities.</li> <li>• The Council uses the same process for all changes and does not have a formal process for reviewing, approving, and implementing emergency changes</li> <li>• Change Control documentation was not being completed in full and often omitted who had initially requested the change to be made.</li> <li>• Testing plans and roll-back arrangements were often not documented before changes were made.</li> <li>• There are no formal terms or reference for the Change Approval Board and meetings are not documented.</li> <li>• There are no procedures or risk assessments for assessing the technical feasibility or impact of the change.</li> </ul>
IT Strategy Resources and operational plans	Technology	Final	5	Partial 	<ul style="list-style-type: none"> <li>• There is no coherent current IT Strategy and elements are planned to be spread across 3 documents.</li> <li>• There is a need for a single IT Strategy Document to be developed following consultation with key stakeholders that is aligned with Corporate Objectives.</li> <li>• The Strategy should work towards the creation of a single approach to IT requirements across both Councils</li> <li>• The strategy should be supported by detailed delivery plans which identify resource requirements, with timescales identified to allow progress to be monitored.</li> </ul>







Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Replacement Customer Relationship Management System, Project	Technology	Final	7	Partial 	<ul style="list-style-type: none"> <li>• A Project Initiation Document should be pulled together in anticipation of the contract award and project formally commencing</li> <li>• A detailed project plan is required to allow progress to be monitored.</li> <li>• A Project Team/Steering Group needs to be set-up and meetings minuted/actions recorded.</li> <li>• Further delays should be avoided unless outside the control of the Council to avoid unnecessary costs from the extension of the use of the existing system.</li> <li>• The project should regularly report progress to key stakeholders.</li> </ul>
Document Retention & IT Records	Technology	Draft	3	Partial 	<ul style="list-style-type: none"> <li>• The Council does not have a protective marking scheme in place for IT Records</li> <li>• The Council does not have adequate processes in place that Service Area requirements for the classification, retention and destruction of data are known and understood</li> <li>• There is no retention policy for emails or Microsoft Teams conversations.</li> </ul>
Licensing	Economic Prosperity	Draft	2	Partial 	<ul style="list-style-type: none"> <li>• Documentary evidence of compliance with the full licensing process was not always on file such as retaining copies of adverts for licences.</li> <li>• Records were not always retained around the collection of taxi plates by drivers.</li> </ul>





Audit	Head of Service	Status	Number of High/Medium Recommendations	Assurance	Comments & Key Issues
Housing Consumer Standards Compliance	Housing & Partnerships	Draft	4	Partial 	<ul style="list-style-type: none"> <li>• Monthly Block inspections were not being carried out.</li> <li>• Housing Team Meetings which should be scheduled monthly had only been carried out sporadically with many being cancelled.</li> <li>• There was a Service Level Agreement with the Partnership Team to assist with referrals for vulnerable tenants, but this was found to be out of date and did not reflect current processes.</li> <li>• There was no current Resident Involvement Strategy as the previous one had expired in 2021. It was also noted that the Tenant Improvement Panel had been paused during Covid but had only contained 3 members as it was not easy to recruit tenants onto it.</li> </ul>
Economic Development Projects	Economic Development			Substantial 	
Property Services - Major Projects	Economic Development			Substantial 	
Disabled Facilities Grants - County Assurance	Environment & Healthy Lifestyles			N/A	This was a high-level review of a number of key controls to provide assurance to the County that the grant claim submission was correct. The limited scope meant that it was not possible to offer an opinion on the effectiveness of the full system.







**Audits in Progress**

<b>Audit</b>	<b>Head of Service</b>
Building Control	Economic Development
Asset Management Strategy & Records	Economic Development
Leisure Contract Monitoring Arrangements	Environment & Healthy Lifestyles
Commonwealth Games Project	Environment & Healthy Lifestyles
NNDR 2021-22	Finance
Council Tax 2021-22	Finance
Covid Business Grants	Finance
Procurement	Governance & Corporate Services
Payroll	HR
IT Health Check / IT Assurance / Vulnerability Scanning / Cyber Assurance Arrangements	Technology
IT Third Party Supplier Management and External Data Sharing (including access controls)	Technology

## Follow-ups Completed

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Cyber & Network Security	Technology	 Limited	4	0	1	5	 Limited	Not all staff have completed the Cyber Security Training and IT have not yet taken action to chase or disable access for those who have failed to complete the training.
Critical Information Systems not Supported by IT	Technology	 Partial	2	1	0	3	 Partial	The Technology Strategy has not been updated and reissued. The last Strategy covered the period up to 2021.
Debtors	Finance	 Partial	2	3	0	5	 Partial	<ul style="list-style-type: none"> <li>A joint Credit Control policy has been drafted but not yet issued due to delays in the new finance system.</li> <li>The Finance Team have still not resolved the additional cover for the actioning of recovery.</li> <li>Write-offs of debts were still not being actioned promptly and regularly due to resource limitations and prioritisation on the recoverable debts.</li> </ul>

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Utilities Management 3rd Follow up	Economic Development	Partial 	0	6	0	6	Partial 	<ul style="list-style-type: none"> <li>Work on the Energy Management Strategy, the underlying procedures and action plan have not progressed due to delays in the production of the Asset Management Strategy.</li> </ul>
Leisure Open Book & Recovery	Environment & Healthy Lifestyles	Partial 	3	2	0	5	Partial 	<ul style="list-style-type: none"> <li>Contract Meetings are occurring regularly, and performance is monitored.</li> <li>The performance framework, concession scheme, pricing, service specifications and outcomes still need to be actively reviewed in partnership with the Contractor.</li> <li>Procedures for the Independent Validation of performance information need to be created.</li> <li>A Management Fee had been agreed as part of the Deed of Variation however new uncertainties due to the rising cost of utilities and inflation have led to this being reviewed again.</li> </ul>

Audit	Head of Service	Original Assurance	High/Medium Risk Recommendations				Revised Assurance	Comments & Key Outstanding Recommendations
			Implemented	In Progress	Not Implemented	Total		
Housing Safety & Compliance 3rd Follow up	Housing & Partnerships	Partial 	0	3	0	3	Partial 	<ul style="list-style-type: none"> <li>• Work was progressing but some fire call points still needed to be installed in communal blocks which had been delayed due to the need for asbestos surveys to be carried out.</li> <li>• Fire Survey Contract for communal blocks not yet procured.</li> <li>• Work was still needed to create a central record of the compliance checks.</li> </ul>
Housing Safety & Compliance 4th Follow up	Housing & Partnerships	Partial 	2	1	0	3	Substantial 	
Housing Social Alarms Arrangements 3rd Follow Up	Housing & Partnerships	Partial 	5	0	0	5	Substantial 	



<b>Report of:</b>	<b>Head of Governance &amp; Corporate Services</b>
<b>Contact Officer:</b>	<b>Stephen Baddeley</b>
<b>Contact Number:</b>	<b>01543 464 415</b>
<b>Report Track:</b>	<b>Cabinet: 10/11/22 Audit &amp; Governance Cttee: 29/11/22</b>

**Audit & Governance Committee  
29 November 2022  
Strategic Risk Register**

**1 Purpose of Report**

- 1.1 To set out details of the Council's Strategic Risk Register as at 30<sup>th</sup> September 2022.

**2 Recommendation(s)**

- 2.1 That the 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:

<b>Risk Status</b>	<b>Number of Risks at 1<sup>st</sup> April 2022</b>	<b>Number of Risks at 30<sup>th</sup> September 2022</b>
Red (High)	<b>4</b>	<b>4</b>
Amber (Medium)	<b>2</b>	<b>2</b>
Green (Low)	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>6</b>	<b>6</b>

**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 The risk register has been updated as at 1<sup>st</sup> April 2022 and a summary is attached as **Appendix 1**. The risks in the summary have been aligned with the new Corporate Plan priorities.
- 5.5 The risk summary illustrates the risks / opportunities using the "traffic light" method i.e.

<b>RED</b>	risk score 12 and above (action plan required to reduce risk and/or regular monitoring)
<b>AMBER</b>	risk score 5 to 10 (action plan required to reduce risk)
<b>GREEN</b>	risk score below 5 (risk tolerable, no action plan required)

- 5.6 There has been no change in the number of risks. There are currently no Green Risks.
- 5.7 The risk register has been updated the main changes relates to Risk C1 *“Poor budget planning, over commitment of financial resources or inappropriate use of reserves leading to a financial shortfall or overspends that undermine the Council’s ability to deliver services, corporate priorities or leading to external intervention”* has had its score increased from 12 to 20 to reflect the uncertainty at this time of year for the budget. This includes the fact that the Government Settlement has not been announced and there is uncertainty over the rising cost of utilities and other impacts from the cost-of-living crisis.
- All other risks have remained at the same score, but comments detail the progress made to deliver the identified controls.
- 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.

## **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 – 30<sup>th</sup> September 2022

Appendix 2 – Strategic Risk Register – 30<sup>th</sup> September 2022

## Cannock Chase Council

Summary of Strategic Risk Register as at 30<sup>th</sup> September 2022

## Red Risks

Risk No	Potential Risks	Risk Owner	Date Added to Register	Residual Risk Score at April 2022	Residual Risk Score at Sept 2022	Direction of Travel over period reported
C1	Poor budget planning, over commitment of financial resources or inappropriate use of reserves leading to a financial shortfall or overspends that undermine the Council's ability to deliver services, corporate priorities or leading to external intervention	Head of Finance	May 2020	12 RED	20 RED	↑
C2	Adverse Global economic conditions lead to a serious impact on the performance of the District's economy	Head of Economic Prosperity	May 2020	12 RED	12 RED	↔
C4	Changes in the operational costs/income due to economic factors which impact on the sustainability key Contractors to deliver the required services	Head of Environment & Healthy Lifestyles	May 2020	15 RED	15 RED	↔
C5	The Council doesn't have sufficient officer capacity or financial resources to sustain delivery of essential services and key projects.	Managing Director	May 2020	20 RED	20 RED	↔

## Amber Risks

Risk No	Potential Risks	Risk Owner	Date Added to Register	Residual Risk Score at April 2022	Residual Risk Score at Sept 2022	Direction of Travel over period reported
C3	Failure to work in partnership to sustain support to vulnerable residents' leading to a reduction in the quality of life of affected residents.	Head of Housing & Partnerships	May 2020	9 AMBER	9 AMBER	↔
C6	Failure to repel or recover from a Cyber-attack including targeted ransomware, malware, and Distributed Denial of Service (DDoS) attacks leading to disruption to the delivery of services and communication with residents.	Head of Technology	May 2020	9 AMBER	9 AMBER	↔

## Deleted Risks

There are no deleted risks this update

## Key to Direction of Travel

↓	Risk has decreased	↔	Risk level unchanged	↑	Risk has increased
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Cannock Chase District Council – Strategic Risk Register as at 30<sup>th</sup> September 2022

Ref No: C1	Risk: <b>Poor budget planning, over commitment of financial resources or inappropriate use of reserves leading to a financial shortfall or overspends that undermine the Council's ability to deliver services, corporate priorities or leading to external intervention</b>		
Risk Owner: Head of Finance		Portfolio: Innovation and Resources	
Consequences Of Risk: <ul style="list-style-type: none"> <li>• Unable to provide desired levels of service</li> <li>• Short term action necessary to deliver savings that require the suspension or termination of services and priorities</li> <li>• Drained reserves that enforce extreme risk aversion and failure to invest</li> </ul>			
Links To Priorities: <ul style="list-style-type: none"> <li>• PRIORITY 4 - RESPONSIBLE COUNCIL - "To be a modern, forward thinking and responsible Council"</li> </ul>			
Gross Risk Score (i.e., without controls)		Likelihood: 4	Impact: 5
Residual/Net Risk Score (i.e., with controls)		Likelihood: 4	Impact: 5
Total Score: <b>20 – RED</b>			
Total Score: <b>20 – RED</b>			
Controls in Place <ul style="list-style-type: none"> <li>• Medium term financial plan in place</li> <li>• Annual Financial Plan and Medium-Term Financial Strategy 2022-25 in place</li> <li>• The Revenue Budget for 2022-23 was approved and financial planning for 2023-26 has begun</li> <li>• Working Balances maintained, with tentative proposals to maintain over the medium term</li> <li>• Savings plan being undertaken to re-align resources to Corporate Plan</li> <li>• Review of the capital programme is complete</li> <li>• Corporate Budget Monitoring in place, with approval of the paper on Good Financial Management</li> <li>• Evaluation of consultations on changes to government funding regimes</li> </ul>			

**Item No. 5.6**

Actions Planned	Timescale / Person Responsible	Progress/Comments
Update Financial Plan in relation to the deferral Business Rates Retention, New Homes Bonus and Fair Funding reviews by a year	Ongoing Head of Finance	Reflected in Financial Plan reported to Cabinet and Council. Scenarios developed reflecting potential treatment of growth and levy Details awaited of new timescale for implementation
Refresh Medium Term Financial Plan based upon alternative scenarios of short /medium- and long-term impact of in relation to external funding sources	Ongoing Head of Finance	Financial planning paper 2022-26 was considered internally in June 2022. Updated high-level Financial Plan 2023-26 to be drafted for November 2022.
Lobby Department of Levelling Up, Housing & Communities (DLUHC) via MP/ District Councils Network (DCN) and Local Government Association (LGA) re financial impact of proposals on CCDC	Ongoing Chief Executive / Head of Finance and Leader	Ongoing contact with M.P.s, DCN, West Midland Chief Executives, LGA and directly with ministers.
Determine feasibility of extending Business Rates Pool into 2023-24 Liaise with Staffordshire & Stoke-on-Trent Business Rate Pool Members re options to maintain viable pool. Include Pool proposals in Financial Plan 2023-26	Ongoing Head of Finance	Pool Established for 2022-23. Based on available information, Cannock has indicated it wishes to remain in the Pool for 2023-24. Future Pooling is dependent on Government proposals in its review of Business Rates.
Draft a plan for budget savings to ensure that resources are aligned to the Council's priorities and are operating as efficiently as they can be	January 2023 Chief Executive / Head of Finance	To be implemented in 2022-23 to form part of 2023-24 Budget Process

**Overall Progress Summary:**

The medium-term financial stability of the Council is dependent upon its ability to set a 2023-24 budget that minimises the use of reserves, and the impact of changes arising from the future funding regime for local government. Details in relation to the implementation of 50% Business Rates Retention, a Business Rates Reset and Fair Funding are still awaited.

A consultation document in relation to the Future of New Homes Bonus was published in February 2021 (a response from the Council was submitted in advance of the closing date). The Council is awaiting details of the financial Settlement for 2023-24, including New Homes Bonus, to be provided by Central Government, likely in the Autumn.

Recent events have included the Ukraine war, energy crisis, inflation creating a cost-of-living crisis and interest rate rises. These issues, as well as uncertainty regarding national fiscal and monetary policy, the direction of the new Government and the impact on the local government financial settlement, have created substantial risk to financial sustainability. The Government's Fiscal Plan is scheduled for 31<sup>st</sup> October 2022 and there may be some indications arising from this of the impact on public spending, departmental allocations, local government funding and Cannock's medium term financial outlook.

A paper on Good Financial Management was agreed in March, to reinforce budgetary control. A paper on Financial Planning 2022-26 has been discussed informally with Cabinet, designed to start implementing measures required to set a balanced 2023-24 Budget. A paper on a review of the General Fund Capital Programme is due to be considered by Cabinet.

Ref No: C2	Risk: <b>Adverse macro-economic conditions lead to a serious impact on the performance of the District's economy</b>		
Risk Owner: Head of Economic Prosperity	Portfolio: District and High Street Development		
Consequences Of Risk:			
<ul style="list-style-type: none"> <li>• Increase in numbers of resident unemployed and economically inactive</li> <li>• Business failures and associated job losses</li> <li>• Reduced growth and prosperity for local residents</li> <li>• Decline of town centres / impact on major redevelopment proposals</li> <li>• NNDR / Council Tax Income does not grow</li> </ul>			
Links To Priorities:			
<ul style="list-style-type: none"> <li>• PRIORITY 1 - ECONOMIC PROSPERITY - "To reinvigorate the economy and create a District that thrives"</li> </ul>			
Gross Risk Score (i.e., without controls)	Likelihood: 4	Impact: 5	Total Score: <b>20 – RED</b>
Residual/Net Risk Score (i.e., with controls)	Likelihood: 4	Impact: 3	Total Score: <b>12 – RED</b>
Controls in Place:			
<ul style="list-style-type: none"> <li>• Delivery of priority actions in the Council's Economic Prosperity Strategy</li> <li>• Investment of £3 million of UK Shared Prosperity Fund resources between 2022-23 and 2024-25</li> <li>• Cannock Town Centre Development Prospectus</li> <li>• Delivery of the £20 million Levelling Up Fund to create transformational change of Cannock Town Centre</li> <li>• The Local Plan Review to identify future development opportunities</li> <li>• Proactive work with key partners such as Staffordshire County Council, South Staffordshire College, Chase Chamber of Commerce, Greater Birmingham, and Solihull (GBSLEP) and Stoke-on-Trent and Staffordshire (SSLEP) Local Enterprise Partnerships / West Midlands Combined Authority (WMCA)</li> <li>• Business Relationships work/promoting the District via the Economic Development function and partnership working with established Growth Hubs.</li> </ul>			



Actions Planned	Timescale/ Person Responsible	Progress/Comments
Encourage new inward investment and local business growth working in partnership with LEPs, Growth Hubs and County Council.	Ongoing Head of Economic Prosperity	The Economic Development team continues to work pro-actively to promote the District and provide information on available employment sites to prospective investors and expanding local companies.
Refresh the Economic Prosperity Strategy to take account of changing economic environment	Completed Head of Economic Prosperity	The Council has refreshed its Economic Prosperity Strategy, and this sets out the Council's plan to promote economic prosperity and drive the recovery of the economy post pandemic and also to create resilience during the current challenging economic environment.
<p>Delivery of major investment / development projects:</p> <p>(i) Delivery of the £20 million Levelling Up Fund project in Cannock Town Centre.</p> <p>(ii) McArthurGlen Designer Outlet West Midlands</p>	Ongoing Head of Economic Prosperity	<p>In February 2022, Cabinet agreed to proceed with the project and add the scheme to the Council's Cabinet programme. A Project Board has been established and officers have appointed consultants to perform the role of Design team for the project. The scheme will include the demolition of the former Multi-Storey Car Park and Indoor Market Hall and create in its place, an exciting new Leisure and Culture Hub, including enhancements to the existing Prince of Wales Theatre. The scheme is challenging but progress is being made with the current focus on land assembly, finalising the scheme design, cost plan and securing outline planning consent for the scheme.</p> <p>The McArthurGlen Designer Outlet opened in April 2021, with an initial 50 retail / food units opening for business. The Outlet has proved to be very popular, and the owners are progressing plans for phase 2 of the development and additional on-site parking, with a planning application for phase 2 expected to be submitted during October 2022.</p>

**Item No. 5.10**

Actions Planned	Timescale/ Person Responsible	Progress/Comments
<p>(iii) Regeneration of the former Rugeley Power Station site</p> <p>(iv) Re-development of the Avon Road Car park site in Cannock Town Centre</p> <p>(v) Development of wider pipeline of projects</p>		<p>The demolition works to the site are now largely complete and remediation works are well underway. The proposals for the site include a new All Through School, housing, employment opportunities and a riverside park. The ambition for the site is to be Zero Carbon and act as an exemplar project for the District.</p> <p>The disposal of the site is continuing with the Council in advance negotiations with a potential purchaser.</p> <p>Officers have worked with partners to develop a longer-term pipeline of projects that could support the economic growth of the District and unlock jobs and investment.</p>
<p>Pro-actively work with WMCA, GBSLEP, SSLEP to promote the District, and identify opportunities for growth during recovery phase</p>	<p>Ongoing Head of Economic Prosperity</p>	<p>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. Staffordshire Leaders have indicated their desire to develop a County Deal which could see more funding and powers devolved from Government to support economic growth and investment.</p>
<p>UK Shared Prosperity Fund - development of Investment Plan</p>	<p>April 2023 Head of Economic Prosperity</p>	<p>Cannock Chase has been allocated £3.021m by Government from the new UK Shared Prosperity Fund. The Council submitted its Investment Plan to Government in August 2022 and is currently awaiting notification from the Government that the plan has been signed off.</p>
<p>Revised Local Plan to be produced and delivered</p>	<p>May 2023 Head of Economic Prosperity</p>	<p>Local Plan Review underway with a new Local Development Scheme approved by Council.</p> <p>The next stage of the Local Plan i.e., the Pre-submission version of the Plan is due to go out to consultation during October 2022. It is anticipated that the Plan will be formally submitted for examination in spring 2023.</p>

**Overall Progress Summary:**

Economic conditions are extremely challenging, due largely to the conflict in Ukraine, the resultant cost of living pressures and inflation growth. The District's economy continues to be resilient, with unemployment rates stabilising and a large number of job vacancies available. There have been no major economic shocks or large-scale redundancies locally, but the Council will continue to monitor local economic conditions and respond if the situation worsens.

The Council has refreshed 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 Levelling Up Fund scheme in Cannock Town Centre, the proposed phase 2 of the McArthurGlen Designer Outlet and re-development of the former Rugeley Power Station continue to be absolutely critical in supporting the prosperity and growth of the District. Furthermore, the £3m of UK Shared Prosperity Fund money will be invested by the Council to grow the District's economy and address current economic challenges.

Ref No: C3	Risk: <b>Failure to work in partnership to sustain support to vulnerable residents' leading to a reduction in the quality of life of affected residents.</b>		
Risk Owner: Head of Housing & Partnerships		Portfolio: Community Safety & Partnerships	
<p>Consequences Of Risk:</p> <p>Vulnerable people at risk of not receiving help and support therefore increasing issues such as:</p> <ul style="list-style-type: none"> <li>• Rough Sleepers displaced</li> <li>• Increased Reliance on Food Banks</li> <li>• Distribution of emergency food supplies</li> <li>• Increased Social Isolation</li> <li>• Increased number of Safeguarding Referrals</li> <li>• Increases in criminality – distraction burglary; cybercrime; county lines etc.</li> <li>• Increased incidents of anti-social behaviour</li> <li>• Increased number of Domestic Abuse Incidents</li> <li>• Community Unrest &amp; Tensions</li> <li>• Increased reliance on limited temporary accommodation</li> <li>• Increased homeless case due to breakdown in Ukraine placements.</li> </ul>			
<p>Links To Priorities:</p> <ul style="list-style-type: none"> <li>• PRIORITY 2- HEALTH &amp; WELLBEING - “To encourage and support residents to lead healthy and independent lives”</li> <li>• PRIORITY 3 - THE COMMUNITY - “To ensure Cannock Chase is a place that residents are proud to call home”</li> </ul>			
Gross Risk Score (i.e., without controls)	Likelihood: 4	Impact: 5	Total Score: <b>20 – RED</b>
Residual/Net Risk Score (i.e., with controls)	Likelihood: 3	Impact: 3	Total Score: <b>9 – AMBER</b>
<p>Controls in Place</p> <ul style="list-style-type: none"> <li>• Community Vulnerability Hub Established</li> <li>• Daily briefing between Local Policing Team and Community Safety Team</li> <li>• Housing First Project with Spring Housing</li> <li>• Quarterly Meetings with Food Banks &amp; Voluntary Sector</li> <li>• Daily management of safeguarding referrals for both adults and children</li> <li>• Weekly multi agency Community Safety Hub meetings – proactive problem solving</li> <li>• Monthly threat and risk Community Safety and Police meeting – managing threat and risk to district (people / place /)</li> </ul>			

- 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
- Housing Options Team supporting those at risk of eviction
- Support established for those coming to the UK under the “Homes for Ukraine Scheme”
- Joint CCDC/LDC RSI bid successful for additional funding for the Housing 1<sup>st</sup> Project.
- RSI bid successful - £177K over 3 years for some very limited new services but together with reserve funds will provide for new posts to undertake new services

Actions Planned	Timescale / Person Responsible	Progress/Comments
<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>Ongoing Head of Housing &amp; Partnerships</p>	<p>Human Kind Charity – Drug &amp; Alcohol Support - Commissioned by Staffordshire County Council (SCC)</p> <p>Three-year Locality Deal Funding to commission a Senior Floating Support Worker, employed by Burton Addiction Centre. The project supports individuals to enhance independent living skills to facilitate re-integration back into the community. This is following an abstinence-based rehabilitation programme.</p> <p>Locality Deal Funding contributes towards an ASB/mediation support service for the district – ASB Harmony.</p> <p>Locality Deal Funding contributes £6k per annum to support the Safe as Houses scheme which target-hardens the properties of domestic abuse victims.</p> <p>Agreement and RSI funding obtained for a Specialist Mental Health Worker (Housing Options Funding) to support Spring Housing First Project. Issue with identifying seconded staff from MPFT.</p> <p>Working with Midlands Partnership Foundation Trust (MPFT) to transform Mental Health Services. Proposals to embed an additional Housing Liaison/Support Worker within MPFT.</p>

Actions Planned	Timescale / Person Responsible	Progress/Comments
		<p>Negotiations and procurement process have been complex. MPFT in partnership with CCDC in the appointment process of a MPFT post to undertake the support role. Target date end of December 2022.</p>
<p>Housing 1<sup>st</sup> Project – Secure permanent accommodation for the Rough Sleepers and additional services and temporary accommodation to reduce rough sleeping.</p>	<p>June 2023 Strategic Housing Manager</p>	<p>4-year contract currently provided by Spring Housing under Rough Sleepers Pathway Project in partnership with Lichfield DC – Procurement process (LDC lead) to commence in 2022 to secure new contract by June 2023.</p> <p>Additional grant funding for a Substance Abuse Worker and Mental Health Worker has been received to support Spring Project still awaiting completion of recruitment.</p> <p>As at 30.09.22 a total of 10 rough sleepers were accommodated in the 7 Housing First accommodation provided by CCDC managed via a Management Agreement by Spring Housing and 1 unit secured by Spring.</p> <p>The TPG (Target Priority Group) (<i>The criteria is individuals who have been seen sleeping rough in two or more years out of the last three, or in two or more months out of the last 12</i>) agreed with the Government’s Homelessness Adviser is 8.</p> <p>Small amount of RSI funding received for some limited new services but together with reserve funding will enable some new posts to provide the new services by March 2024 to address TPG.</p>
<p>Additional support to Private Rented Sector to mitigate impact of the ending of the suspension of evictions</p>	<p>March 2024 Strategic Housing Manager</p>	<p>Additional support to private rented tenants to be provided by a new post of Homelessness Support Worker. New starter commenced September 22.</p> <p>Working in partnership with Lichfield DC and Tamworth BC the Councils are now to purchase and use the Call Before You Serve toolkit for a reduced in-house service provision by March 2024.</p>
<p>Create a process to provide financial payments and home suitability checks for the “Homes for Ukraine” Scheme.</p>	<p>Head of Housing &amp; Partnerships Completed</p>	<p>Homes for Ukraine payment processes have been completed.</p>

**Overall Progress Summary:**

Currently there are 4-5 rough sleepers in the district whom Spring Housing are working with to source permanent accommodation.

All rough sleeping actions are aimed at reducing and eliminating the Target Priority Group figure of 8 rough sleepers through establishment of a robust pathway out of rough sleeping. RSI funding for services to be developed over next 18 months.

Housing First project are currently accommodating 10 rough sleepers. Partnership working ongoing with MPFT to fill the Mental Health Worker role and Spring to fill the now vacant Substance Abuse Worker post.

Continuing to work with MPFT to provide a Housing Support worker embedded within MPFT for Cannock Chase District to be in post by end of 2022.

Eviction suspension now lifted although many Assured Shorthold Tenants are on extended notices cases in Court and eviction warrants are increasing. Housing Options Team successfully recruited a new post, Tenancy Support Worker in September 22. With the decision by provider to cancel the project to establish a new service 'Call Before You Serve' to mitigate the impact on homelessness from the ending of the eviction suspension the Councils involved are reviewing the option to operate part of the service in house

The RSI funding for the 3-year period of £177k has been confirmed and work commenced on expenditure plans.

Progress on some of the above projects are affected by the availability of suitably qualified and experienced staff.

Ongoing liaison with the voluntary sector which is refocusing work to support refugees. Monthly meet and greet sessions with sponsors/refugees are on-going with the aim for longer term self-pollination. These sessions are supported by the Rotary Club. Additional support also being offered by Cannock Soroptimists and various community groups. Monthly VCSE meetings also ongoing.

Work is ongoing to deliver the District Responsibilities for the Homes for Ukraine scheme.

Ref No: C4	Risk: <b>Changes in the operational costs/income due to economic factors which impact on the sustainability key Contractors to deliver the required services.</b>		
Risk Owner: Head of Environment & Healthy Lifestyles	Portfolio: Housing Heritage & Leisure and Environment & Climate Change		
Consequences Of Risk:			
<ul style="list-style-type: none"> <li>• Potential for an individual contract failure resulting in a service not being delivered</li> <li>• Reputational damage and complaints</li> <li>• Financial loss</li> <li>• Failure to perform a statutory function</li> </ul>			
Links To Priorities:			
<ul style="list-style-type: none"> <li>• PRIORITY 2- HEALTH &amp; WELLBEING - “To encourage and support residents to lead healthy and independent lives”</li> <li>• PRIORITY 3 - THE COMMUNITY - “To ensure Cannock Chase is a place that residents are proud to call home”</li> <li>• PRIORITY 4 - RESPONSIBLE COUNCIL - “To be a modern, forward thinking and responsible Council”</li> </ul>			
Gross Risk Score (i.e., without controls)	Likelihood: 4	Impact: 5	Total Score: <b>20 – RED</b>
Residual/Net Risk Score (i.e., with controls)	Likelihood: 3	Impact: 5	Total Score: <b>15 – RED</b>
Controls in Place			
<ul style="list-style-type: none"> <li>• Regular contact and performance management meetings with key personnel for each contractor</li> <li>• Robust contract management</li> <li>• Any key issues are discussed with Leadership Team and Members as appropriate</li> <li>• Discussions with other authorities who have the same or similar contracts</li> <li>• Appropriately resourced contract management for Leisure and Waste</li> </ul>			



Actions Planned	Timescale / Person Responsible	Progress/Comments
Service delivery of key contracts is being monitored and managed	Ongoing during response and recovery as required Head of Environment & Healthy Lifestyles Waste and Engineering Services Manager Leisure, Culture & Commonwealth Games Officer	Regular contact is being maintained with contractors to resolve any issues at various levels, including both operationally and strategic.
Flexibility of Contract management is in place to allow changes to be agreed between the Council and Key Contractors	Ongoing during response and recovery as required Head of Finance Head of Environment & Healthy Lifestyles	A formal Deed of Variation has been agreed and signed by both parties for the Leisure Contract. Contract is subject to ongoing open-book accounting and performance management. Covid recovery has been reasonable but financial pressures related to Covid and now being replaced by those relating to the cost of energy. A formal Deed of Variation has been agreed and signed by both parties in relation to the Waste Contract, taking into account service changes and cost variations, which were implemented in May 2022. This service change has however had a greater impact on the contractor than they expected, and they have requested further negotiations before final sign off of the 2-year extension DoV.
Change to dry recycling collection service from April 2022	Completed Head of Environment & Healthy Lifestyles	Move to a dual stream collection service for dry mixed recycling from residents was implemented during May 2022 to improve quality of the collected material and market access. The service has now settled into a stable phase following its initial rollout and residents are using it well. However, the service is proving to be resource intensive for the contractor (see above).

Actions Planned	Timescale / Person Responsible	Progress/Comments
Waste and Recycling Collection Contract (End of first 7-year term (2023))	April 2023 Waste and Engineering Services Manager	The Council's waste and recycling collection contract ends its first 7-year term in March 2023. The Council has a limited number of options available. The Council has agreed a 2-year extension with its contractor and prepared a Deed of Variation. However, as detailed above, following the change of service the contractor has found there has been a significant resource impact which has led them to request that they and the Council look to reconsider their original proposal.
Impact on the Contracts from rising fuel cost and changes to legislation relating to use of Red Diesel is monitored by the Council	Completed Head of Environment & Healthy Lifestyles Leisure, Culture & Commonwealth Games Officer Waste and Engineering Services Manager	Any risk appears to have been mitigated and therefore the item can be removed going forward.
Impact of the rising cost of living, energy, and staffing costs, along with service take up to be monitored to enable timely action to be taken by the Council.	Ongoing Head of Environment & Healthy Lifestyles Leisure, Culture & Commonwealth Games Officer Waste and Engineering Services Manager	Council officers, partners, and contractors monitoring inflation, fuel, and energy prices etc. along with service take up, for example in leisure membership. Regular discussions are being held to look at methods to mitigate potential financial difficulties over the next 12-months.

**Overall Progress Summary:**

Regular contact continues to be maintained with the Council's key contractors in relation to performance and operational matters.

Leisure facilities and services remain at risk, with visitor numbers still not recovering to pre-pandemic levels, concerns over the impact of the cost-of-living crisis and energy and staffing costs. The Deed of Variation remains in place as the leisure industry continues to recover from the pandemic and now enters into another period of uncertainty.

The waste and recycling collection contract has been extended for a further two years, until 2025, giving additional stability, eliminating the requirement of immediate re-procurement, and risks around going to the market before the full extent of the Resources and Waste Strategy is fully understood. The Council has moved to a dual stream dry recycling collection service from May 2022, along with neighboring authorities to control disposal costs and improve quality. This move has proved resource intensive for the contractor, who has asked for further consideration of their costs to be taken into account, via further negotiation.

Previous concerns around COVID are being replaced with concerns over cost-of-living increases impacting upon staffing costs / wage bills, and increasing fuel costs, such as electricity, gas, and petroleum-based products, impacting upon operational costs. Changes to legislation in relation to fuel duty have had a smaller than expected impact upon operational costs over the last 12-months and are now not expected to have any further impact going forward.

Ref No: C5	Risk: <b>The Council doesn't have sufficient officer capacity or financial resources to sustain delivery of essential services and key projects.</b>		
Risk Owner: Chief Executive		Portfolio: The Leader	
Consequences Of Risk:			
<ul style="list-style-type: none"> <li>• The Council's response during a declared Major Incident is not effective.</li> <li>• Services and projects are not delivered and this impacts on residents / the public.</li> <li>• Employees' wellbeing affected, increase in absence due to stress</li> </ul>			
Links To Priorities:			
<ul style="list-style-type: none"> <li>• PRIORITY 4 - RESPONSIBLE COUNCIL - "To be a modern, forward thinking, and responsible Council"</li> </ul>			
Gross Risk Score (i.e., without controls)	Likelihood: 4	Impact: 5	Total Score: <b>20 – RED</b>
Residual/Net Risk Score (i.e., with controls)	Likelihood: 4	Impact: 5	Total Score: <b>20 – RED</b>
Controls in Place			
<ul style="list-style-type: none"> <li>• Management capacity issues are monitored by Leadership Team; officer time reallocated to more important duties as required e.g., supporting refugees. Day to day operational capacity issues addressed by managers e.g., sickness absence.</li> <li>• Regular monitoring of priorities</li> <li>• Provision of support to employees especially as majority currently remain working remotely.</li> </ul>			

Actions Planned	Timescale / Person Responsible	Progress/Comments
Where necessary, considering whether resources from other parts of the Council can be transferred for a period or temporary appointments made where funding is available	Ongoing Leadership Team	Ongoing operational decisions
Shared services review	December 2022 Chief Executive	Stage 2 of the business case for shared services is nearing completion and will be presented to Council in early December. The business case sets out a proposed senior management structure which is designed to improve capacity and resilience for the future.

**Overall Progress Summary:**

The majority of services are operating normally. Some services are experiencing capacity issues due to vacancies and problems in recruiting new staff. New/additional responsibilities continue to exacerbate the capacity issues for some services. Officer capacity continues to be reviewed and work prioritised. Going forward, a proposal for a new shared senior management structure is set out in the business case for further sharing of services along with making permanent the sharing of a Chief Executive with Stafford Borough Council.

Ref No: C6	Risk: <b>Failure to repel or recover from a Cyber-attack including targeted ransomware, malware, and Distributed Denial of Service (DDoS) attacks leading to disruption to the delivery of services and communication with residents.</b>
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Risk Owner: Head of Technology	Portfolio: Innovation & Resources
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<p>Consequences Of Risk:</p> <ul style="list-style-type: none"> <li>• Data, Systems and Applications inaccessible potentially for several months</li> <li>• Inability to deliver Council services including a reduction of services to the public</li> <li>• Cybercrime/ Fraud/ Ransom demands/ Financial harm</li> <li>• Reputational damage locally and nationally</li> <li>• Data Loss causing a breach of Data Protection Act (DPA) and GDPR. Possible fine from the ICO.</li> <li>• Financial Loss</li> </ul>
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<p>Links To Priorities:</p> <ul style="list-style-type: none"> <li>• PRIORITY 4 - RESPONSIBLE COUNCIL - “To be a modern, forward thinking, and responsible Council”</li> </ul>
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Gross Risk Score (i.e., without controls)	Likelihood: 4	Impact: 5	Total Score: <b>20 – RED</b>
Residual/Net Risk Score (i.e., with controls)	Likelihood: 3	Impact: 3	Total Score: <b>9 – AMBER</b>

<p>Controls in Place</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Secure configuration – Corporate policies and processes to develop secure baseline builds</li> <li>• Network Security – Protection and secured perimeter of external security threats and untrusted networks</li> <li>• Managing user privileges – All users of ICT systems provided with privileges suitable for their role</li> <li>• User education and awareness – Security policies that describe acceptable and secure use of ICT assets</li> <li>• Incident management – Incident response and disaster recovery capabilities that address the full range of incidents that can occur</li> <li>• Malware prevention – Produce policies that directly address the business processes (such as email, web browsing, removable media, and personally owned devices)</li> <li>• 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.</li> <li>• Removable media controls – Produce removable media policies that control the use of removable media for the import and export of information</li> <li>• Home and mobile working – Assess the risks to all types of mobile working including remote working and develop appropriate security policies.</li> </ul>
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**Item No. 5.23**

Actions Planned	Timescale/ Person Responsible	Progress/Comments
Cyber Security Group being created	June 2022 Head of Technology	
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 November 2021. Follow-up check is planned for November 2022.
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.	December 2022 Head of Technology	Almost all remote connections to the network are now via corporate laptops.
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 2022/23
Laptops and servers will use Protective Domain Name Service.	Dec 22 Systems Manager	Complete - for internal laptops In progress - for remote

**Overall Progress Summary:**

Work has been completed and actions are in progress. However, the environment means that new risks and challenges are always developing, and attacks are becoming more sophisticated. The move to homeworking has increased the risks in this area

The Technology Infrastructure Team has achieved Cyber Essentials Plus. About Cyber Essentials - NCSC.GOV.UK

<b>Report of:</b>	<b>Head of Governance &amp; Corporate Services</b>
<b>Contact Officer:</b>	<b>Stephen Baddeley</b>
<b>Telephone No:</b>	<b>01543 464 415</b>
<b>Report Track:</b>	<b>Audit &amp; Governance Committee: 29/11/22</b>

**Audit & Governance Committee**  
**29 November 2022**  
**Internal Audit External Quality Assessment 2022**

**1 Purpose of Report**

- 1.1 To present to the Audit and Governance committee for information the External Quality Assessment Report recently completed for the Internal Audit Function.

**2 Recommendation(s)**

- 2.1 That the Committee notes the contents of the External Quality Assurance Report and the Action Plan agreed by the Chief Internal Auditor.
- 2.2 That the Committee notes the conclusion of the Assessor that the section “generally conforms” with the Public Sector Internal Audit Standards.

**3 Key Issues and Reasons for Recommendations**

**Key Issues**

- 3.1 The Internal Audit Section is required by the Public Sector Internal Audit Standards (PSIAS) to have an External Quality Assessment (EQA) review carried out every 5 years and the results of the review have to be presented to the Audit Committee. This forms part of the Quality Assurance and Improvement Programme.

**Reasons for Recommendations**

- 3.2 The results of the External Quality Assessment must be communicated to the Audit Committee.

**4 Relationship to Corporate Priorities**

- 4.1 The system of internal controls reviewed by Internal Audit is a key element of the Council’s corporate governance arrangements which cuts across all corporate



priorities. Having an effective Internal Audit Function helps the Council to achieve its objectives.

## **5 Report Detail**

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the Council to have an External Quality Assurance (EQA) review carried out every 5 years in addition to annual internal self-assessment reviews. This is the second EQA the first was completed in November 2016 reported to Audit & Accounts Committee in March 2017
- 5.2 The Head of Governance & Corporate Services acted as sponsor of the EQA to provide independence to the process. Robin Pritchard of Business Risk Solutions was appointed to carry out the review following a quotation exercise. Robin is an experienced Internal Audit Practitioner and has sufficient knowledge and experience to effectively carry out the review.
- 5.3 The overall outcome of the review was that “The Internal Audit Shared Service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards.” The report also stated that the function was “demonstrating a high standard of delivery within its peer group.” This is overall a very positive and pleasing report showing that the Internal Audit Function is effective and performing well when compared to other Local Authority Teams.
- 5.4 The review did highlight some areas where Internal Audit could improve as well as highlighting some areas of good practice. The full report is attached at Appendix 1 and includes some benchmarking of the function against other Internal Audit teams.
- 5.5 The agreed actions are set out in the report as well as being summarised in the EQA Improvement Plan at Appendix 2. The Recommendations in relation to Compliance with the PSIAS in the first table will be prioritised and implemented in the next 12 months. The Best Practice Suggestions contained in the other two tables will be considered for review and implementation once the recommendations have been implemented. Progress against the Action Plan will be reported to Committee at least annually as part of the Annual Review of the Effectiveness of Internal Audit included in the Annual Report.

## **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

<b>7 Appendices to the Report</b>
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Appendix 1: External Quality Assessment Report

Appendix 2: EQA Improvement Plans

**Previous Consideration**

None

**Background Papers**

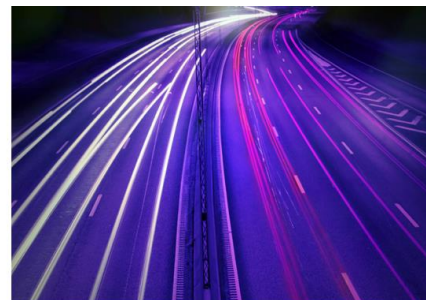
Evidence File supplied to the Reviewer - held by Chief Internal Auditor & Risk Manager.



# External Quality Assessment

Internal Audit Shared Services

Executive report – September 2022



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# External Quality Assessment

Cannock Chase DC and Stafford BC Shared Internal Audit Service

**Opinion: The Internal Audit Shared Service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards.**

## **Key matters arising from the review:**

- Increasing integration of the use by internal audit of risk-based techniques with the risk appetite of the Councils particularly in terms of planning at a strategic and engagement level would be mutually beneficial,
- Ensuring clear logic within the use of inherent and residual risk assessments through working papers for each assignment to focus on agreed management objectives, significant risks and relevant key controls that will support the content of the assurance provided in the final audit report would enhance the focus of engagements.
- Consideration should be given to increasing the prominence of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by the Council within the Risk Management Policy within all aspects of the internal audit process
- Review the narrative used within the Annual Opinion in the Head of Internal Audit Annual Report to reflect the strategic planning process and therefore the knowledge of both significant risks and other sources of assurance that are available and upon which reliance has been placed.
- Review the approach to performance of the Quality Assurance Improvement Programme (QAIP) and include outcomes as a part of the reporting processes to management.

## **Good Practice identified during the review**

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit within the Councils guides delivery and establishes the basis of the Head of Internal Audit's Annual Opinion.
- The service has developed a documented internal audit methodology and supporting templates that delivers a consistent risk-based service.
- Self-assessment identifies areas in which future development will be beneficial and is based upon the development of job descriptions, performance appraisals, the establishment of a training needs and client feedback.
- Routine reporting informs clients and the Audit Committee regarding progress regarding completion of the internal audit plan, findings and the follow up of recommendations.

# Executive summary

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Internal Audit Services are delivered by a shared service in-house team and supported by externally contracted support services for both IT and general audit work. The service has provided some support under contract to Inspiring Healthy Lifestyles who are the CCDC Leisure services Contractor. Services are managed by Stephen Baddeley as Chief Internal Auditor and Risk Manager, who assumes the role of Chief Audit Executive for the purposes of this review.

The service has responded to the changes of focus in professional standards by developing a risk based approach with regard to planning and the completion of assignment work; the Internal Audit Manual has been updated in May 2020 to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS) and better align content to its current methodology.

From an internal audit perspective, considerable advantage is to be gained from increasing development and recognition of the client Risk Management processes, which reflect a 'Three lines of Defence approach' and therefore provide a basis for risk-based internal audit as required by the standards. The timeliness of review and the lack of effectiveness with which they operate at an operational level restricts the benefit of the approach to internal audit. Nevertheless, the approach does support internal audit to communicate with clients at a strategic and assignment level and therefore provides an appropriate framework within which internal audit is conducted. The degree to which risk appetite is embedded within assessment can be developed in order that internal audit can provide an assurance opinion in relation to risk management, governance and control. Clear alignment with the risk matrix will enable internal audit plans and assignments to focus on the value of 'Control Risk' and thereby increasingly focus its attention on key controls and the assurances available to mitigate risk. Continuing to develop this thread will enhance both the efficiency and effectiveness of internal audit as well as its benefit to the Council.

Consequently, with a constantly changing risk environment, particularly as the service responds to the changing needs of the Councils, post COVID-19, there is a need and opportunity for the internal audit service to continue to enhance delivery through acting as a catalyst to ensure that robust risk management systems are operational, increasing its awareness of the assessment of risk and as a consequence informing its own approach. This will help ensure that internal audit focuses on the most appropriate areas and can demonstrate that it continues to provide a service that effectively contributes towards the achievement of the Council stated objectives, through the provision of independent assurance.

Current services are assessed to '**generally conform**' with the PSIAS standards with the service demonstrating a high standard of delivery within its peer group. A series of specific recommendations are made in the report that follows which reflect building on the existing strengths in relation to resources, competency and delivery in order to enhance future services and as a result enhance the benefit of the service to clients.

# Overall assessment

1	<b>RESOURCES</b>		<b>Excelling</b> – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations.
2	<b>COMPETENCY</b>		<b>Established</b> – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where further development would be beneficial.
3	<b>DELIVERY</b>		<b>Established</b> – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where a more consistent approach and further development would be beneficial.

# Summary of good practice identified within EQA



Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and agreed with management and the Audit Committee (AC).	The combination of the Charter, supported by the Internal Audit Manual is comprehensive and establishes an appropriate framework against which internal audit services can be delivered in accordance with the PSIAS.
1100	Independence and objectivity	A process is in place regarding the identification and management of potential conflicts and/or declarations of interest.
1311	The service has conducted internal assessment exercises regarding its performance.	Performance review is embedded within quality control procedures and supported by a staff appraisals process which identifies and supports performance development needs. Further quality assurance is undertaken which has highlighted a number of areas where the team feel development would be beneficial.
2020	Active engagement at Member and management level	Represents the establishment of a good understanding of key issues through routine interaction with Officers and Members.
2030	The need for appropriate internal audit resources is supported by support from appropriate other external sources.	This represents a firm basis for the successful delivery of the internal audit plan and the use of support, if required.
2040	A detailed internal audit manual is in place which aligns with the PSIAS.	Provides for a consistent methodology, within which the service is delivered through a series of templates.
2060	Reports are produced using a standard template which is consistently applied.	Demonstration of a consistent approach to communication which is well received by management and the AC's – effective follow-up ensures that issues are not lost.
2300	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.	Effective supervision and review of progress ensures a consistent approach and delivery of the approved methodology.
2400	Internal auditors must communicate results of engagements.	The internal audit team routinely conducts exit meetings with regard to the findings emerging from engagements.





# Part one

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## Compliance with the Public Sector Internal Audit Standards

# Resources

Business Vision and Mission, Governance arrangements, Recognition of standards, Charter, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

	Issue identified	Recommended action	
1	<p><b>Internal Audit Charter (IAC)</b></p> <p>The IAC requires an annual assurance opinion to be provided to the Audit Committee regarding governance, risk management and control.</p> <p>The Annual Opinion for 2020/21 stated 2.1 that “Based on the work undertaken during the year and the implementation by management of the audit recommendations, Internal Audit can provide <b>partial assurance</b> that the Council’s governance arrangements including risk management and systems of internal control were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy“.</p> <p>Best practice reflects using a wider basis for the opinion reflecting the full knowledge of the CAE including significant risks which each client is facing and information from other assurance sources.</p>	<p>The annual internal audit planning process is based upon a continuous assessment of the risk environment faced by each client, therefore the opinion is not based on the current years work as stated. It would be more accurate to reflect on the full knowledge of the CAE.</p> <p>Additionally, the opinion is based upon wider knowledge of significant risks and the various sources of assurance that exist, including the risk management processes and this should be clarified.</p> <p style="text-align: right;"><b>PSIAS 1000</b></p>	
2	<p><b>Performance appraisal</b></p> <p>The self-assessment identified that the CAE’s appraisal which is undertaken by the Head of Governance &amp; Corporate Services could beneficially involve both Chairs of Audit Committees input.</p>	<p>Inviting observations from both Chairs of Audit Committee in advance of the performance appraisal undertaken by the Head of Governance would be good practice.</p> <p style="text-align: right;"><b>PSIAS 1110</b></p>	

# Competency

Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

	Issue identified	Recommended action
1.	<p><b>Audit Universe</b></p> <p>The current internal audit planning model reflects use of a “standard audit universe’ to which are applied a number of factors which represent a judgement of risk from an internal audit perspective. This is provided for in circumstances where the client risk management system cannot be relied upon.</p> <p>Further development of this approach through increasing alignment with each clients risk environment at strategic and operational levels would enhance internal audits’ ability to demonstrate a commitment to helping each Council achieve its objectives.</p>	<p>The development of a comprehensive internal audit plan that reflects the significant risks that are recorded with each Councils risk management system represents an essential feature of both strategic and operational internal audit planning as it acts as a basis for both ensuring attention on significant risks on a priority basis as well as providing an indication of the resources required to provide continuous independent assurance.</p> <p>Internal Audit works with each client manager at the time of an engagement to identify significant risks; it would be opportune to increasingly recognise and promote the value of ‘Control Risk’ at an operational level and transparently integrate this within the planning process.</p> <p>It would be beneficial therefore to increasingly align development of the internal audit planning system with each Councils risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level.</p> <p>It may be that such an approach would also help embed effective risk management within each clients governance processes.</p> <p style="text-align: right;"><b>PSIAS 2000/2010</b></p>

# Competency continued

	Issue identified	Recommended action
2.	<p><b>Purpose of the system subject to review</b> Audit Planning Memorandum currently contain a statement which reflects the 'purpose' of the area subject to review in line with PSIAS requirements, which recognise the value of focusing on management objectives.</p>	<p>The inclusion of 'purpose' is regarded as good practice however it may be beneficial to increasing capture the nature of the significant risks being faced within the area under review as this will assist with the discussions with client managers of the identification of the significant risks which may impact upon achievement of established objectives and upon which the assurance opinion should be based.</p> <p style="text-align: right;"><b>PSIAS 2201</b></p>
3.	<p><b>Use of the risk matrix</b> The current methodology requires identification at the commencement of an audit of the significant risks to be considered. The gross risk is then assessed with input from management in terms of its likelihood and impact.</p> <p>The review then aims to identify appropriate policies, procedures and controls, concluding with an opinion based upon the residual risk scores in each area.</p> <p>The logic of this process represents good practice.</p>	<p>File review revealed that the methodology is not consistently applied within each assignment and when used as the basis for reporting.</p> <p>Contractors files use the same process.</p> <p>It would be beneficial to provide further instruction to the internal audit team to ensure that the methodology is consistently applied as this will help embed risk management and enhance the profile of internal audit.</p> <p>The feedback from the client survey indicates that the Shared Service might provide increased focus on significant risk and introducing best practice within the audit approach and these may be areas where increased understanding of risk throughout the process may produce results which are regarded as adding value by clients.</p> <p style="text-align: right;"><b>PSIAS 2010</b></p>

# Competency continued

	Issue identified	Recommended action
4.	<p><b>Internal Audit templates</b> The internal audit methodology has been reviewed over time and includes a number of templates which are no longer used.</p> <p>Inclusion of these blank templates within engagement folders may confuse the introduction and training of new staff and complicate the administrative process.</p>	<p>It would be opportune following the EQA to remove these templates from use and update the internal audit manual accordingly.</p> <p>Highlighting the essential templates which are to be completed will be beneficial to demonstrating effective and timely supervision of assignments.</p> <p style="text-align: right;"><b>PSIAS 2040</b></p>
5.	<p><b>Supervision</b> Templates require sign-off by nominated supervisors at key stages of the audit process.</p> <p>Review identified that this is not always consistently evidenced on each working paper and in some cases authorisation is not shown as a specific date.</p>	<p>Ensure supervisory processes provide robust evidence of review as required within the approved practices outlined in the internal audit manual.</p> <p style="text-align: right;"><b>PSIAS 2340</b></p>
6.	<p><b>QAIP policy</b> The service introduced a quality improvement policy in 2015 in accordance with the requirements of the standards. The policy focused on consistent internal review of engagements, an annual assessment against the standards and the EQA review on a five year cycle.</p> <p>Industry best practice now reflects an extension of the quality review process to include consideration of wider performance in the form of KPI's, resources, skills and training requirements.</p>	<p>It would be beneficial to update the policy in line with best practice and as required summarise any outcomes within the Head of Internal audit's Annual Report.</p> <p>An example QAIP policy has been provided.</p> <p style="text-align: right;"><b>PSIAS 1300</b></p>

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

	Issue identified	Recommended action	
1.	<p><b>Governance</b></p> <p>The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements.</p> <p>Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expences.</p>	<p>In Local Government each Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to map internal audit activity to the content of the Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.</p> <p style="text-align: right;"><b>PSIAS 2110</b></p>	
2.	<p><b>Risk Management</b></p> <p>Internal Audit last reviewed risk management as an assignment in 2016/17 providing a partial assurance opinion.</p>	<p>The standards require an annual opinion to be made in the Head of Internal Audit’s Annual Report. It would therefore be beneficial to support the opinion with evidence to support this level through a combination of the assurances gained at both a strategic level and at an operational level within engagements.</p> <p style="text-align: right;"><b>PSIAS 2120</b></p>	

# Delivery continued

	Issue identified	Recommended action	
3.	<p><b>Release of draft and final reports</b></p> <p>Reports are currently issued to clients by the auditor responsible for the engagement following approval by the CAE. The same arrangement exists in relation to the use of external contractors.</p> <p>Approval for release is authorised under cover of an email.</p>	<p>Consideration should be given to showing the process for approval of each report by redesign of the existing timetable to show:</p> <ul style="list-style-type: none"> <li>• The author and when the report was drafted</li> <li>• Approval for the release of the draft report by the CAE and date: and</li> <li>• Approval for release of the final report by the CAE and the date.</li> </ul> <p style="text-align: right;"><b>PSIAS 2420</b></p>	
4.	<p><b>Internal Audit Risk Based Strategy</b></p> <p>The teams approach to assessment of the perceived risk at inherent and residual levels within an engagement is reflected in the grading of recommendations and opinions which are then used in reporting.</p> <p>Audit Engagement Plans and Reports do not contain an explanation of how the Internal Audit Team relate the levels of risk evaluation to the conduct of the audit, although reports do contain a link to where this information is available.</p> <p>It would be beneficial to include a summary of the process within all client communications as this would help embed both internal audit's approach and improve familiarity with risk management throughout each client.</p>	<p>Definitions of the grading of risks and the basis for opinions should be included within the Internal Audit Manual, Audit Engagement Plans and Audit Reports as this would help to ensure a consistent approach and understanding of risk is embedded throughout both internal audit and each Council.</p> <p style="text-align: right;"><b>PSIAS 2420</b></p>	



## Part two

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Suggested enhancements for consideration



# Suggested Enhancements for consideration

	Issue identified	Recommended action
1.	<p><b>Job descriptions</b></p> <p>Current job descriptions are in a consistent form and are reviewed annually as part of the PDR process but mostly updated when a new appointment is made.</p>	<p>Whilst practice meets the standards, which require regular update of job descriptions, it may be beneficial to review all job descriptions at the same time to ensure that any inter-dependencies are fully reflected.</p> <p style="text-align: right;"><b>PSIAS 1210</b></p>
2.	<p><b>Client surveys</b></p> <p>Progress has been made in obtaining feedback from auditees following each audit through discussions with client managers and within the annual planning process.</p> <p>This provides informal confirmation from clients regarding the Teams ability to deliver upon its responsibilities and particularly add value.</p> <p>The External Contractor requests clients to complete a short survey on Survey Monkey which is not shared with the CAE.</p>	<p>Internal Audit may find it useful to utilise Survey Monkey or similar technology for collecting feedback, and capture similar feedback in relation to the contractors performance, as this can prove to be an efficient means of gathering an early response.</p> <p>Feedback should be included as part of the QAIP process.</p> <p style="text-align: right;"><b>PSIAS 2000</b></p>
3.	<p><b>Internal Audit Charter and Manual</b></p> <p>Reference is made in both documents regarding the need for independence and objectivity and the Code of Ethics, with the Nolan principles also being referred to in the Internal Audit Manual.</p> <p>The standards place significant emphasis on these issues.</p>	<p>a) Reference to these matters should be given a higher profile in both documents.</p> <p>b) The standards require regular review of the Internal Audit Charter, and while few changes are routinely made it may be beneficial to include a copy of the document as an Appendix to the Annual Report, as this may help maintain the role and value of internal audit with new managers and Members.</p> <p style="text-align: right;"><b>PSIAS 1000</b></p>

# Suggested Enhancements for consideration

	Issue identified	Recommended action
4.	<p><b>Key Performance Indicators</b></p> <p>Completion of the Internal Audit Plan is regarded as the current focus of performance monitoring, although other indicators based on recommendations and opinions made in the year are recorded in the Head of Internal Audit's Annual Report.</p> <p>Good practice elsewhere utilises a range of quantitative and qualitative measures to demonstrate performance against the Internal Audit Charter.</p>	<p>Consideration could be given to devising a more comprehensive list of indicators and a summary of client feedback received. This may include:</p> <ul style="list-style-type: none"> <li>• Reports issued to agreed timescales</li> <li>• Recommendations accepted/not accepted by risk rating</li> <li>• Recommendations acted upon in a timely manner</li> <li>• Client satisfaction</li> <li>• Staffing levels and qualifications</li> <li>• Planned training completed</li> </ul> <p style="text-align: right;"><b>PSIAS 1310</b></p>
5.	<p><b>Training</b></p> <p>The Internal Audit Team has developed a comprehensive training and skills matrix which includes reference to mandatory requirements although this has not been maintained.</p> <p>As the internal audit planning process is base on a continuous review of each Councils assurances needs and devises a forward looking plan based on need and priority, it would be beneficial to consider the future training needs of internal audit staff and include these in future resource planning.</p>	<p>Consider the benefits of using the priorities included in internal audit planning process to identify potential courses or seminars which may provide increased understanding of the risk environment that will be reviewed.</p> <p>Ensure that training records are maintained and used to inform the QAIP.</p> <p style="text-align: right;"><b>PSIAS 1210</b></p>
6.	<p><b>Fraud Survey</b></p> <p>The Internal Audit Team participates in the CIPFA Fraud Survey which reflects good practice regarding the consideration of fraud risk within the PSIAS.</p>	<p>When completed it would be beneficial to align outcomes with the significance of fraud risk in relation to achievement of the management objectives agreed within each engagement.</p> <p style="text-align: right;"><b>PSIAS 2120</b></p>

# Suggested Enhancements for consideration

	Issue identified	Recommended action
7.	<p><b>Confidentiality and liability</b></p> <p>There is an occasional need to share an internal audit report outside of the organisation and in which case the legal implications should be considered.</p> <p>Current reports contain a statement regarding confidentiality and Freedom of Information.</p>	<p>The Internal Audit Team should consider the need to also include an appropriate limitation of liability clause in reports which may be shared with third parties, including external audit.</p> <p><b>PSIAS 2440</b></p>

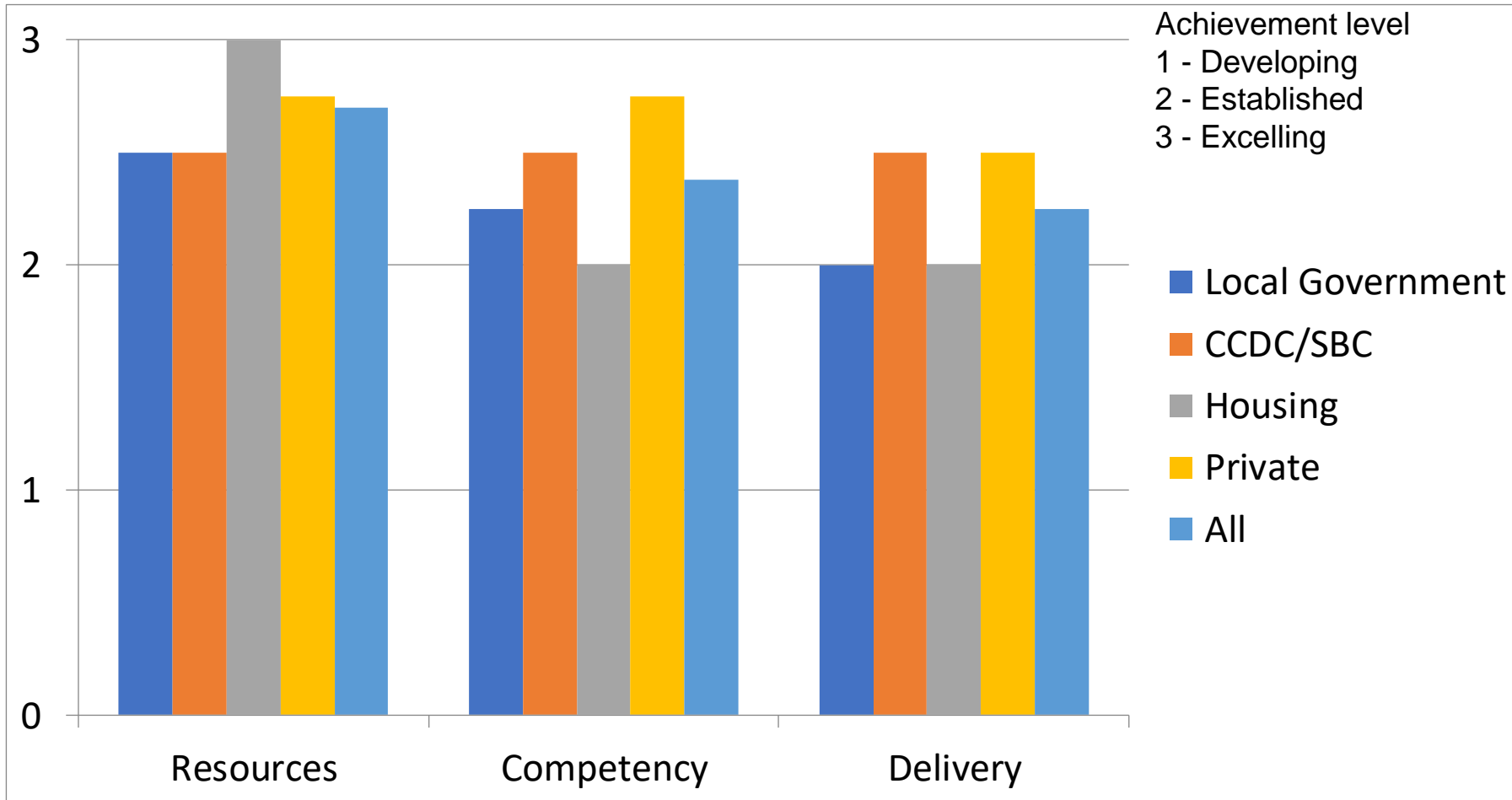


# Part three

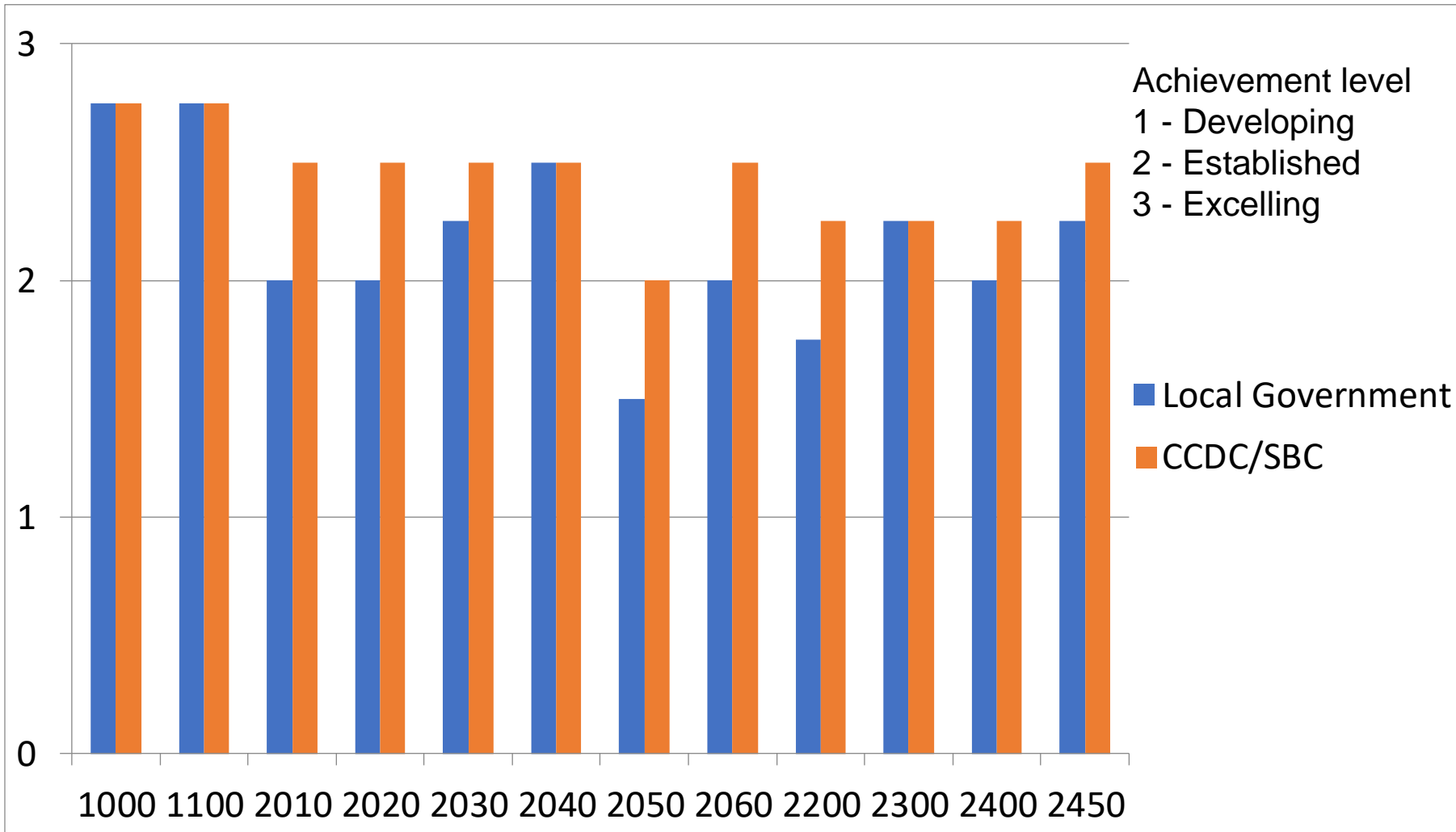
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## Benchmarking

# Benchmarking - Sector analysis



# Benchmarking - Industry analysis





# Appendix

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1. Summary of client feedback
2. Key IPPF/PSIAS standards assessed
3. Basis for EQA
4. Grading of recommendations

## Summary stakeholder feedback

Question	Positive (%)	Negative (%)
I understand Internal Audit's role in the organisation and its purpose.	100	
Internal Audit is customer focused and understands what the organisation is trying to achieve.	100	
Internal Audit considers the viewpoints of the organisation when planning and undertaking reviews and aims to provide a good balance between assurance and good practice with opportunities for improvement.	100	
Internal audit has a presence in the organisation which is visible and approachable.	100	
The Internal Audit team provides a flexible and reliable service which adds value through the assurance audits and additional work it undertakes.	100	
Internal Audit makes you aware of any significant issues that occur during an audit on a timely basis and you have the opportunity to respond or provide additional information.	100	
Internal audit has the skills to provide appropriate assurance and advice to meet our needs?	100	
Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods.	100	
<b>Average</b>	<b>100</b>	

### Conclusion:

Feedback from stakeholders confirms that the Internal Audit Shared Service is considered to provide a good quality internal audit service whose brief is clearly understood and the assurance and advice that is provided is well regarded. Respondents were less positive regarding the emphasis placed on significant risk and the increasing need to add value through provision of advice regarding new ideas and best practice elsewhere.



# Key PSIAS Standards assessed

(for benchmarking purposes)

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400	Communicating results	Internal auditors must communicate the results of engagements
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.



# Basis for EQA

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## Compliance with IPPF/PSIAS

- **Resources**

Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

- **Competency**

Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

- **Delivery**

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels



## Grading of recommendations

- The grading of recommendations is intended to reflect the relative importance to the relevant standard within the Public Sector Internal Audit Standards (PSIAS).

Recommendation grading	Explanation
<b>Enhance</b>	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
<b>Review</b>	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
<b>Consider</b>	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services

- In grading our recommendations, we have considered the wider environment in terms of both the degree of transformation that is currently taking place as well as our assessment of the level of risk maturity that currently exists, as these will have a consequence for the conduct of internal audit planning as well as subsequent communication.

## Appendix 2

## EQA Improvement Plan

## PSIAS Areas for Improvement

These recommendations will be the focus of the work and will be looked at for implementation in the next 12 months.

Source	Recommendations	Comments	Person Responsible for Implementation	Timescale
PSIAS 1000	Wording of the Annual Opinion to be reviewed to clarify that it is based on the full knowledge of the Chief Internal Auditor and not just the work carried out by Internal Audit. This includes knowledge of significant risks and information from other assurance providers.	This will be reviewed and updated for the next Annual Report	Chief Internal Auditor & Risk Manager	June 2023
PSIAS 2000/2010	Internal Audit will look to continue to improve the alignment of the internal audit planning system with each Councils risk management processes to focus resources on the most significant risk areas and target assurance.	This will be looked at and developed as part of the implementation of the Internal Audit software/system currently being implemented and as part of the next Annual Plan.	Chief Internal Auditor & Risk Manager	March 2023
PSIAS 2340	Ensure file reviews are always adequately evidenced and carried out in line with the Audit Manual processes.	Processes will be improved and record keeping enhanced with the introduction of the Internal Audit System. In the interim, reminders will be issued to those who review files.	Chief Internal Auditor & Risk Manager	March 2023

Source	Recommendations	Comments	Person Responsible for Implementation	Timescale
PSIAS 1300	The Quality Assurance and Improvement Programme should be reviewed and updated in line with current best practice.	A review and update will be carried out and a revised QAIP presented to Audit Committee	Chief Internal Auditor & Risk Manager	June 2023
PSIAS 2110	Internal Audit Activity should be mapped to the Council's Code of Governance to improve assurance provision for the Annual Governance Statement via the Annual Audit Report	This will be reviewed and updated for the next Annual Report and Audit Plan if possible	Chief Internal Auditor & Risk Manager	June 2023
PSIAS 2120	Internal Audit should carry out a formal review of Risk Management to support the Chief Internal Auditors opinion on its effectiveness.	A review of Risk Management will be added to the Internal Audit Plan for 2023-24. Reviews had not been included over the last few years as the Chief Internal Auditor is aware of the current Risk Management Processes not being fully effective.	Chief Internal Auditor & Risk Manager	2023-24 Audit Year

### Good Practice Suggestions

These are suggestions for improvement and will be considered and where possible implemented in the medium term from 2023-24.

### Best Practice Suggestions in relation to the PSIAS

Source	Suggested Enhancements	Comments	Person Responsible for Implementation	Timescale
PSIAS 1110	Inviting observations from both Chairs of Audit Committee in advance of the performance appraisal undertaken by the Head of Governance would be good practice.	This will be done for the next performance appraisal	Head of Governance & Corporate Services	Next PDR Cycle
PSIAS 2201	Increasing the capture of the nature and type of significant risks as part of the audit planning process within each review may be beneficial	Consideration will be given to how this may be done	Chief Internal Auditor & Risk Manager	June 2024
PSIAS 2010	Ensure that the file review methodology is consistently applied, including where Contractors carry out reviews on behalf of the in-house team.	The Internal Audit System being implemented will improved consistency. Discussions will be held with Contractors relating to them following our internal processes	Chief Internal Auditor & Risk Manager	March 2024
PSIAS 2010	Help to ensure audits are seen as providing added value to the clients	Consideration will be given to how this may be done	Chief Internal Auditor & Risk Manager	June 2024
PSIAS 2040	A review of documents should be carried out to ensure only current templates are available to auditors.	As part of the implementation of the Internal Audit System all documents and processes will be reviewed to ensure only current process/documents are loaded onto the system.	Chief Internal Auditor & Risk Manager	March 2024

Source	Suggested Enhancements	Comments	Person Responsible for Implementation	Timescale
PSIAS 2420	Consider redesigning the report template to capture key information about the approval for issue of both draft and final reports.	This will be looked at and developed as part of the implementation of the Internal Audit system currently being implemented	Chief Internal Auditor & Risk Manager	March 2024
PSIAS 2420	Consider providing information on the grading of risks with the Audit Brief and Reports. Not just providing a link to the information in the Audit Report.	This will be looked at and developed as part of the implementation of the Internal Audit system currently being implemented	Chief Internal Auditor & Risk Manager	March 2024

### Other Best Practice Suggestions

Suggested Enhancements	Comments	Person Responsible for Implementation	Timescale
It may be useful to review all Job Descriptions whenever any one is altered to ensure any interdependencies are fully reflected.	When any Job Description is reviewed all will be examined to ensure they remain consistent	Chief Internal Auditor & Risk Manager	Ongoing
Consider reintroducing client feedback surveys and including the results in the QAIP process.	This will be looked at and developed as part of the implementation of the Internal Audit system currently being implemented	Chief Internal Auditor & Risk Manager	March 2024
Improve the profile of Nolan Principles and the Council's Code of Ethics in the Internal Audit Charter and Audit Manual	A review and update will be carried out and a revised presented to Audit Committee	Chief Internal Auditor & Risk Manager	June 2024
Consider attaching the Internal Audit Charter as an Appendix to the Annual Report each year to increase its profile amongst Members and Management.	This will be considered for the next Annual Report	Chief Internal Auditor & Risk Manager	June 2024
Consider developing a more comprehensive list of Key Performance Indicators for the team - these should include qualitative and quantitative measures	This will be looked at and developed as part of the implementation of the Internal Audit system currently being implemented	Chief Internal Auditor & Risk Manager	March 2024
Consider using the Internal Audit Planning process to better identify courses/seminars to assist auditors understanding of the risk areas being revised.	This will be considered and included where possible as part of the next Annual Audit Plan	Chief Internal Auditor & Risk Manager	March 2023
Improve the training records held for the team and consider how these can be used to inform the QAIP.	A reminder will be issued to all the team about recording training information and a review of the way the information is collected will be carried out/	Chief Internal Auditor & Risk Manager	March 2024



<b>Suggested Enhancements</b>	<b>Comments</b>	<b>Person Responsible for Implementation</b>	<b>Timescale</b>
Consider aligning the outcome of the Cipfa Fraud Survey to the fraud risks identified for audit engagements.	This will be considered and included where possible as part of the next Annual Audit Plan	Chief Internal Auditor & Risk Manager	March 2023
Consider the inclusion of a limitation of liability clause on audit reports which may be shared with others including the External Auditors.	This will be looked at and developed as part of the implementation of the Internal Audit system currently being implemented	Chief Internal Auditor & Risk Manager	March 2023

<b>Report of:</b>	<b>Council Solicitor</b>
<b>Contact Officer:</b>	<b>Ian Curran</b>
<b>Contact Number:</b>	<b>01785 619 220</b>
<b>Report Track:</b>	<b>Audit &amp; Governance Committee: 29/11/22</b>

**Audit & Governance Committee  
29 November 2022  
Annual RIPA Review**

**1 Purpose of Report**

- 1.1 This annual report provides details of the use of powers under the Regulation of Investigatory Powers Act (RIPA) by the Council.

**2 Recommendation(s)**

- 2.1 That the report be noted.

**3 Key Issues and Reasons for Recommendations**

**Key Issues**

- 3.1 Local authorities carry out investigations for a variety of regulatory services. In carrying out these duties, they have general powers to conduct surveillance of individuals suspected of committing offences. The Regulation of Investigatory Powers Act 2000 (RIPA) was introduced to regulate public authority use of covert surveillance powers to ensure that any use is compliant with human rights.
- 3.2 The Home Office Code of Practice for Covert Surveillance and Property Interference, recommends that elected members of an authority should review the authority's use of RIPA and set the policy at least once a year.

**Reasons for Recommendations**

- 3.3 This is an annual report to members, in accordance with good practice, and is for information only.

**4 Relationship to Corporate Priorities**

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

- (i) Regular review of the Council's use of surveillance ensures that enforcement is carried out lawfully and proportionately and assists in improving community wellbeing

## **5 Report Detail**

- 5.1 The Regulation of Investigatory Powers Act 2000 (RIPA) regulates the use of certain surveillance powers by public authorities, including:
  - Directed Surveillance (covert surveillance conducted as part of a specific investigation likely to result in obtaining private information about an individual),
  - Use of Covert Human Intelligence Sources (CHIS), and
  - Access to communications data (e.g. details of subscribers to telephone numbers or email accounts)
- 5.2 The Council is a very rare user of these powers. However, it is important that it has sufficient oversight of its activities to ensure that any considered use is compliant with the subject's human rights.
- 5.3 The Home Office publishes national Codes of Practice on the use of RIPA powers by public authorities. The Council must have regard to the relevant Code of Practice whenever exercising powers covered by RIPA. The Investigatory Powers Commissioner conducts regular inspections of all public authorities to ensure compliance with RIPA, and the Codes of Practice.
- 5.4 The Council has adopted its own Surveillance Policy to advise officers on RIPA obligations and to regulate any use of these powers. The Policy was last updated by Cabinet in September 2019 to reflect changes in the law and Codes of Practice. The policy is therefore up to date in that respect.
- 5.5 The Council Solicitor acts as the Senior Responsible Officer for RIPA, with oversight of the Council's internal procedures. The Legal Services Manager acts as the RIPA Co-ordinating Officer, ensuring that any request to use RIPA powers is co-ordinated through, and recorded in, a central register. The Legal Services Manager also acts as a source of advice to regulatory officers and supports the Senior Responsible Officer in keeping the Council's policy up to date.
- 5.6 As part of the policy, the use of any RIPA powers must first be approved by a Chief Officer trained to be a RIPA Authorising Officer. The Council has two Chief Officers who have received suitable training. If the Chief Officer gives approval, then an application must still be made to the Magistrates Court for independent judicial approval before the surveillance takes place (NB. the Office for Communications Data Authorisations gives judicial approval in respect of accessing communications data).
- 5.7 The Council has not used RIPA powers in the last 12 months.

<b>6 Implications</b>
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**6.1 Financial**

None

**6.2 Legal**

Set out in the report.

**6.3 Human Resources**

None

**6.4 Risk Management**

None

**6.5 Equality & Diversity**

None

**6.6 Climate Change**

None

<b>7 Appendices to the Report</b>
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None.

**Previous Consideration**

None

**Background Papers**

None



# Auditor's Annual Report Cannock Chase District Council

2020-21

November 2022



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. 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.

# Executive summary



## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made



## Financial sustainability

Cannock Chase District Council has a record of stable financial and budgetary management. Despite ongoing uncertainty around funding in the medium term, and the challenges posed by COVID-19, the Authority has maintained a robust financial position for 2020/21. The Council has also implemented plans which have enabled a balanced budget to be set for 2021/22 and 2022/23. Developments include the implementation of an interim arrangement of a shared Chief Executive with Stafford Borough Council with whom the Council already have extensive joint working arrangements. Further shared service proposals are being considered that should help the Council to navigate financial uncertainty in the medium term. Reserves have been set aside to provide transitional funding pending the development of a sustainable medium-term budget and the development of delivery of spending proposals that will support this. The use of reserves enables the phasing of proposals to minimise the impact of on services to residents. At the end of March 2021 at the Authority held general revenue reserves of £1.144m and other usable Earmarked Reserves of £24.098m. We note that financial reporting of budget performance to members has not been as full or frequent as might be expected in 2021/22, and in subsequent periods, and recommend that this be reviewed, in the context of upcoming financial challenges in the sector.

Our work has not identified significant weaknesses in arrangements to secure financial stability at the Authority, but we have raised improvement recommendations aimed at strengthening existing arrangements at the Council.



## Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority and the changes instigated as a response to the pandemic. Our work on both business-as-usual governance and adapted structures in response to the pandemic has not identified significant weakness in arrangements but we have raised a small number of improvement recommendations in relation to governance.



## Improving economy, efficiency and effectiveness

For 2020/21 the Council has generally worked well in securing economy, efficiency and effectiveness in its use of resources with particular focus on its shared services arrangements. We also note that in 2020/21 the Council initiated an upgrade to the financial ledger system which also includes migration to the cloud. The delivery of this throughout 2021/22 and into 2022/23 has suffered some delay, coinciding with the additional difficulty of delivering services under COVID-19 conditions. This has placed significant pressure on the capacity of the finance team and other functions. Our work has not identified significant weaknesses in arrangements, but we have made improvement recommendations in relation to delivering economy efficiency and effectiveness.

# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

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



## Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 19. Further detail on how we approached our work is included in Appendix B.



# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans;
- plans to bridge its funding gaps and identify achievable savings;
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning; and
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## 2020/21 Financial outturn

Cannock Chase District Council has a track record of achieving financial balance and continued this for 2020/21 having reported an underspend of £195,000 against its portfolio budget in its draft accounts. The Council's break down of General Fund revenue spending showed a favourable variances in the portfolio budgets (£0.195m), Investment income (£0.016m) and government grants (£0.132m), with a negative variance of £0.810 in technical items which relates to a net contribution to reserves of £0.692m.

The council completed £2.80m of capital expenditure in 2020-21 representing 74.3% of the overall capital projects budget of £3.772m approved for the year. Slippage was attributed to COVID-19 and projects delayed or rephased into future periods. Significant items included in this year's capital outturn include £1.124 million in additional cemetery facilities, £0.548 million in disabled facilities grants, £0.303m in finance management system and £0.219 million in creating pedestrian cycle linkage.

Overall, the Council delivered its financial outturn in line with plan, taking into account the use of COVID-19 support funding which was used to help mitigate additional cost pressures relating to the pandemic.

## Reserves

The Council maintains general fund reserves to cover contingencies and emergencies. The Council's policy is to maintain this reserve at the higher of either 5.5% of the net expenditure or the calculated risk factor. The 2020-21 Accounts estimated the required level of this reserves at £0.79m. The general fund balance of the council increased by £0.144m to close at £1.144m at the end of 2020-21. In addition to the general fund reserves balance, the Council maintains earmarked reserves that are held for specific purposes including meeting future and known commitments, supporting future budgets and for carrying forward expenditure over a number of years. The earmarked reserves of the council increased by £8.0m during 2020-21 to £24.10m.

## 2021/22 Budget

The Budget and Council Tax for 2021/22 were set at the full meeting of the Council in February 2021 with 54.3% of the general fund revenue financed from Council tax, 44.7% from business rates and 1% from the Council Tax support grant.

The net revenue budget for 2021/22 was set at £12.1m, with Council Tax for a Band D property set at £225.64 which is an increase of 1.95% from the previous financial year.

The Council anticipated to receive total gross business rate income of £5.41m for the year. It was noted that, approximately £3.772m was planned to be spent on capital investment due to spendings on works to Rugeley ATP, Stadium development, play areas (including £50,000 annual contribution) and the purchase of replacement wheeled bins, as well as continued spend on disabled facilities grants.

The agreement of the amended budget demonstrates that the Council has effectively managed the financial risks it has faced during the year and ensured measures were in place to enable the Section 151 Officer to oversee management of cost pressures. The Council has undertaken sensitivity and risk analysis with a total adverse effect of £1.27m in 2021/22, and the Section 151 Officer confirmed the robustness of the budget and MTFs on the basis of reserves being maintained at £1.5m.

## Item No. 8.6

### Financial planning and Medium-Term Financial Strategy

The Council plans its finances over a medium-term of 4 year rolling period for revenue and capital and includes all known financial pressures that it faces over the medium-term. The Council consults with key stakeholders including residents, and local business in arriving at the key assumptions for financial planning. The Medium-Term Financial plan (MTFP) is updated annually as part of the budget setting process and presented to the Cabinet and Council.

The MTFP was discussed and agreed by the Leadership Team, prior to approval by the Executive and finally Full Council. As noted within the governance section, as a result of the COVID-19 emergency, the Council had to re-prioritise its corporate strategic priorities which were agreed in 2018, however we are satisfied that the Council was clear on the importance of maintaining its existing service provision and financial standing during the pandemic whilst it developed its new strategic priorities and corporate plan. The existing framework and the close collaboration across the Heads of Services ensures that the financial plans took account of any changes within service or specialist areas.

The MTFP is based on a roll forward of the previous year's budget and is updated taking into account the previous year's outturn and any changes in service provision. The financial plan was built around current and projected service activity levels, levels of government funding and prudent expectations for business rate income. Adjustments are made to the MTFP to reflect the emerging pressures, identified through the budget monitoring process, and to reflect changes in corporate priorities and incorporate new projects/information. The financial plans adequately reflect the impact of key expenditure drivers such as population changes and demand for services and potential pressures in managing inflation cost pressures such as pay and non-pay budgets.

The Council's approach to dealing with financial risks is to incorporate mitigating strategies into the MTFP, and these included including Revenue Budget, Capital Programme, and Council Tax and Business rates. The Council also uses reserves to incorporate risks into its plans. The Council highlights the risk areas that need to be taken into consideration by members with explanation of the risk and justification for setting aside reserves in a working balance report provided to the Cabinet to help decide on the minimum level of the General Fund balance.

### Cost Efficiency

The Council has a track record of delivering efficiency savings. The efficiencies achieved through the delivery of shared service arrangements with Stafford Borough Council was a key part of the Council's cost efficiency measures. These have limited the need for further efficiency savings or service reductions in order to balance the budget in the years leading up to 2020/21. However, when the budget for 2021/22 was discussed at full Cabinet the Council recognised that it would need to consider further measures over the medium term.

We noted that the Council monitors financial performance at high level, through its scrutiny committees, but some corporate level financial monitoring information was temporarily not provided to members in Committee, Cabinet or at full Council during 2021-22 (including outturn report for 2020-21), to the same extent that we commonly see at other Councils. This was attributed to challenges encountered with the change in the finance systems and unplanned absences in key finance officers. This meant that the Council did not produce a detailed financial outturn report for Cabinet for 2020-21 or 2021-22. This has impacted on the production of the efficient budget and reduces the ability of Cabinet members, the wider Council and the public to challenge financial performance and hold the Council to account. This will become increasingly important as the financial environment worsens in the Local Government sector and if significant savings need to be delivered in future. An improvement recommendation has been made to build resilience into the financial management process.

**Overall, we are satisfied that the Council had appropriate arrangements in place to manage the risks it faces to financial resilience. We have not identified any risks of significant weakness, but we have identified an opportunity for improvement.**

# Improvement recommendations



## Financial sustainability

1 <b>Recommendation</b>	The Council should put in place a more detailed and regular process for the monitoring of budget performance by members, including quarterly reporting to Scrutiny Committees, Cabinet or Council throughout the year. The summary information provided must be sufficiently informative to enable performance against net spend by service, income, efficiency savings and any mitigating action taken by the Council to be properly examined and challenged.
<b>Why/impact</b>	Without regular and formal reporting, those charged with governance including members may be unaware of the position and are unable to ensure necessary action(s) is/are taken to ensure the Council continue to be run in a financial sustainable manner. Further, the council / cabinet may be unable to hold officers accountable as no report have been presented to cabinet / council to monitor financial performance against.
<b>Summary findings</b>	The Council temporarily did not provide detailed financial monitoring and outturn reports throughout financial year 2021/22 (including outturn report for 2020-21), to optimise the opportunity for review and challenge by members in a public forum. This was due to challenges encountered during finance systems change.
<b>Management comment</b>	The Council has a detailed and regular process for monitoring of budget information, although it is recognized this process was impacted during the 2021/22 financial year. From 2022/23 quarterly information has been reintroduced.



The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Monitoring and Assessing Risk

The Council's Risk management policy and strategy are guided by the Council's governance framework. The Strategic Risk register (SRR) is maintained by the Leadership team and the progress is monitored by the Cabinet and the Audit and Governance committee and are categorised against the Council's priorities. Operational risks are identified and managed within the respective service areas. A strategic risk register is in place, which identifies and evaluates the risks faced by the Council in delivering its objectives. Risks are identified, linked to priorities, assessed and scored based on likelihood and the impact.

The Audit and Governance Committee receives reports from the Chief Internal Auditor on the systems that comprise the internal control framework. The Committee also monitors the performance and quality of the Internal Audit service to ensure that it complies with the required national standards and reports to the Cabinet biennially. All SRR and associated action plans are reviewed by the Committee and the Cabinet. The Risks summary illustrates the risks/opportunities using the traffic light method (Red, Amber and Green). As of the 31 March 2021, there were four items placed under the red risks status (high), three were amber (medium) and we note that appropriate mitigating actions were in place to manage them. The 4 key risks were:

- 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
- The Council doesn't have sufficient officer capacity or financial resources to sustain delivery of essential services, key projects and support work on recovery

During 2020-21, an Economic Recovery Plan was put in place to set out the actions for the initial response and recovery. In the longer term, Supporting Economic Recovery is a key priority in the Corporate Plan and this sets out the key actions for 2021-24. The key priorities were:

1. Supporting Economic Recovery – Including investment in Town Centres such as the McArthur Glen development to maximise the economic benefits of the new Designer Outlet in Cannock
2. Supporting Health and Wellbeing
3. Financially Resilient Council

The delivery of essential services, key projects such as the IT implementation, the introduction of new services, and work on recovery, resources have stretched the capacity of the officer team. Early in the first lockdown, key projects planned for 2020-21 were reprioritised and a number were either deferred or reshaped to reflect the impact of the pandemic. The Council's priorities and capacity have been considered in preparing the Corporate Plan for 2021-24 and the supporting delivery plans.

### Internal Assurance

Internal audit services at the Council are managed by the Chief Internal Auditor who is responsible for providing internal audit services for the Council and for Stafford Borough Council. A revised internal audit plan was approved by Committee on the 8 February 2021. The ongoing restrictions and a second lockdown impacted the team's ability to complete two out of the seventeen revised planned audit work for 2020-21 as members of the Internal Audit Team were deployed to support validation of Covid Grants.

Internal Audit routinely follow-up the recommendations that have been made and ensures any relevant areas where significant weaknesses have not been addressed by managers are brought to the attention of the Audit and Governance Committee. We noted that in 2020/21 only 40% of recommendations followed up during the year were implemented. We have raised an improvement recommendation regarding this aimed at strengthening the Council's approach to implementing internal audit recommendations.

Internal Audit operates on a risk-based audit plan and has adopted an exception-based reporting methodology, as such only those areas where weaknesses have been identified are reported. Internal Audit has taken a proactive approach in the prevention/detection of fraud and corruption. It is a member of the Midland's fraud subgroup and has carried out verification work of Covid grants and followed up on several alleged fraudulent applications.

We note that the results of the 2020-21 matches carried out from the Cabinet office National Fraud initiative data matching exercise was released January 2021 which occur every 2yrs – internal audit has confirmed that the data matches have been reviewed and identified no significant issues from the work carried out to date. Internal audit confirmed they only review certain data matches, and the rest are done by other departments including Compliance Team, Finance, Housing and Licensing. "Internal audit review all employee matches and a sample of other matches each year.. no significant matches were uncovered in the last exercise". We have raised an improvement recommendation regarding this approach aimed at strengthening the Council's approach.

The Council is guided by Confidential Reporting framework, Anti-Fraud and Bribery and Anti-money laundering framework.

Internal Audit issued an overall partial assurance opinion (the second-best opinion out of four possible options) for all internal audits completed in 2020-21. This opinion is defined by internal audit as "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".

### Budget Setting Process

The Council sets out the budget timetable to allow for flexibility in setting the Council tax, which must be set by the March, preceding the start of the new financial year. This is to ensure all precepts have been issued and all required calculations completed. The final budget is reviewed by the Cabinet and Submitted to the Council for approval.

The Council is responsible for the adoption of its budget and policy and the responsibility to implement lies with the Executive which is guided by the Budget and policy framework procedure rules in the Council's constitution.

Due to the pandemic, 2020-21 was a unique year for the Council. Officers acknowledged and have clearly reported to members that significantly greater financial challenges will be faced over the medium term. Officers are also conscious that the ongoing trajectory and the long-term impact of the pandemic is a significant unknown in accurately forecasting the Council's finances.

Despite the challenges, the Council set balanced budgets for 2021/22 and 2022/23. The process involves publishing the Council's budget proposals and its arrangements for consultation. The Corporate Scrutiny Committee are consulted as part of this process for recommendation and final approval by the Full Council.

The Council uses the prudential indicator as a summary of its capital expenditure plans, which forms part of the budget cycle. Any changes to the forecast and any new growth bids are separately identified in future Budget Reports and reflected in this indicator and reported to full Council as set out in the treasury management policy and strategy. The budget was constructed based on the maintenance of existing service provision which reflects the Council's priorities and objectives on promoting prosperity and improving community wellbeing.

We were satisfied that the budget setting process has been adequate for 2020/21 and 2021/22 and that this was reflected in the financial positions reported in line with plan for both years.

### Monitoring and Ensuring Appropriate Standards

For 2020/21 the Council reviewed the effectiveness of its system of internal control and to prepared an Annual Governance Statement (AGS). 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. The AGS has been prepared using information from the sources of assurances from Heads of services and Leadership team, three statutory officers, the risk management reports, the annual internal audit report/opinion and external assurance reports.

All significant issues identified in the Annual Governance Statement are been monitored through reports presented to the Audit and Governance Committee. 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. Members interests are governed by the governance framework and all agendas at every council meetings requires a declaration of interest of members in contract and other matters and restriction on voting by members.

We note that 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.

The Cabinet and its supporting Committees is responsible monitor the effectiveness of the governance framework through the consideration of regular performance and financial management reports and reviewing issues of strategic and corporate importance. The s151 Officer has overall responsibility for the financial management of the Council and the Monitoring Officer has overall responsibility for reporting on matters that is believed to be, 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.

### Conclusion

**Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified some improvement recommendations.**



# Improvement recommendations

## Governance

<b>2 Recommendation</b>	Internal audit recommendations should be implemented promptly.
<b>Why/impact</b>	Internal audit forms part of the Council's risk management framework. Internal audit recommendations not followed up may impact on the ability of the council to achieve its corporate objectives. Internal audit recommendations should be implemented timely and internal audit appropriately resourced to ensure timely follow up on implementation of audit recommendations.
<b>Summary findings</b>	The Council is behind in implementing internal audit recommendations. Our review of internal audit report Internal audit report dated July 2021 highlights that only 10 or 40% of the total internal audit recommendations followed up had been implemented. 9 or 36% of recommendations were in progress while 6 or 24% of the recommendations had not been implemented at all. 5 of the recommendations yet to be implemented had been followed up previously.
<b>Management comment</b>	The internal audit team currently undertakes additional follow-ups to chase up recommendations not implemented. In addition, once the new audit software is in place, the Chief Internal Auditor will report to Leadership Team twice a year on outstanding recommendations to encourage implementation of them.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



## Governance

3 <b>Recommendation</b>	The Council may wish to action the one area of significant non-compliance with standards raised by the Public Sector Internal Audit Standards PSIAS in relation to PSIAS 1110 <i>Organisational Independence</i> of the internal audit. 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.
<b>Why/impact</b>	Greater independence of the internal audit service will further strengthen the control environment at the Council.
<b>Summary findings</b>	The Council's internal audit team currently reports into the Head of Governance and Corporate Services.
<b>Management comment</b>	The Head of Governance & Corporate Services will seek input from the Chairs of both Councils Audit Committee before undertaking the performance development review of the Chief Internal Auditor.



The range of recommendations that external auditors can make is explained in Appendix B.



# Improvement recommendations

## Governance

4 <b>Recommendation</b>	The Council may wish to ensure a adequate follow-up on the NFI datasets released by the Cabinet Office NFI team and report to the appropriate committee of the Council on the work undertaken and outcomes on work undertaken.
<b>Why/impact</b>	Without monitoring the work undertaken on the datasets flagged as suspicious for further review by the Cabinet Office NFI team, likelihood of the Council's officers carrying out reviews is highly unlikely especially when these officers already have other competing and important day jobs to fulfil.
<b>Summary findings</b>	The council participates in the National Fraud Initiatives NFI data matching exercise carried out centrally by the Cabinet Office and aims to identify potential fraud cases by matching various datasets from the council's transactions against other similar information nationally. However, there is no evidence that the datasets released to the Council is followed up adequately as the Council does not have a dedicated counter fraud officer and relies on the various departments to review the datasets without any formal reporting or monitoring of the review.
<b>Management comment</b>	The Chief Internal Auditor has oversight of the NFI work and will report to Leadership Team and the Audit Committees on the findings from this work.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improving economy, efficiency and effectiveness



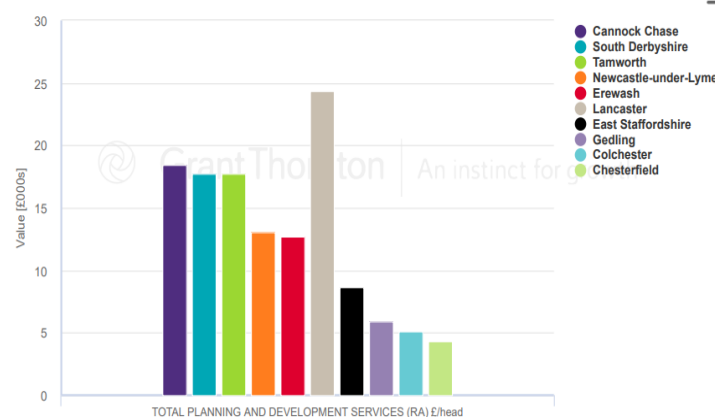
## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Reviewing the cost efficiency of services

The Council works collaboratively with many other local authorities across the region. However, there is currently limited formal benchmarking of the costs of various services across the region to help identify opportunities for further efficiency.

Using publicly available data based on 2020/21 we found that generally, the Council compares favourably to other councils in terms of service unit cost, however there may be areas where cost efficiency could be considered – for example, the chart below shows the total planning and development services cost per capita is relatively high when compared to similar organisations and provides an example of how greater use of benchmarking might be used to help the Council to investigate and understand areas of potential improvement.



## Procurement

Procurement is undertaken on behalf of the Council by Staffordshire Borough Council. Payment processing is managed locally by the Shared Services Finance team. We note the Council has implemented a no-Purchase order no-Payment process – this means that only invoices with valid PO numbers are processed for payment. However, in the absence of regular monitoring, there is a risk that some invoices are received without a valid PO and have a PO created retrospectively, which undermines the effectiveness of the control. The issue has been raised as an improvement recommendation.

## Finance and ICT Systems Implementation

We note that the Council is in the final stages of migrating to a new Finance and ICT system. There have been significant difficulties in implementing the transition and completion has been significantly delayed. This has been attributed to technical difficulties which have become harder to deal with as the implementation has taken place during COVID-19 conditions.

The issues with implementation have fallen primarily within the financial year 2021/22 and therefore we have not raised it as a significant issue in this report, which is primarily concerned with 2020/21. However, we do note the significant strain on internal management capacity during 2021/22, and particularly in finance, which has reduced capacity to deal with business-as-usual financial operations. This is compounded by reliance on a small number of individuals, whose knowledge and experience would be difficult to replace should these individuals not be available.

We will continue to monitor progress in completing the implementation, and in due course it is clear that a lessons learned review of the business case and the implementation plan would be a valuable opportunity to manage risks with future projects.

### Shared Services

Cannock Chase District Council and Stafford Borough Council have been sharing services since 2010 based on an initial business case and memorandum of understanding agreed by both Councils in 2009. The first phase primarily focussed on support services commencing with the Monitoring Officer role and subsequently Finance, Internal Audit, Risk and Resilience, Legal, Information Technology and Human Resources being shared. In addition, two front facing services, Building Control and Revenues and Benefits, were also shared. The first phase of shared services has been successful in:

- delivering a combined total of on-going savings in the order of £1m.
- creating a critical mass shared services has also allowed the delivery of further savings following the outsourcing of leisure services by both Councils and efficiency savings which allowed the services to be delivered in-house.
- All services went through a transformation process to align and re-engineer processes. An example is the improvements in performance for turnaround times in the Revenues and Benefits service and numerous policies, regulations and guidance notes have been aligned across the two Councils.
- Increasing resilience - this was particularly successful for Building Control and the operation of its trading account.
- Alignment of some ICT systems - this mainly relates to the IT infrastructure and those services that have been shared. This generated financial savings, efficiency savings and resilience (in terms of business continuity) for both Councils.

### The Future of the Shared Service

We note that the decision for the Chief Executive of Stafford Borough Council to cover this role on a shared service basis was made during 2021/22. Discussions were held by each Leadership Team, Cabinet and Group Leaders regarding the rationale and objectives, with each Council and its Cabinet retaining control over delivery of each Council's services, including the level of budgetary provision for services and policy due to the post of Managing Director becoming vacant on 28 February 2021.

The Council agreed to the secondment of Stafford Borough Council's Chief Executive, Tim Clegg, to Cannock Chase Council to provide services as Joint Chief Executive and Head of Paid Service from 1 June 2021, for a period of 14 months, an interim report will be prepared after 8 months in relation to the potential for a wider shared service between Stafford and Cannock Chase Councils.

The full costs in relation to the Joint Chief Executive post and the Independent adviser who will support the development of the second stage of the business case will be split on a 50/50 basis as set out in the report to Council.

It has been recognised that to provide the resilience required and to increase the strategic capacity of both organisations, it would be desirable to restructure and bring both Leadership Teams together into one senior team that would support both organisations. This will be considered further as part of the second stage of the business case. A Shared Services Board has been proposed to oversee the preparation of the Business Case outline will have a non-decision-making arrangement.

The vision for a wider sharing of services is:

- each Council should retain its distinct and local identity, including decision making powers, service priorities, direction and accountability
- to deliver improved outcomes for local people at the same or reduced cost than could be achieved if services continued to operate separately
- One Team supporting two Councils
- Transformation of services and processes through process reengineering, smarter working and the use of improved technology

The current arrangements are based on a hybrid model. Cannock Chase District Council leads the Building control, Finance and Revenue and Benefits and Audit, insurance and Risk, Civil contingencies and Procurement, while Stafford Borough Council takes the lead on Human Resources, Legal Services and Technology and Reprographics. Cannock Chase Council does however manage its own housing stock and in accordance with legislation its Housing Revenue Account is a ring-fenced service and hence is outside the scope of sharing. Other potential functions that require further deliberation include the local planning function and elections.

### Conclusion

**Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. For 2020-21, we have not raised the issues with Finance IT migration as a significant issue as this relates to the 2021-22 financial year. However, we have raised some improvement recommendations aimed at ensuring the Council resolves this issue which we will revisit in our 2021-22 VFM review.**

# Improvement recommendations



## Improving economy, efficiency and effectiveness

5 <b>Recommendation</b>	The Council should monitor the use of retrospective purchase orders (POs). Retrospective POs are raised on receipt of invoices and may not have benefitted from appropriate input from the Strategic Procurement team.
<b>Why/impact</b>	Monitoring of retrospective POs will enable the Council obtain value for money from procurement activities as well as ensuring value for the services outsourced to the County council.
<b>Summary findings</b>	<p>Procurement services of the Council is led by Staffordshire County Council, but payment of invoices is carried out at the Council's shared business service on a 'no PO no Pay' basis which implies only invoices with valid POs are processed for payment while the system rejects invoices without valid POs. The aim of Procurement team's involvement in procurement activities is to drive value for money by ensuring Cannock Council obtains economy in its procurement activities. An effectively designed procurement process is one whereby procurement team inputs into the purchasing cycle at the point of sourcing a supplier and the process should culminate into the creation of and approval of a PO.</p> <p>Interview with officers within Finance department highlighted that in practice, in the absence of regular monitoring, there is a risk that some invoices are received without a valid PO and have a PO created retrospectively, which undermines the effectiveness of the control.</p>
<b>Management comment</b>	The Finance Team will aim to run a report to identify those POs that are raised after the invoice has been received. The Internal Audit Team will use this and do their own checks to assess the situation and to advise whether controls over the setting up of new suppliers could be improved.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>6 Recommendation</b>	The Council should review the capacity of the Finance team with a view to ensuring resilience and removing risks which could arise from unplanned absences of individuals whom the Council rely on for financial information.
<b>Why/impact</b>	Quality of good financial information include timeliness, understandability and usefulness. Financial information must be provided to decision makers on time to enable them make informed decisions. When information are neither provided or provided too late, it may be difficult for TCWG to discharge their duties effectively.
<b>Summary findings</b>	The Council collaborates with Stafford Borough Council on a number of areas including finance, governance and legal. During 2021-22, the Council was unable to present a number of reports to Those Charged with Governance including cabinet and council. Some of the reports not presented include quarterly revenue monitoring report and outturn report.
<b>Management comment</b>	A review will be undertaken, although it is considered the delay in reporting was impacted more by system changes than capacity of the finance team.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>7 Recommendation</b>	The Council should as a matter of priority undertake an independent review of the issues that led to difficulties with the implementation of the new finance ledger which resulted in the inability of the Council to produce some time-critical business management information for decision makers as well as statutory reports of the council. One of the focus of the review should be aimed at learning lessons that could be used to improve on the council's project and contract management procedures.
<b>Why/impact</b>	The reputation of the Council and its ability to deliver efficient finance processes could be impacted, and the Council may be more susceptible to fraud risk, increased likelihood of errors from inability to review control accounts.
<b>Summary findings</b>	<p>The Council changed finance systems from TotalFinance to Civi.ca with a go-live date of 1 April 2021 for the new system. The key drivers for the change were:</p> <ol style="list-style-type: none"> <li>I. TotalFinance initially informing the Council of their intention to withdraw from the market (although they have since reneged on this plan), and</li> <li>II. Additional system capabilities was required for example in order to comply with the government's Making Tax Digital MTD initiatives.</li> </ol> <p>Interview with the Chief Accountant confirms that whereas transaction processing activities such as invoice processing has gone live on the new system, the council is yet to fully go live on reporting eighteen months post go-live date. This issue has impacted on the ability of the finance team to prepare routine finance reports.</p>
<b>Management comment</b>	The Council has produced quarterly reports from 2022/23 quarter 1. A lessons learnt review of system implementation will be done in due course, although it is felt that priority needs to be given in the first instance in providing key budget and financial management information.



The range of recommendations that external auditors can make is explained in Appendix B.

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

The impact of Covid-19 is likely to be long-lasting and difficult to predict, although separate provision exists within the MTFP the potential impact of COVID 19 for 2021-22 to 2023-24. The Council is likely to face both cost pressures and loss of income from sales fees and charges, business rates and Council Tax. The Council has summarised the potential net impact of COVID-19, please see table below:

Impact of COVID19				
	2020-21	2021-22	2022-23	2023-24
	£'000	£'000	£'000	£'000
Cost Pressures	863	1117	559	279
Loss of Income	1,056	330	164	83
Total	1,919	1,447	723	362

Cost pressures mainly relate to the potential increase in the Management Fee to Inspiring Healthy Lifestyles (IHL) reflecting the impact on their income. The aftermath of the pandemic is likely to have impacts on the leisure industry post 2021-22 and hence it is likely that the terms and conditions of the previously agreed (in principle) extension of the contract by 10 years from February 2022 will need to be reviewed.

Covid-19 had an impact on the Council's priorities for 2020-21 and some of the projects planned were paused to divert resources to support the response to the pandemic. The Council is addressing the impact of Covid 19 pandemic by monitoring the financial impact of COVID-19, implementing an Interim Financial strategy, refreshing the Medium-Term Financial Plan, determining of financial recovery strategy and reviewing changes to be made.

A separate COVID 19 contingency estimate was provided for each of the three years with estimates based upon best, worst case and a middle ground scenarios with several main income streams, pre covid, subjected to demand, in particular parking, bereavement services and planning. The Council has limited means to address issues of demand. However, income is an area that receives budget monitoring attention with new or diverse forms of income being explored.

The major impact for 2020-21 on the Council was delivery of the Covid 19 grants from the Government to businesses and these were administered by the Council in line with the guidance received from Central Government.

The Council received £22.671m towards the Small Business Grant Fund (SBGF) and Retail, Leisure and Hospitality Grant Fund (RLHGF) and paid out sums of £0.10 million or £0.025 million for each eligible business with eligibility criteria specified by Government, the Council acted as an agent in administering these grants on the 1 April 2020. The Discretionary Grant Fund of £1.193m was introduced, and the eligibility was determined by the Council and therefore acted as a principal for this source of funding. The final grants paid to businesses in relation to SBGF and RLHGF in October 2020 was in total of £21.350m of which £2.514 million was returned to Central Government.

The Council received £11.163m towards the Local Restrictions Support Grant (LRSRG) to cover the period from August 2020 to 31 March 2021. The non-discretionary element was £11.070m and the discretionary stood at £0.093m. All except one tranche of grant funding (the Christmas Support Payments for Wet Led Pubs) remained open for final payments beyond 31 March 2021. The total amount spent was £7.803m and £3.360 remained unspent. Once all rounds of LRSRG are finally closed there will be a reconciliation and remaining funds will be repaid to Central Government.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 4 May 2022

### Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 25 April 2022.

### Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work found no reporting issues.

## Preparation of the accounts

The Council provided draft accounts later than the national deadlines given their focus was on the implementation of the new financial ledger, however, they worked well with the auditors to complete the financial statements audit.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.





# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

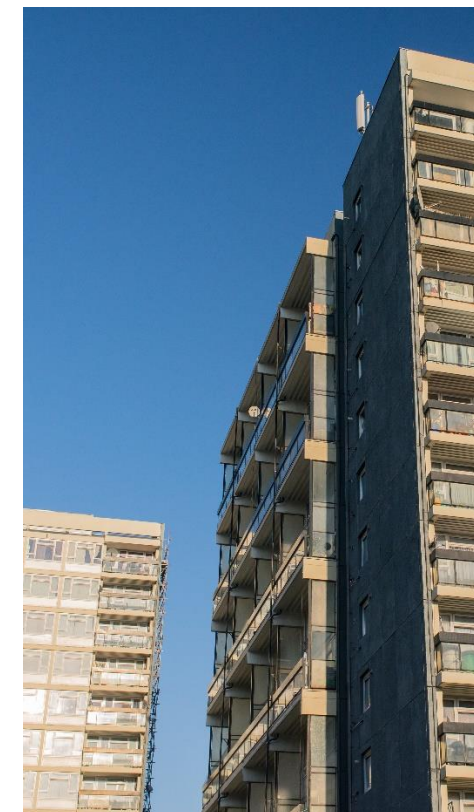
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	FS – 7 Gov – 11, 12 & 13 3E's - 16, 17 & 18

