

## **Audit and Standards Committee - Tuesday 25 March 2025**

### **Annual Report of the Audit & Standards Committee 2024/25**

#### **Recommendation(s)**

I recommend that:

- a. Members consider and comment on the contents of the annual report for 2024/25 before forwarding onto Full Council with a recommendation to consider and approve this report.

#### **Local Member Interest**

N/A

### **Joint Report of the Deputy Chief Executive & Director for Corporate Services and Director of Finance**

#### **Report**

##### **Background**

1. A key part of the Audit & Standards Committee's role is to report to Full Council on the Committee's findings, conclusions, and recommendations; on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements. In addition, the Audit & Standards Committee should report to Council where they have added value, improved, or promoted the control environment and performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions. This report is produced annually to fulfil the above requirement.
2. Governance in and of the public sector remains high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. The Code of Corporate Governance is reviewed annually in line with the best practice issued by CIPFA and SOLACE; together with an Annual Governance Statement, again produced in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk

of failure to achieve the Council's strategic objectives and providing good service to Staffordshire residents.

3. Staffordshire County Council has an Audit & Standards Committee, originally established in 2005, with the key objectives to maintain and improve governance procedures. The Committee is a key component of the Council's corporate governance framework and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on both internal and external audit functions and financial and non-financial performance.
4. The benefits to the Council of operating an effective Audit & Standards Committee are:
  - Maintaining public confidence in the objectivity and fairness of financial and other reporting.
  - Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing and approving the Annual Statement of Accounts and the Annual Governance Statement.
  - Providing a sharp focus on the results of the work of the internal audit service where limited assurance reports are issued, and control weakness have been identified through special investigations and potential fraud instances.
  - Assisting the co-ordination of sources of assurance across the control framework i.e. information governance and health & safety management.
  - Raising awareness within the Council of the need for governance, internal control, and the implementation of audit recommendations.
  - Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
5. During 2024/25 the Committee has developed a professional and arm's length relationship with KPMG, the Council's new external auditors, who attend all meetings of the Committee to offer their advice where needed. The previous external auditors EY, continued to attend the committee meetings during 2024/25 to report progress on the completion of the outstanding audits of the Statement of Accounts for both the 2021/22 and 2022/23 financial years.
6. The Committee undertakes a substantial range of activities and

works closely with both internal and external auditors and the Deputy Chief Executive & Director for Corporate Services and the Director of Finance (s151 Officer) in achieving the Council's aims and objectives. A detailed annual forward plan is produced and reported to each meeting of the Committee to ensure that key tasks are considered and completed to meet required timescales.

7. During 2024/25 the Audit & Standards Committee met six times and in line regulatory requirements and best practice outline within the CIPFA publication – Audit Committees: practical guidance for local authorities and police. Agendas have been set to ensure that the areas outlined in the Committees terms of reference are covered, together with any additional items requested by Members. The Accounts and Audit (Amendment) Regulations 2022 extended the dates for certain public and local bodies to publish and make available for inspection their annual accounts and supporting documents. These regulations apply only in relation to the annual accounts relating to the 2020/21 and 2021/22 financial years.

## Internal Audit

8. The Audit & Standards Committee approved the Internal Audit Plan and Strategy at its April 2024 meeting and a progress update report against the approved Internal Audit Plan was also presented to the Committee in November 2024. Scrutiny of the proposed plan provides Members with the opportunity to challenge and influence the areas scheduled for review by Internal Audit to ensure audit resources are deployed to the areas of greatest risk. The top risk areas for 2024/25 were identified as:

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| <ol style="list-style-type: none"><li>1. <b><u>New Care System</u></b> – Initialisation, Procurement &amp; Project Support</li><li>2. <b><u>Highways Transformation Programme</u></b> including Asset Management &amp; Inspection Services.</li><li>3. <b><u>SEND</u></b> including Enhanced Access-Plan-Do-Review (EAPDR); SEND Transport; SEND Governance &amp; SEND Ofsted Framework</li><li>4. <b><u>Cyber Assurance</u></b> – Cyber Security &amp; Assurance; Third Party Access; Server Configuration Management &amp; Privileged Access Management.</li><li>5. <b><u>Digital Strategy &amp; Transformation</u></b> including the Artificial Intelligence and the Digital Programme Board</li><li>6. <b><u>Delivering Good Governance:</u></b> Culture, Values &amp; Behaviours Governance Review.</li></ol> | <ol style="list-style-type: none"><li>7. <b><u>Corporate File Plan</u></b> – Attendance at Project Board and Compliance with Policies.</li><li>8. <b><u>Corporate Improvements-</u></b> Quality Performance &amp; Improvement Board (QPIB) and Programme.</li><li>9. <b><u>Children's &amp; Families New Operating Model and &amp; Response to Children's Services Ofsted Inspection</u></b> including the Delivery Model; Staffordshire Children's Advice &amp; Support Service (Front Door); Quality Assurance Framework; and Management &amp; Oversight of Case Files.</li><li>10. <b><u>Commercial Services (Procurement)</u></b> – Compliance with the Procurement Act 2023.</li></ol> |
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9. As part of the Internal Audit Outturn Report for 2023/24, presented to the Committee in July 2024 an "Adequate Assurance" opinion was given on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework, i.e., the control environment. The audit methodology for determining the overall opinion rating was outlined. There are five categories of audit work namely, high risk reviews, key financial systems, compliance reviews and special investigations including counter fraud related work. Each category either passes or fails and collectively feed into the opinion awarded. Key points raised to note, include the findings arising from the compliance reviews within maintained Schools, where a large proportion received Limited Assurance due to weaknesses within their financial administration, governance and procurement arrangements. These were similar to previous years and proactive steps were being taken during 224/25 to support Schools in these areas by the Internal Audit team.
10. The Key Performance Indicators for the Internal Audit Service were provided noting that the service had exceeded its key KPI of 90% of all audits completed in year had been completed to draft report stage during 2023/24.
11. The Internal Audit Charter is reviewed and approved annually by the Committee, with it last approved at the February 2024 meeting. A detailed review has also been undertaken and will be presented to the 25 March 2025 meeting to ensure that it remains current following the publication of the Global Internal Audit Standards in the UK Public Sector. These become operational wef 1<sup>st</sup> April 2025 and moving forward compliance against these standards will form the basis of future External Quality Assessments (EQA).
12. Included within the Audit Charter are the reporting guidelines which determine those audit reports that are considered in full, by the Committee. During 2024 these were extended to include both the Chief Executive and the Leader. Given that on average approximately 100 + reviews are performed annually, those reports that contain a limited assurance opinion, classed as a top high-risk review or the result of a special investigation are reported in full. Operational Management attended to provide details of how the agreed recommendations contained in the reports had been implemented since finalisation. During 2024/25 the Committee considered the following final audit reports:
  - Children & Families – Childview System
  - Children & Families – EHCP Hub System and Security Review
  - Community Managed Libraries

- Cyber Assurance – Virtual Private Networks
- SEND Transport
- Property Services – Planned & Reactive Maintenance
- Final Review of Internal Audit Recommendations relating to Nexus
- Schools Capital Schemes
- Settlement Agreements

13. A number of risk areas were identified, and Members requested further progress updates to the Committee in year to ensure that the actions identified had been fully implemented as agreed. The scheduling of these were incorporated into the Forward Plan. These progress updates are also supplemented with the periodic reporting on the implementation of past audit recommendations, the last update given to Members of the Committee in November 2024.

- Infrastructure+ Asset Data Management – Progress report on implementation of internal audit recommendations. (Third update Feb 2025)
- A further update report regarding current SEND arrangements to ensure that the actions in the March 2024 report to Committee had been implemented/addressed.
- SEND Transport – scheduled for March 2025

14. The most recent five yearly External Quality Assessment to evaluate compliance of the service with the Public Sector Internal Audit Standards (PSIAS) was conducted in 2023 and found that the Internal Audit Service 'Generally Conforms' (highest rating available) to the standards with no recommendations for improvement. During 2023/24 the Chief Internal Auditor undertook a number of quality reviews to ensure that the standard of internal audit work and conformance to PISAS continued. This was included as part of the Internal Audit Outturn Report reviewed by the Audit & Standards Committee at their meeting in July 2024.

### **Counter Fraud Work.**

15. The Audit & Standards Committee has received during the year various reports and updates in relation to the Council's local response to fraud. The Counter Fraud Plan was approved annually by the Committee at the 23 April 2024 meeting, which formally sets out the Council's counter fraud activities to be conducted in-year. Progress against this plan was also provided to the Committee at its November 2024 meeting.

16. An update on the latest National Fraud Initiative 2024 data-matching exercise was also given to Members of the Committee on 24th September 2024. A full and comprehensive report on all the Council's counter fraud activities for the year is included in the Internal Audit Outturn Report which is presented at the July meeting each year.

## **Governance and Risk Management**

17. The annual review of the Code of Corporate Governance was undertaken in July 2024. This is a key document in the governance framework and depicts how the Council operates and manages its governance processes. The basis of this document is the CIPFA/Solace document 'Delivering Good Governance in Local Government Framework 2016'.
18. At the 24 September 2024 meeting the Committee received a report regarding the review of the Constitution and received a request for the formation of a member led working group to support the process and ensure Members' views and suggestions were captured. It was agreed that Cllrs Hewitt, Trowbridge, Silvester-Hall, Hutton and Worthington be appointed. The Committee received a detailed report from the County Solicitor on the proposed changes to the Constitution at its meeting on 25 February 2025. It was noted that the Constitution remained fit for purpose and the changes presented would be submitted to Full Council on 13 March 2025 for approval.
19. The Draft Annual Governance Statement (AGS) for 2023/24 was approved by the Committee at the 25 February 2025 meeting. This was in conjunction with the Statement of Accounts for the 2023/24 Financial Statements. The reasons for the delay related to the arrangements in place to deal with the clearance of the outstanding Financial Statements relating to the prior periods 2021/22 and 2022/23.
20. The main governance issues raised in the AGS related to the changes required as a result of the Ofsted Inspection of Childrens Services and the judgement of 'requires improvement to be good', the constant presence of cyber security risks and the need to prepare for the potential request for decision making documentation to be submitted to the UK Covid-19 Inquiry. Also, other key actions taken forward into 2024/25 included the importance of remaining vigilant over supply chain failure for key services; to continue to review and evaluate the governance arrangements in place for Local Authority Trading Companies (LATCOs), the need to prepare the necessary arrangements to provide assurance for the Care Quality Commission



(CQC) Local Authority assessment framework inspection anticipated to occur in 2024/25, as well as the need to review cyber security governance arrangements operating within third party suppliers of Council systems/services to ensure they are sufficiently robust.

21. The Council's Statement of Accounts (SoA) for 2023/24 have been published on the Staffordshire Website in accordance with the timescales required by the Accounts and Audit (Amendment) Regulations 2022. Thereby facilitating public scrutiny of the Council's financial position. However, due to the delays and backlogs within the external audit regime the audit was completed by 28 February 2025, with a disclaimed opinion being awarded. Matters relating to the external audit process and the associated delays have been discussed with Members throughout 2024/25 and are expanded upon in section 30. – External Audit.
22. The Annual Code of Conduct for Members report on the Management of Complaints was presented to the 9 July 2024 meeting. The report referred to fifteen complaints/alleged breaches of the Code of Conduct for Members, during the period June 2023 and May 2024. It was confirmed that of the fifteen complaints received only one had been found to breach the code of conduct, with further action being taken to satisfactorily deal with the matter.
23. Members commented on the use of social media and its prevalence in complaints received and queried if there was any additional action that could be taken. Work was ongoing with Members to help with the use of social media and safety more broadly. Workshops were underway to explain the various offers from across the organisation and a bespoke offer was available to members for a one-to-one session with the Social Media Manager at the Council.
24. A report was presented to the Committee to note the appointment by Full Council of the following Members – Cllrs P Haden, G Hutton, C Trowbridge, B Williams and M Worthington to serve as the Standards Panel for 2024/25.
25. Also, the Annual Report on Information Governance was presented at the 24 September 2024 Committee meeting. The report considered the County Council's compliance with legislation on Information Governance, particularly in relation to access to data and information, and the use of investigatory powers. The report covered Subject Access Requests (SARs), security incidents, data sharing, Freedom of Information (FOI), other statutory request, the data security and protection toolkit, cyber security, accreditation and policy review. The report looked further into training and awareness

and surveillance under the Regulation of Investigatory Powers Act (RIPA).

26. Members also received the Health, Safety and Wellbeing Performance 2023/24 Annual Report at the 29 November 2024 Committee meeting. The report provided an overview of the health, safety and wellbeing performance of the Council during this period, along with key achievements and significant findings. Overall, the report indicated that health and safety performance was maintained and continued to be well managed. Significant investment had been made into new projects to enhance health and safety standards and to improve the WellMe offer.
27. The Civil Contingencies Governance Annual report for 2023/24 was presented to the 29 November 2024 meeting of the committee. The report provided Members with a comprehensive understanding of the challenges encountered over the past year, highlighting the significant roles played by the Staffordshire Resilience Forum (SRF) and the Staffordshire County Council Emergency Planning and Resilience Strategic Group (EPRSG) in emergency preparedness planning and incident response. Reference was made to the time spent on updating policies and strategies post-Covid for everything encompassing civil contingencies.
28. The Emergency Planning Policy was reviewed to ensure it contained a cycle of review for those policies sitting underneath it and strengthening the accountability for the delivery of each policy. Additional work had taken place in Business Continuity, undertaking a comprehensive review and enhancement of the framework, introducing the Business Impact Assessment to ensure all risks are appropriately mitigated and documented. Additionally, a toolkit had been developed to assist commissioners in addressing supply chain risks, cyber attack and other potential threats. These would be disseminated across the organisation in summer 2025, with a 12-month transition period for all teams to adopt the new format.

### **Effectiveness of the Audit & Standards Committee**

29. Following on from the work undertaken by Members in 2023/24 to assess the work and effectiveness of the Committee using the updated 2022 Audit Committee guidance from CIPFA, Members decided to explore the appointment of Independent Individuals to assist the Committee with their duties as outlined in the



revised terms of reference approved in September 2023. During October 2024, an appointment process was conducted by a panel of Members, Cllrs Trowbridge, Hewitt, Cox and Sweeney. Two individuals Francis Chiwariro and David Webster were subsequently appointed and have commenced in their roles during 2024/25.

## **External Audit**

30. The Committee received a report at its meeting on 24 September 2024 from the Director of Finance regarding addressing the audit backlog and backstop dates. On the 30<sup>th</sup> July, the Minister for Housing, Communities and Local Government wrote to local authorities setting out the action being taken to address the backlog. The implications for Staffordshire County Council were that the unaudited years of 2021/22 and 2022/23 now had a backstop date of 13 December 2024 for completion. The current year of 2023/24 had a completion backstop date of 28 February 2025. An amendment to the scheduled Committee meeting dates was undertaken to ensure that the 13 December backstop date was met.
31. At the 29 November meeting, the Committee received a report from the External Auditor, EY on those charged with Governance (ISA 260) for the years ended 31<sup>st</sup> March 2022 and 31 March 2023 containing disclaimed opinions for both financial years. These were the last reports provided by the outgoing External Auditors. It was clarified that the disclaimed opinions related only to the audit reports for Staffordshire County Council and not to the Staffordshire Pension Fund as the final audit reports provided unqualified opinions. Members sought clarity on what the disclaimed opinion meant for the Council, which would impact future auditing years and how External Auditors would rebuild assurance, particularly in relation to opening balances on reserves. The term 'disclaimed opinion' would therefore feature in external audit reports for the next two years with a view that the 2025/26 reporting cycle would be back to normal. It is anticipated that the future sign off date for the annual Statement of Accounts will be 30<sup>th</sup> November.
32. Following the Public Sector Auditor Appointment process conducted by PSAA during 2022/23 – KPMG were appointed as the Councils External Auditor for a period of five years with effect from the 2023/24 - Statement of Accounts. The Committee received the external audit 2023/24 audit plan from Richard Lee, Director from

KPMG at the 23 April 2024 meeting. Members queried arrangements in place for the smooth transition between external auditors, KPMG stated that the audit plan would strive to cover this point as part of the PSAA transition arrangements. The Committee noted that disclaimed/modified opinions for the next three audit years would be likely, due to not receiving the relevant assurances from the previous external auditors (EY) (relating to 2021/22 & 2022/23) and subsequent impact from the backstop, however timely reporting and sign off of the accounts would need to be in place.

33. At the 25 February 2025 meeting the Committee received a report from the External Auditor, KPMG, on the 2023/24 value for money risk assessment for Staffordshire County Council. The report looked at the arrangements in place across the Council for the reporting period and covered three key areas: Financial sustainability, governance and improving economy, efficiency and effectiveness. Across the three areas, no significant risk had been identified for financial sustainability and governance. A risk of significant weakness had been identified in relation to the improving economy, efficiency and effectiveness area. This risk was in relation to the Ofsted report relating to Children's Services and the 'requires improvement to be good' judgement. This has been identified to be a risk of significant weakness by KPMG, specifically in how the Council used information about its costs and performance to improve the way it managed and delivered its services. In response, the external auditor undertook additional work in considering the Council's response to the findings and impact on arrangements, a review of the approach to developing the Improvement Plan and a review of meeting minutes to establish what actions management had taken since.
34. In addition, at the 25 February 2025 meeting, the Committee also received the ISA 260 report from KPMG for the year ended 31 March 2024. Members were reminded that this report was produced in line with the backstop date arrangements for the local government audit backlog and that a disclaimer audit opinion would be provided. The ISA 260 report highlighted the areas of work completed within 2023/24 and those pieces of work that could not be with the challenges faced with progressing the work highlighted.
35. Significant delays and quality of audit evidence were brought to the attention of the Committee, including the amount of time needed to produce transactions listings, as management relied on the third-party host of the finance system to provide the download. The process of account mapping, extraction and reconciliation took considerably longer than expected due to complexities. The report also highlighted risks relating to the valuation of land and buildings,

post-retirement benefit obligations and the management override of controls.

### **Equalities Implications**

36. There are no direct implications arising from this report.

### **Legal Implications**

37. Whilst there are no direct legal implications arising from this report, the Accounts and Audit Regulations 2015 require specifically that a relevant body must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. The Accounts and Audit (Amendment) Regulations 2024 (SI 2024/907) which came into force on 30 September 2024 introduced backstop dates by which audit opinions are required.

### **Resource and Value for Money Implications**

38. The net budget of the Internal Audit Section in 2024/25 is £1,178,880.

### **Risk Implications**

39. Internal Audit examines objectively, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient, and effective use of resources.

### **Climate Change Implications**

40. There are no direct implications arising from this report.

### **List of Background Documents/Appendices**

- 2024/25 Audit & Standards Committee Agenda Papers and Minutes.

### **Contact Details**

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