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Date of meeting	**Wednesday, 19th April, 2017**
Time	**7.00 pm**
Venue	**Training Room 1 - Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG**
Contact	Geoff Durham
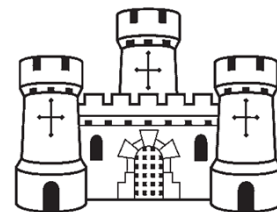
Civic Offices
Merrial Street
Newcastle-under-Lyme
Staffordshire
ST5 2AG

Audit and Risk Committee

AGENDA

PART 1 – OPEN AGENDA

1   APOLOGIES

2   DECLARATIONS OF INTEREST

To receive Declarations of Interest from Members on items included in the agenda

3   MINUTES OF PREVIOUS MEETINGS   **(Pages 3 - 6)**

To consider the minutes of the previous meeting(s).

4   RISK MANAGEMENT STRATEGY   **(Pages 7 - 54)**

5   CERTIFICATION WORK 2015/16   **(Pages 55 - 58)**

6   AUDIT PLAN 2016/17   **(Pages 59 - 80)**

7   CODE OF CORPORATE GOVERNANCE   **(Pages 81 - 96)**

8   COUNTER FRAUD ARRANGEMENTS   **(Pages 97 - 100)**

**9   EXTERNAL QUALITY ASSESSMENT OF NEWCASTLE   (Pages 101 - 118)
         BOROUGH COUNCIL'S INTERNAL AUDIT SERVICE**

10   URGENT BUSINESS

To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors Dymond (Vice-Chair), Pickup (Chair), Waring, Cooper, Stubbs, White and Snell

Co-operative Councils
Innovation Network

Working to be a co-operative council

FIELD_TITLE

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

AUDIT AND RISK COMMITTEE

Monday, 13th February, 2017
Time of Commencement: 7.00 pm

Present:-   Councillor Ms Sarah Pickup – in the Chair

Councillors   Dymond and Waring

Officers   Executive Director (Resources and Support Services) - Kelvin Turner, Geoff Durham and Annette Vacquier

1. **APOLOGIES**

Apologies were received from Councillors Cooper, Snell and White and Mr R Butters – Keele University

2. **MINUTES OF PREVIOUS MEETINGS**

Resolved: That the minutes of the meeting held on 14 November, 2016 be agreed as a correct record.

3. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

4. **CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD OCTOBER - DECEMBER, 2016 (QUARTER 3)**

Consideration was given to a report informing Members of the progress made by the Council in enhancing and embedding risk management for the period October to December, 2016.

Members' attention was drawn to paragraphs 2.1.1 and 2.1.2 of the agenda report regarding sixteen overdue risks.

No new risks had been identified and none of the current risks had increased in urgency.

Members were advised that the 'Financial consequences of adverse planning decisions' would remain on the list for a short while as there was an appeal currently ongoing and possibly others in the pipeline.

The Chair asked the Council's Executive director for Resources and Support Services if there was sufficient funds in the accounts should costs be awarded against the Council. Members were advised that this was not the case in this current financial year and that provision would have to be made in the 2017/18 financial year.

Resolved: That the information be received and the comments noted.

5.   **INTERNAL AUDIT PLAN 2017/18**

Consideration was given to a report informing Members of the proposed Internal Audit Plan for 2017/18 and to seek approval for its contents.

Members were advised that the Plan was a different format to that of previous years. Certain areas had been taken out which gave a more balanced and clearer plan.

Members were informed of the new audit management system, Pentana and that as it was developed, the Plan could be reported on a quarterly basis rather than up front every twelve months.

A query was raised as to when the local lottery would be commencing and Members were advised that subject to everything being satisfactory it should be launched around July – August 2017. In addition, in order for the lottery to 'break even', around 1000 to 1200 tickets would need to be sold each week.

Resolved: (i)   That the Internal Audit Plan for 2017/18 be approved.

(ii)   That the continuation of the reporting arrangements, as set out in the report, be agreed.

6.   **INTERNAL AUDIT CHARTER 2017/18**

Consideration was given to a report informing Members and seeking their approval of the Internal Audit Charter.

The document is reviewed and produced on an annual basis to ensure that the Council complies with Internal Audit Standards.

Members' attention was drawn to section 7 of the Charter regarding the Independence of Internal Audit. Members were advised that the Council's Audit Manager, Liz Dodd was now also responsible for the Elections Section and therefore any audit issues relating to elections would be reported to the Executive Director of Resources and Support Services, Kelvin Turner.

The Charter had been seen by the Council's Executive management Team and they were satisfied with its content.

Resolved: (i)   That the Internal Audit Charter for 2017/18 be approved
                (ii)   That the internal Audit Charter be reviewed and updated annually to ensure compliance with the Public Sector internal Audit Standards (PSIAS)

7.   **INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report updating members on the work undertaken by the Council's Audit Section during the first three quarters of 2016/17.

Members were advised that there had been some resource issues. However, agency staff had been brought in and everything was back on track to complete the revised Audit Plan by the end of the current financial year.

A query was raised regarding the recycling service and Members were advised that there would be an audit of the new recycling service next year.

Resolved: That the information be received.

8. **APPOINTMENT OF EXTERNAL AUDITOR**

Consideration was given to a report regarding the appointment of an external auditor and seeking this Committee's recommendations of the arrangements in making the appointment. This would take effect from the accounts for the financial year 2018/19.

Members were advised that this would be a 'full Council' decision which would be taken to the 22 February, 2017 meeting.

There were three options available which were outlines in paragraph 2.4 of the report. Members' attention was also drawn to paragraph 2.6.

Resolved: That Full Council be advised that the Audit Committee recommends that the Council opt into the national scheme for auditor appointments (Public Sector Audit Appointments).

9. **URGENT BUSINESS**

There was no Urgent Business.

COUNCILLOR MS SARAH PICKUP
Chair

Meeting concluded at 7.25 pm

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REPORT OF THE EXECUTIVE MANAGEMENT TEAM
TO THE AUDIT AND RISK COMMITTEE

19 April 2017

CORPORATE RISK MANAGEMENT REPORT

Submitted by: **Simon Sowerby – Business Improvement Manager**

Portfolio: **Policy, People and Partnerships**

Ward(s) affected: **All**

Purpose of the Report

To provide Members with the reviewed Risk Management Policy Statement and Strategy documents.

Recommendations

The Committee is asked to:-

(a) **Note the current Risk Management Policy and Strategy for the 2017/18 year, subject to changes listed in the documents, and note that the Chief Executive and Leader of the Council have agreed and signed the Risk Management Policy Statement.**

Reasons

The risk management process previously adopted by the council has been reviewed to incorporate changes in the way the council works and to provide continuity and streamlined reporting of risks to the necessary stages so that it becomes further embedded at each level of the authority. This will further develop the identification of key risks that potentially threaten the delivery of the corporate priorities. The new Risk Management Strategy will provide a formal and proportionate framework to manage these identified risks and thus reduce the council's exposure.

To assist the council in its corporate ambitions by helping deliver effective corporate governance, this proactive approach also helps demonstrate good risk management in terms of evidencing that effective risk management is further embedded within corporate business processes.

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1.   **Background**

1.1   The council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the council's software for recording and managing risk.

The council currently reviews its High Red 9 risks at least monthly and its Medium Amber risks at least quarterly.

Risk owners are challenged by the Risk Champions in respect of controls, further actions, ratings and emerging risks and challenge reasons for inclusion or non-inclusion and amendment of these.

Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy – monthly.

2. **Issues**

2.1 **Risk Management Policy and Strategy**

Appendix A is the reviewed and updated policy to be accepted and communicated to all officers and Members.

3. **Outcomes Linked to Corporate and Sustainable Community Priorities**

3.1 Good risk management is key to the overall delivery of Council and local improvement priorities.

4. **Legal and Statutory Implications**

4.1 The Accounts and Audit (England) Regulations 2015, state that:

*"The relevant body **is** responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control, which facilities the effective exercise of that body's functions and which includes arrangements for the management of risk"*

5. **Equality Impact Assessment**

5.1 There are no differential equality impact issues in relation to this report.
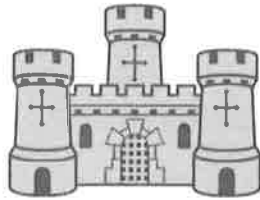
6. **Financial and Resource Implications**

6.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members.

7. **List of Appendices**

Appendix A

8. **Background Papers**

None

NEWCASTLE·UNDER·LYME BOROUGH COUNCIL

RISK MANAGEMENT POLICY STATEMENT 2017/2018

Date of Approval:	April 2017
Approved by:	Audit & Committee
Next Review due:	April 2018
Version:	8.0
Changes:	See below

Date of Approval:	April 2016
Approved by:	Audit & Risk Committee
Next Review due:	April 2017
Version	7.0
Changes:	See below

Date of Approval:	April 2015
Approved by:	Audit & Risk Committee
Next review due:	April 2016
Version	6.0
Changes:	See below

Date of Approval:	July 2014
Approved by:	Audit & Risk Committee
Next review due:	July 2015
Version	5.0
Changes:	See below

Date of Approval:	July 2013
Approved by:	Audit & Risk Committee
Next review due:	June 2014
Version:	4.0
Changes:	See below

Date of Approval:	July 2012

Approved by:	Audit & Risk Committee
Next review due:	June 2013
Version:	3.0
Changes:	See below

Date of Approval:	June 2011
Approved by:	Audit & Risk Committee
Next review due:	June 2012
Version:	2.1
Changes:	Compare with previous version 1.0 April 2010

Previous Date of Approval:	April 2010
Approved by:	Audit & Risk Committee
Next review due:	April 2011
Version:	1.0

Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee
Changes	08/06/2012	1. Page 1 – Title date changed to 2012/13
		2. Page 2 para 2.2 – changed transformation to change
		3. Page 3 para 3 – full stop inserted after third bullet point
		4. Page 4 para 6 – full stop inserted at end of list
Changes	12/06/2013	1. Page 1 – Title date changed to 2013/14
		2. Page 5 para 3d – amended corporate priority
		3. Page 7 para 7 – amended wording in 6th bullet point
Changes	30/06/2014	1. Page 1 – Title date changed to 2014/15
		2. Page 5 – Corporate priorities amended
		3. Page 7 – Leader of the Council details amended
Changes	25/03/2015	No changes made except dates
Changes	14/03/2016	No changes made except for dates
Changes	20/03/2017	1. Page 1 – Title date changed to 2017/18
		2. Page 5 – Para 3 (a) wording amended
		3. Page 6 – Para 3 (d) wording amended
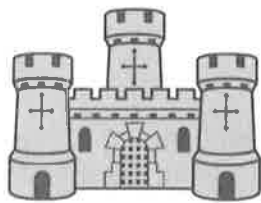
NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

RISK MANAGEMENT POLICY STATEMENT 2017/18

1.   **Purpose**

The purpose of this policy statement is to recognise and communicate the responsibility of Newcastle-under-Lyme Borough Council ('the council') in managing both external and internal risks through identified and endorsed best practice as described by the Association of Local Authority Risk Managers (ALARM), CIPFA and other relevant bodies connected to effective risk management. There is also an agreed responsibility on the council to identify, examine and cost effectively control risks to ensure they are eliminated or reduced to an acceptable level.

The overall policy, therefore, demonstrates the Council's ongoing commitment to maintain risk management as an important part of the daily operations of the council.

2.   **Commitment to Risk Management**

The Leader of the council, the council's Cabinet portfolio holders and the council's Executive Management Team (EMT) are committed, collectively, to:-

- Identifying and adopting best practice, where possible, in the identification, evaluation and cost effective control of risks;
- Ensuring risks are reduced to a level that sits within the council's appetite, and/or eliminated; and
- Maximising opportunities to achieve the council's corporate priorities and to deliver core service provisions at all times

2.1   It is acknowledged that some risks will always exist and will never be eliminated. These risks, therefore, will be tolerated or mitigated by the council and the council will ensure that they are reviewed and reported on a regular basis to ensure they do not worsen.

2.2   All employees must understand the nature of any risk and accept responsibility for those risks associated with their area of work. In doing so they will receive necessary support, assistance and commitment from senior management and elected Members.

2.3   The council's risk management objectives are an important part of good management and effective governance practices. These objectives need

the full and continuing support of elected Members and the active participation of Executive Directors and Heads of Service in ensuring that they are realised and actioned where possible.

Risk management is one of the principal elements of Corporate Governance and is a key contributor to ensuring a sound internal control environment at any organisation. Through the implementation and embedding of an effective risk management framework, the council will ensure that it is better placed to positively manage its levels of performance, achieve its corporate priorities and provide an enhanced level of service to its stakeholders, including the citizens of the Borough.

2.4 This strategy, therefore, sets out and demonstrates how the council is discharging its responsibility to manage risk effectively and also how it is maximising opportunities to do so by using a structured and focused approach to risk management.

2.5 The council will continue to develop and maintain a systematic framework and process for managing strategic, operational, project and partnership risks and will review this framework annually. This will include assessing risks for impact and likelihood, identifying and allocating responsibility for their mitigation and receiving assurances about ongoing management of these risks.

2.6 The key benefits of this framework and a strong risk culture throughout the organisation are:-

- A consistent focus on what needs to be done to achieve our objectives;
- The encouragement of enhanced partnership working to identify, manage and mitigate the risks facing the community as a whole;
- Delivering improvements in meeting the needs of the community, minimising complaints and achieving improvements in service delivery;
- Supporting the use of innovative approaches to improving outcomes and achieving better value in the use of public money;
- Better management and delivery of change programmes;
- Greater control of insurance costs, including reductions/limitations in insurance premium costs;
- Protection and enhancement of the reputation of the council; and
- To anticipate and respond proactively and reactively to the changing social, environmental, political, legislative, economic, technological context the council works within and also to deal with a whole range of competitive and citizen-based requirements.

2.7 Newcastle-under-Lyme Borough Council is committed to genuinely embedding risk management and all its elected Members, employees, service providers, partners and stakeholders are encouraged and expected to commit to developing the culture, ethos and practice of risk management in every activity they undertake. The overall risk

management approach for the organisation will therefore focus on pragmatic, meaningful assessment and treatment of risks and will discourage the capturing of generic, intangible corporate risks or non-relevant information where possible.

2.8　Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely reactive, defensive responses. Measures to manage adverse risks are likely to help with managing opportunities both in the short and the long terms.

This policy, therefore, provides a clear statement of direction for risk management as it is operated in the council and also by the council in dealings with other bodies.

3. **The council,** in providing a risk management function: -

- Recognises that good risk management practice is an integral part of management responsibilities if the highest quality services are to be delivered to the community in the most cost effective way;

- Recognises that risk management can be used as a valuable tool at a corporate level as well as at operational/service/functional level;

- Is committed to manage all of its activities in a way which minimises risks to people, property, services and its finances and to protect its assets through effective and efficient risk management; and

- Recognises that effective risk management is an integral part of robust performance management and good governance within the Council, as managing identified risks and controlling the potential negative consequences, whilst identifying opportunities, helps to ensure the delivery of objectives and priorities.

The council's key corporate priorities, as set out in the Council Plan, are:-

(a)　A clean, safe and sustainable borough;
(b)　A borough of opportunity;
(c)　A healthy and active community; and
(d)　Becoming a co-operative council delivering high quality, community-driven services

Each of these priority areas has a number of objectives within them which the council works towards on an on-going basis as part of service planning and organisational development. Progress against these is measured and publicly reported through a number of different channels.

The council has a statutory responsibility to have in place arrangements for managing risks as stated in the Accounts and Audit Regulations:-

'A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.'

4. In order to manage risks the council has adopted an approach that is used across all services. The Council acknowledges that risks occur in the day to day delivery of services, the delivery of individual projects and initiatives and in relation to any important decisions facing the council and its key partners. We should do what is reasonable to prevent or minimise the impact of these risks and to maximise opportunities when they arise.

5. The rationale behind the risk management process is that the predictable risks are identified and managed, allowing the greatest level of control possible to be put in place. In this sense the risk management process then allows managers to free up capacity to deal with any as-yet unidentified risks as they emerge.

6. To meet the responsibilities above, the council will: -

   - Ensure that risk management retains a high profile in the culture of the council;
   - Ensure clarity as to what needs to be done to achieve objectives;
   - Manage risk in accordance with best practice in line with ALARM & CiPFA guidance and advice;
   - Anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive and citizen requirements;
   - Prevent injury, damage and losses and reduce the cost of risk where possible;
   - Protect the council's assets;
   - Provide the best possible service to customers;
   - Maintain the reputation of the council;
   - Realise opportunities;
   - Promote innovation to achieve objectives; and
   - Ensure that risk management arrangements with our partners are robust.

7. The above will be achieved by:-

   - Reporting risk to individual Executive Directors and Heads of Service; Departmental Management Teams (DMTs), Wider Management Team (WMT), EMT and the council's Audit & Risk Committee;
   - Implementing a Risk Management Strategy that establishes clear roles, responsibilities, escalation and reporting lines within the council for risk management;
   - Providing opportunities for shared learning around risk management across the council;

- Offering a platform for identifying and prioritising risk areas;
- Reinforcing the importance of effective risk management as part of everyday work of employees;
- Incorporating risk management considerations into all aspects of the council's work including risk management capabilities in to policy and strategy making, service plans and performance challenge of Heads of Service;
- Monitoring arrangements on an ongoing basis;
- Regularly reviewing its arrangements to ensure it is following best practice and will consult with stakeholders; and
- Engaging with stakeholders, including key partners and contractors, to develop their understanding of risk management and to ensure that they are engaged in effective risk management themselves.

8. The Chief Executive and Leader of the Council will be asked to sign off the policy and strategy as part of displaying both their commitment to risk management and also the organisation's commitment to these processes.

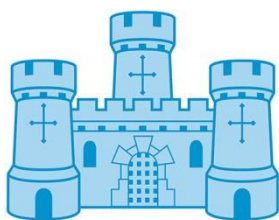Signed: Date: 23rd March 2017

        Councillor E Shenton
        Leader of the Council

Signed: Date: 28th March 2017

        Mr J Sellgren
        Chief Executive

RISK MANAGEMENT STRATEGY 2017/18

1. Purpose

The purpose of this strategy is to: -

- Demonstrate how the Risk Management policy is to be implemented through Newcastle-under-Lyme Borough Council's commitment to risk management;
- Describe the objectives of risk management and provide a framework for embedding risk management further across the organisation with defined roles and responsibilities and a structured process. This will then ensure that opportunities are maximised and risks minimised; and
- Enable the council to develop risk management further through its effective use in its management and decision making processes.

2. Objectives of the Risk Management Strategy

The objectives of the strategy are:-

- To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand how they should contribute to effective risk management;
- To ensure a consistent process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the council is implemented, understood and embraced by all staff and members;
- To embed risk management into the ethos, culture, policies and practices of the council;
- To ensure that risk management is a key and effective contributor to the Annual Governance Statement; and
- To manage risk in accordance with recognised best practice through guidance provided by the Association of Local Authority Risk Managers (ALARM) & CIPFA (together with other relevant bodies)

3. Achievement of objectives

3.1 *To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand that they should contribute to effective risk management.*

Responsibility for risk management runs throughout the council and involves elected Members, senior officers and all other employees (see Appendix A). Clear identification of roles and responsibilities will ensure that risk management is embedded in all policy making, decision making, policy approval (strategic) processes and service delivery (operational) processes, as well as providing sufficient resources to both implement this strategy and thus ensuring systems are sustainable.

The roles and responsibilities are outlined at appendix A.

3.2   *To ensure the implementation of a consistent process for the identifying, evaluating, controlling, reviewing, reporting and communicating of risks across the council that is understood and embraced by all key stakeholders*

To assist with the approach to risk management and to ensure consistency across the council, a guidance document (appendix B) on the council's risk management process has been devised and developed for use by relevant individuals, services and organisations.

By effectively managing risks and opportunities the council will be in a stronger position to deliver its: -

- Objectives;
- Services to the public;
- Partnership working agenda;
- Best value/value for money procedures and processes; and
- Identified outcomes

It will also inform the business processes of the council including: -

- Strategic/corporate planning;
- Financial planning;
- Service planning;
- Policy making and policy reviews;
- Performance management framework;
- Project management processes and frameworks;
- Partnership working;
- Internal controls and internal audit; and
- Business continuity and emergency planning arrangements

With responsibility for achieving objectives sits identifying risks, assessing them, developing controls and warning mechanisms, reviewing and reporting on progress by key individuals within the organisation.
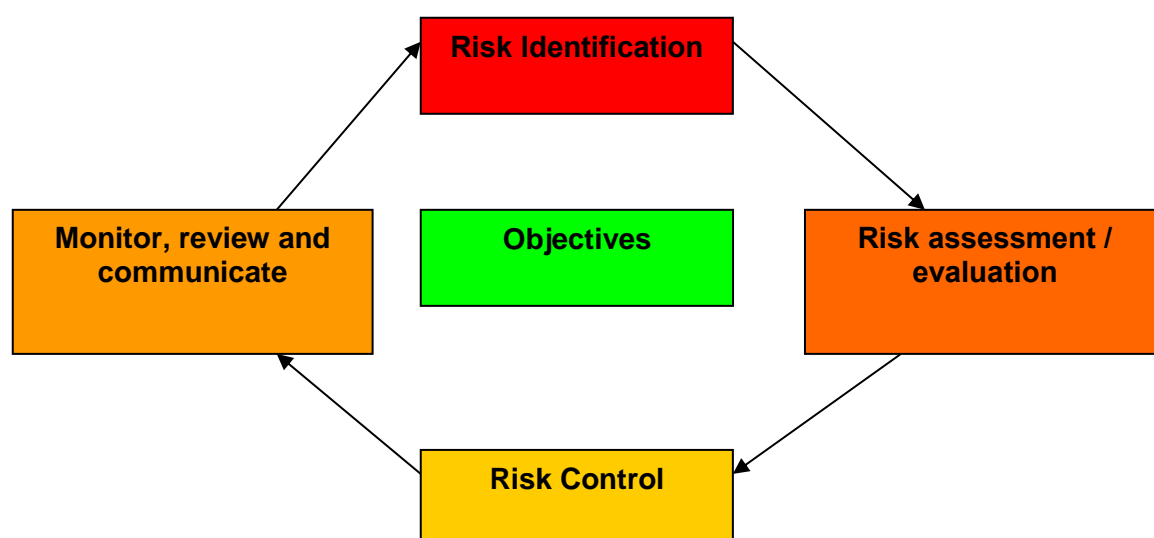
Some objectives, however, are reliant on external organisations with which the council works e.g. key partners and contractors. Working with external organisations could affect the achievement of objectives and this also must be taken into account when delivering the key elements of this strategy.

The strategic risk champion and other nominated risk champions have responsibilities including the support, challenge and recording of risks within their directorates or service areas. They will assist in the compiling of risk registers, whilst ensuring that the risk management strategy is adhered to as far as is possible. Officers who are involved in specific projects or operational activities will be responsible for identifying, assessing, developing, reviewing and reporting of risks. This will enable constructive discussions of the identification of risks, further actions and controls for the profiles to be undertaken on an ongoing basis.

The management of risk is an important part of the corporate planning and policy making/decision making processes and also in the key areas of project and change management.

Below is a summary of the council's risk management process. For an in-depth explanation, please refer to appendix B.

Summary Guide

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                    ┌─────────────────────┐
                    │ Risk Identification │
                    └─────────────────────┘
        ┌──────────────────┐  ┌──────────────┐  ┌──────────────────┐
        │ Monitor, review  │  │  Objectives  │  │ Risk assessment /│
        │ and communicate  │  │              │  │   evaluation     │
        └──────────────────┘  └──────────────┘  └──────────────────┘
                    ┌──────────────┐
                    │ Risk Control │
                    └──────────────┘
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3.2.1 Objectives

Any organisation is primarily concerned with the achievement of objectives. You need to know what you are trying to achieve before you can start to think about the risks that could have an impact on your success.

The more clearly objectives are defined, the more it will help you consider those risks that could actually impact on your objectives. When setting objectives remember to make them **S**pecific, **M**easurable, **A**greed, **R**ealistic and **T**ime bound (SMART).

At strategic level - the Council has four Corporate Priorities to which strategic risks are linked.

At operational level - each service has a number of business objectives contained within each service and financial plan to which operational risks are linked.

At project level - the relevant project brief or project initiation document details the aims and objectives of the project.

At partnership level - the partnership agreement or other formally agreed arrangements will detail the aims and objectives of the partnership.

3.2.2 Risk identification

What could go wrong?	Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans
Ensure risks are structured – what are the key elements to each risk?	E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this?
What type of risk is it?	Strategic, Operational, Project
What category is it?	e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i))

At strategic level, Executive Directors identify strategic and cross-cutting risks through facilitated awareness sessions. The risks identified are:

- Those that could significantly impact on the achievement of the Council's overall priorities;
- Those that are recorded in the Strategic Risk Register; and
- Those that can be used to inform policy decisions.

At operational level - Business Managers identify operational risks which may prevent them from achieving business objectives identified in their service plans, as well as any measures and actions to manage these risks. The risks identified are: -

- Those that could significantly impact on the achievement of the Business objectives;
- Those that are recorded in each Directorate's Operational Risk Register; and
- Those that can be used to inform meetings/actions between Business Managers and Heads of Service, and completion of the day to day services.

At project level - Project Managers will identify the risks that could impact on the successful delivery of the project. The risks identified are: -

- Those that could significantly impact on the achievement of the project;
- Those that are recorded in the Project Risk Register;
- Those that can be used to inform both strategic and operational risk identification

At partnership level - the Council has developed a working agreement to instigate the Lead Partner risk management framework. This will deliver

- A framework for all staff involved in considering new partnership workings.
- Assist members and officers wishing to review existing arrangements.

3.2.3 Risk assessment/Evaluation

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

What would be the impact on the council if the risk actually happened? How likely is it to happen? Based on the answers above, plot the rating on the table opposite The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is	L I K E L I H O O D	HIGH	Amber 7	Amber 8	RED 9
		MEDIUM	Green 4	Amber 5	Amber 6
		LOW	Green 1	Green 2	Amber 3
			Low	Medium	High
			IMPACT		

willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii)

3.2.4 Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the council's risk appetite (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

Who owns the risk? What could should be done to reduce the impact and/or likelihood of the risk? What else do you need to do in controlling the risk? (see Appendix B(iii))	Priority	Review Period (months)	Action			
			Tolerate	Treat	Transfer	Terminate
	High	1		√	√	√
	Medium	2 - 6	√	√	√	√
	Low	9 - 12	√	√	√	√

3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?
- Has the risk changed either as a result of what you have done or other factors?
- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?
- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

Red	High risk, prompt action, contingency plan, monitor at least monthly
Amber	Medium Risk, contingency plan, monitor at least quarterly
Green	Low risk, monitor at least half annually

3.3 To embed risk management into the ethos, culture, policies and practices of the council

Risk management is well established at the council but this strategy is seeking to build on it. The aim is to ensure that risk management plays an

integral part in decision making and the day to day business of the council in a structured uniform manner.

Risk management will be part of and included in the council's processes, policies and documents but not limited to: -

- Development and maintenance of the Constitution;
- Economic Development Strategy;
- Stronger and Safer Communities Strategy;
- Health and Well Being Strategy;
- Council Plan;
- Medium Term Financial Strategy;
- Service Plans;
- Code of Corporate Governance;
- Code of Practice on Procurement;
- Reports to support key decisions;
- Performance management;
- Policy planning; and
- Financial management

3.4   To continue to ensure that risk management is a key and effective contributor to the Annual Governance Statement

To achieve this: -

3.4.1 Heads of Service are required to make statements as to the effectiveness or otherwise of their systems for identifying, monitoring and managing corporate and operational risks. This is confirmed by each Executive Director signing a Controls Assurance Statement each year.

3.4.2 Confirmation is obtained from the Corporate Governance Working Group and the Audit & Risk Committee and internal Audit, who use CiPFA best practice that the council's risk management framework is judged to be sufficiently robust and that assurance statements properly reflect the risk environment and its management of those risks.

3.4.3 The risk registers of the council will be a factor in internal audit planning.

3.5   To manage risk in accordance with best practice

3.5.1 The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations:

'A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk'.

Risk management is recognised as an important element of good governance. The CIPFA/SOLACE governance framework "Delivering Good Governance in Local Government" seeks to ensure that risk

management is embedded into the culture of the authority with members and officers recognising that risk management is part of their jobs.

3.5.2 Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.

3.5.3 Performance monitoring ensures the treatment of risk remains effective and the benefit of implementing risk control measures outweighs the costs of doing so. It is a continual review not only of the whole process but also of individual risks or projects and of the benefits gained from implementing risk control measures.

3.5.4 Data quality needs to ensure that the data used for performance monitoring and to inform decision making is accurate, reliable, timely and fit for purpose. If data is misleading, it could lead to flawed decision making, wasted resources, services that may not improve and the development of ill-founded policy.

3.5.5 The business continuity process is a form of risk management applied to the whole council and its ability to continue with its service provision in the event something occurring which potentially affects that ability. The council must ensure risk management processes are applied throughout the business continuity lifecycle.

3.5.6 The achievement of effective Health and Safety policies, processes and procedures has been committed to by the council with the development of policy and guidance specifically addressing the management of health and safety risks.

4. Conclusion

By embracing risk management, the council will make the most of the opportunities which it faces whilst operating within a risk-aware environment.

Date of Approval:	April 2017
Approved by:	Audit & Risk Committee
Next review due:	April 2017
Version:	8.0
Changes:	See below

Date of Approval:	April 2016
Approved by:	Audit & Risk Committee
Next review due:	April 2017
Version:	7.0
Changes:	See below

Date of Approval:	April 2015
Approved by:	Audit & Risk Committee
Next review due:	April 2016
Version:	6.0
Changes:	See below

Date of Approval:	July 2014
Approved by:	Audit & Risk Committee
Next review due:	April 2015
Version:	5.0
Changes:	See below

Date of Approval:	July 2013
Approved by:	Audit & Risk Committee
Next review due:	June 2014
Version:	4.0
Changes:	See below

Date of Approval:	July 2012
Approved by:	Audit & Risk Committee
Next review due:	June 2013
Version:	3.0
Changes:	See below

Date of Approval:	June 2011
Approved by:	Audit & Risk Committee
Next review due:	June 2012
Version:	2.1
Changes:	Compare with previous version 1.0 April 2010

Previous Date of Approval:	April 2010
Approved by:	Audit & Risk Committee
Next review due:	April 2011
Version:	1.0

Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee

Changes	04/07/2012	1. Pg 1 – Year amended from 2011/12 to 2012/13
		2. Pg 2 – para 3.2 comma removed
		3. Pg 4 – para 3.2.2 "At Operation Level" – removed 'and financial'
		4. Appendix A – Portfolio Holder title amended to read Communications, Transformation and Partnerships Portfolio Holder, and grammer change in role description
		5. Appendix B – step 5 – grammatical changes to the fourth bullet point and a space removed from last para.

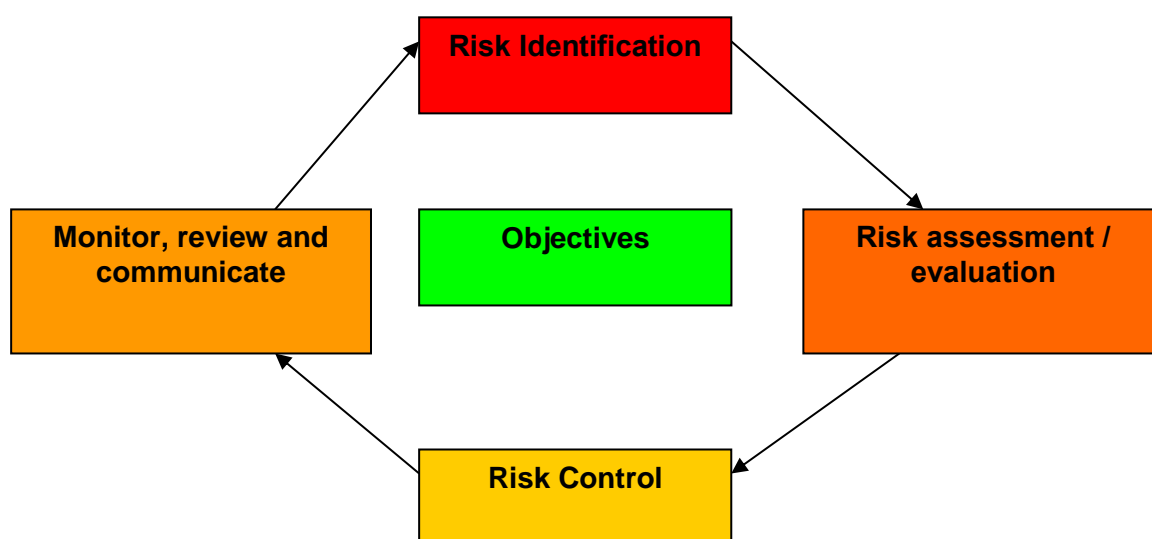| Changes	11/06/2013	1. Pg 1 – Year amended from 2012/13 to 2013/14
		2. Corporate Plan amended to Council Plan throughout document
		3. Pg 8 – para 3.3 – additions made to list of documents
		4. Appendix B(ii) – Cost impact levels reduced in response to the current financial situation imposed by the budget cuts
Changes	30/06/2014	1. Pg 1 – Year amended from 2013/14 to 2014/15
		2. Pg 5 – wording amended to Partnership level to reflect that the council follows the Lead Partner's risk management framework.
		3. Foot amended to show author, page number and date of changes
Changes	25/03/2015	No changes made except dates
Changes	14/03/2016	No changes made except for dates
Changes	22/03/2017	No changes made except for dates

APPENDIX A

Group/Individual	Roles and Responsibility
Leader of the Council	• Promotes the concept and practice of risk management across the organisation and amongst all elected Members
Policy, People and Partnerships Portfolio Holder	• Member risk champion • Promotes the concept and practice of risk management across the organisation and amongst all elected Members • To receive quarterly updates on risk from the Business Improvement Manager for inclusion in Informal Cabinet meetings where appropriate
Audit & Risk Committee	• Approves and agrees changes to the risk management policy and strategy. • Monitors the council's risk management arrangements • Monitors the council's high level risks as and when they occur • Provides independent assurance that the risk management framework and associated control environment is being managed effectively and the statement of internal control correctly reflects the risk environment
All elected Members	• Advocate good risk management processes • Ensure that risks have been robustly assessed in reports presented to elected Members
Chief Executive	• Ultimate responsibility for strategic and operational risk management across the council • Ensures that all strategies and policies contain risk management as an inherent part of their structure which helps drive the organisational change leading to excellence • Ensures that risk management practices across the council reflect best practice. • Ensures that risk management issues are fully considered in the decision making process. • Drives excellence through the council with strong support and well managed risk taking. • Ensures that the council manages its risks effectively through the development and monitoring of its risk management strategy.
Executive Director (Resources & Support Services) - Chair of Corporate Governance Working Group (CGWG)	• Ensures that Executive Management Team (EMT) are aware of any issues that have been escalated by the CGWG and cannot be resolved and ensures that these are noted in minutes of EMT and actioned accordingly either by or on behalf of EMT • Provides assurance to the Audit & Risk Committee as appropriate that the risks are being managed in

	accordance with the Risk Management Strategy
Executive Directors (EMT)	• Ensure that the risk management process is promoted, developed, managed and implemented effectively in their service areas. • Make decisions with their heads of service as to which service risks may warrant inclusion on their strategic risk register • Take ownership of strategic risks in their directorates and include them in the strategic risk register • Disseminate relevant information to service managers and employees • Escalate where necessary any issues that cannot be resolved to the Audit & Risk Committee for advice on decisions • Establish and monitor a rolling programme of operational risk reviews • Promote good risk management practice throughout the council in conjunction with CGWG • Ensuring that when Cabinet reports are written by their officers, that a relevant up to date risk assessment is provided where applicable, before being signed off for submission to Cabinet • Ensure that the appropriate portfolio holder is aware of detailed risk assessments when discussions begin on any proposal
Corporate Governance Working Group (CGWG)	• Promote good risk management practice throughout the council in conjunction with EMT • Support the development of the risk management process, share experience on risk and aid/advise in the review of risk management reviews • To review the risk management policy and strategy where necessary • To identify trends and priorities across the council • Liaise with specialist risk groups in order to inform the strategic risk registers • Ensure processes are in place to report any new/perceived (key) risks or failures of existing control measures • Report on key performance results to EMT and Audit & Risk Committee • To accept and make decisions on the course of action of any issues brought to them by DMT or the strategic risk champion • To escalate any issues to EMT brought to the group by DMT or the strategic risk champion, where a stronger decision is needed and cannot be resolved at this level
Directorate Management Teams (DMTs)	• Ensure the completion of project risk registers where appropriate (DMT)

Wider Management Team (WMT)	• Liaise with specialist risk groups in order to inform the any relevant strategic and operational risk profiles (e.g. Health & Safety, legal, environmental) (DMT/WMT)
	• To accept and make decisions on any issues escalated to them by the risk champions (DMT)
	• To escalate, where necessary, any risks, overdue actions and reasons for such, overdue risk reviews to the CGWG, where a higher decision is needed and cannot be resolved at this level (DMT)
	• Monitor the implementation of action plans and control assurance programmes (DMT/WMT)
	• Report key performance results (DMT)
	• Promote and share best practice across the directorate (DMT)
	• Monitor (and share with the director) situations where: -
	  - risks are rising in the level of security;
	  - circumstances where managers have been unable to implement the agreed mitigating actions;
	  - risks could potentially have an impact on other services (DMT)
	• To understand the escalation process of risks, action plans and issues (DMT/WMT)
	• To accept the notification of any incidents or near-misses reported to them by employees or risk champions, and record them appropriately (DMT)

Head of Business Improvement, Central Services & Partnerships (BIP) Business Improvement Manager (BIM) Business Improvement Officer (Risk) (BIO)	• Develop and maintain a risk management process reflecting established best practice (BIP/BIM/BIO) • Lead on the annual review of the risk management policy, strategy and methodology, helping to ensure all aspects of the process remain robust. (BIP/BIM/BIO) • Ensure risks are reviewed and reported to management in line with the timelines in the risk management framework (BIM/BIO) • Collate and administer the strategic risk registers (BIO) • Prepare annual and quarterly risk management reports for the Audit & Risk Committee (BIM/BIO) • Identify and communicate risk management issues to DMT/EMT for dissemination to services and assist in undertaking risk management activity through guidance, training or direct support. (BIM/BIO) • Promote risk management process throughout the council with both members and officers ensuring the process is embedded, effective and reflects best practice. (BIP/BIM/BIO) • Consult with Executive Directors concerning risk

	issues (BIP) • Act as a lead support officer for the CGWG (BIP/BIO) • Manage the insurance fund and external insurance contract (BIO) • Liaise with external insurers to ensure that future premiums reflect all risk management activities being undertaken (BIO) • Administer the designated risk management system for managing and controlling risks (BIO) • Monitor and report to the CGWG any issues that arise either from strategic risk reviews, overdue risk review reports, non-compliance with guidelines laid out in the risk management framework/approach by employees of the council, reported to them by the operational risk champions (BIP/BIM/BIO) • Identify any emerging risks and incorporate into the relevant risk registers (BIO) • Report to the CGWG any further support required (BIP)
Operational Risk Champions	• Create and maintain operational risk registers in conjunction with heads of service. • Monitor and report to their respective DMTs any high risks and any issues that may arise in respect of overdue actions/overdue reviews and other problems they encounter for them to either deal with or to escalate to the CGWG via the strategic risk champion. • Update the operational risk profiles on the designated risk management system. • Report to the BIO any further support required. • Ensure that incidents occurring or near-misses are reported to DMT.
Employees	• Manage risks effectively in their jobs. • Raise any perceived/new risks for their service area with the appropriate line manager/business manager/head of service or risk champion for inclusion in the risk register. • Report any incidents or near-misses to their risk champion or head of service.

APPENDIX B

Risk Management Process

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                    ┌──────────────────────┐
                    │ Risk Identification  │
                    └──────────────────────┘
         ↗                                        ↘
┌──────────────────────┐  ┌──────────────┐  ┌──────────────────────┐
│ Monitor, review and  │  │  Objectives  │  │ Risk assessment /    │
│     communicate      │  │              │  │     evaluation       │
└──────────────────────┘  └──────────────┘  └──────────────────────┘
         ↖                                        ↙
                    ┌──────────────────────┐
                    │     Risk Control     │
                    └──────────────────────┘
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Step	Title	Description
1	**Objectives**	Start of the process – concerned with achievement of objectives – the clearer the objectives then more chance there is of achieving them. Objectives must be SMART – Specific, Measurable, Agreed, Realistic, Time-bound. *Strategic*: the council has four priorities to which strategic risks are linked *Operational*: each service has a number of business objectives contained within the Service Plan to which operational risks are linked *Project*: each project document details the aims and objectives of the project *Partnership*: the partnership agreement or formally agreed arrangements will details the aims and objectives of the partnership
2	**Risk identification**	Risk identification tries to identify the council's exposure to uncertainty. You need to use your imagination, creativity, involvement and experience in this part of the process. Identify the risks that *may* stop you from meeting your objectives – it may be useful to use the list of risk categories as a guide: political; e-government; regulatory; financial/fraud; opportunities; reputation; management; assets; new partnerships/projects;

		customers/clients/citizens/children; environmental (a description of these can be found at appendix B(i). Strategic risks are those that • Could impact significantly on the achievement of the council's four priorities • Are recorded in the executive director's strategic risk assessment • Used to inform policy decisions Operational risks are those that • Impact significantly on the business objectives • Are recorded in the individual service risk registers • Are used to inform the Heads of Service Project risks are those that • Could impact significantly on the achievement of the project • Are recorded in the project risk register • Are used to inform both strategic and operational risk identification Partnership risks are those that • Could significantly impact on the achievement of the partnerships aims and objectives • Are recorded in the partnership risk registers • Are used to inform both strategic and operational risk identification There are three elements to any risk scenario • The **vulnerability** describes the situation (that may be perceived) that exposes the council to risk • The **trigger** is an event or change in situation that has a negative/positive result • The **consequences** are the events that follow should the risk occur
3	**Risk assessment/ evaluation**	Areas of potential risk need to be systematically and accurately assessed. The process requires an assessment of: - • The *impact* it would have if a risk event occurs • The *likelihood* of the risk event occurring • Possible resources needed and other implications • The priority of the risk for action in relation to the

		council's risk tolerance level (amber and green areas on the table/matrix of risk ratings) Once threats and opportunities have been identified their potential "inherent" risk is evaluated – i.e. with no controls in place and using the matrix found in appendix B (ii). The risk is then re-evaluated taking into account the effectiveness of the controls in place. This result is the "residual" risk rating, or – put another way – the final risk rating.
4	**Risk control**	Some risks cannot be eliminated completely. Risk management is the process of taking action to minimise the likelihood of the risk occurring and/or to reduce the impact if it does happen. To control the possibility of the event occurring, you need to determine a course of action to try to reduce the risk. Such actions are likely to include the following: tolerate (live with the risk), treat (deal with the risk), transfer (move the risk onto another organisation) or terminate (stop doing whatever it is that is creating the risk) – those actions can be determined by the further action plans you put in place to control the risk further (if any). A description of the action categories can be found at appendix B(iii). Clear responsibility for managing the risk to an appropriate 'risk owner' must be assigned. The risk owner can then give responsibility of further action to designated officers that enable them to still influence the risk. The further actions must be <u>SMART</u> and must be developed appropriate to the risk identified. Any such actions are entered into the risk register and monitored.
5	**Monitor, review and communicate**	There **must** be monitoring and review of: • The risk itself • The implementation of the *agreed* control measures • The effectiveness (or otherwise) of any further actions • Were an incident to occur, it is recorded and used to inform a lessons-learnt report As part of the review cycle, risks and actions will be re-analysed and the cycle will continue as shown in the

		cycle at the top of this appendix. Review and communication of the risks, controls and actions must be reported in line with the timescales shown at appendix B(iv) and dealt with accordingly – i.e. escalated, received and agreed.

Check List for Risk Identification – Categories (not exhaustive)

Political	Politicians and politics, including Member support/approval Electorate dissatisfaction, election changes and new political arrangements
E-Government	Using new or existing technology Lack of, or failure, of technology Lost or stolen data, Inaccurate or poor quality data, Disaster recovery, jacking or corruption of data, breach of security
Regulatory/Legislative	Central government policy, Legislation, internal policies and regulations, grant funding conditions, Data Protection, Freedom of Information, Race Equality and Diversity, Disability Discrimination, Human Rights, Employment Law, TUPE, Health & Safety, Potential for legal challenges, judicial reviews
Financial/Fraud	Budgetary pressures, loss of/reduction in income cost of living, interest rates, inflation etc Financial management arrangements, Investment decisions, Sustainable economic growth Affordability models and financial checks, Inadequate insurance cover External funding issues including loss of (or reduction in) funding System/procedure weaknesses that could lead to fraud
Opportunities	Opportunities to add value or improve customer experience/satisfaction Reduce social exclusion and disparities, Increase employment, education and training Improve health, reduce health inequalities and promote healthy lifestyles Opportunities to reduce waste and inefficiency and minimise the use of natural resources, increase Recycling, minimise air, soil, water, light, noise pollution, greenhouse gas emissions and energy use Reduce the need to travel and encourage the use of public transport, cycling and walking Encourage local sourcing of food, goods and materials, Conserve, restore and enhance biodiversity Reduce crime, fear of crime and anti-social behaviour
Reputation	Consultation and Communication, Negative publicity (local and national) from service or project failure, legal challenges
Management	Key personalities, loss of key staff, recruitment and retention, management arrangements/protocols Lack of/or inadequate management support, poor communication Capacity issues – enough, training issues, availability, sickness absence etc Emergency preparedness/Business continuity
Assets	Land, property, listed buildings and ancient monuments, equipment, information, cultural and recreational assets. Includes health and safety or business continuity, abuse of intellectual property, data protection

New/ongoing Partnerships/ Projects/Contracts	New initiatives, new ways of working, new arrangements/relationships New policies/procedures Managing change
Customers/Citizens Clients/Children	Demographic change, Current and changing needs and expectations of customers Impact on customer of service or project failure, Consumer protection Crime and disorder, Health and Safety risks, Impacts on health inequalities Effects on physical and mental health and sense of social wellbeing, loss of independence and need for social care support
Environment	Policies/plans that significantly affect the environment need a sustainability impact appraisal Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions, conservation and wildlife, habitats and species issues Impact of planning or transportation policies Climate change such as increased temperatures and flooding, Ecological footprint, flood plains Environmental assets such as landscape, countryside, historic environment and open space

IMPACT MEASURES AND CLASSIFICATION   **APPENDIX B(ii)**

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening OR permanent disability	Serious injury OR long-term absence from work (over 7 days)	Minor injury OR short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, Wider Management Team reporting
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (upto 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

Likelihood Measures

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year OR is highly likely to occur in the next year	An incident has occurred in the past 2-5 years OR is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years OR is likely to occur in the next 6+ years

L I K E L I H O O D	High	7 Amber	8 Amber	9 Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High

IMPACT

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ACTION CATEGORIES APPENDIX B(iii)

Action	Description
Tolerate	This action is appropriate when you judge that the control measures in place are sufficient to keep the risk at a tolerable level and there is no added value to doing more.
Treat	Some risks will need additional treatment to reduce their likelihood and/or impact to an acceptable level. This response is most likely where there have been further actions identified that are SMART and the risk rating has been identified as high (red) or in some cases medium (amber).
Transfer	Some risks can be transferred to an insurer or some other party eg legal liability, property and vehicles etc. Some service delivery risks can be transferred to a contractor by way of a contract or written agreement. However some risks cannot be transferred eg reputational risks.
Terminate	Sometimes a risk can be so serious that there is no option but to terminate the activity that is generating the risk.

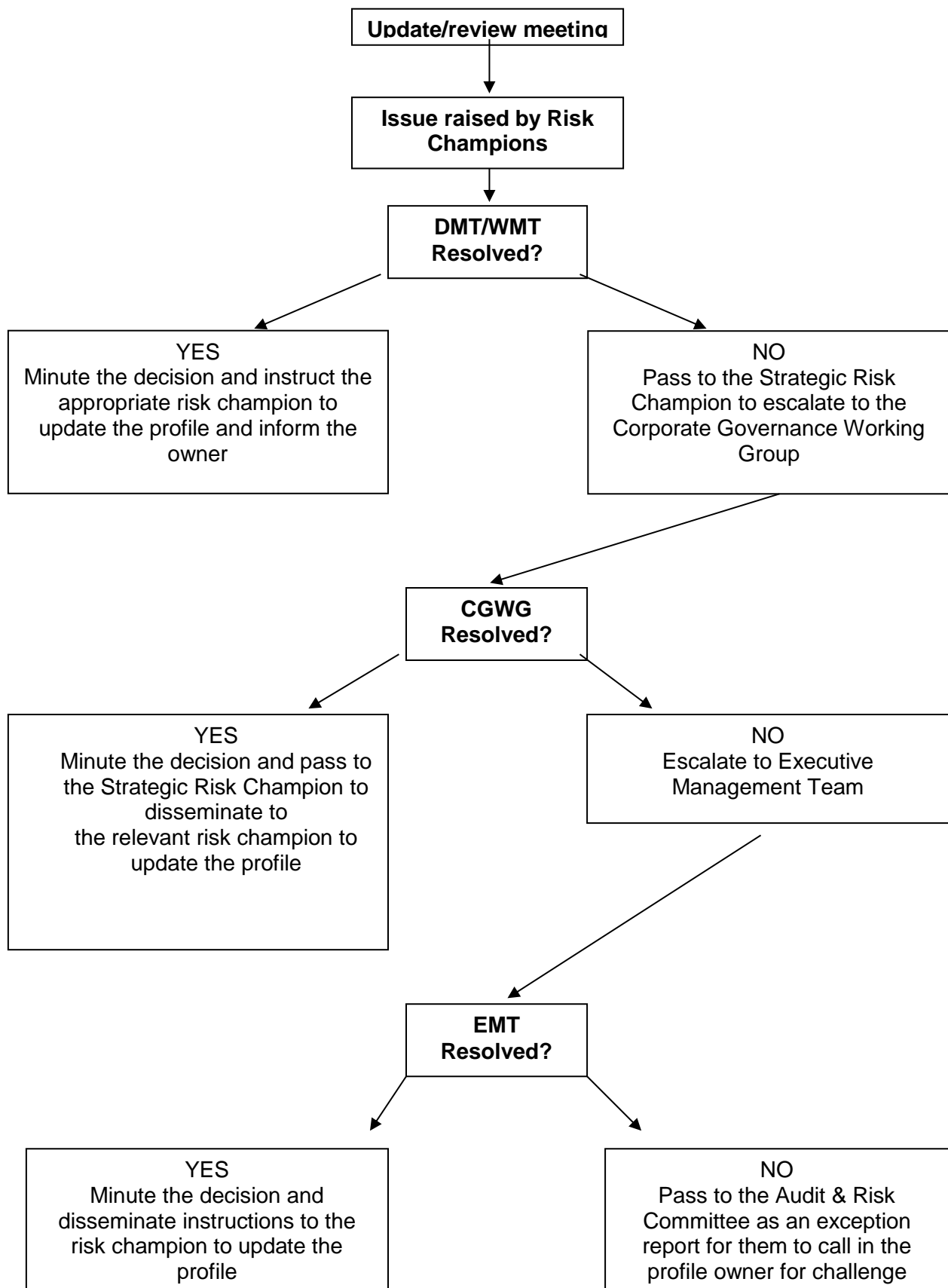This page is intentionally left blank

RISK MANAGEMENT REVIEWING & REPORTING, COMMUNICATING FRAMEWORK

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9	Treat Terminate Transfer	This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed. Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution is found.	The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team (DMT) or Corporate Governance Working Group (CGWG), where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team (EMT). Progress to manage this risk must be reviewed by the relevant DMT (or WMT where appropriate) and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact. Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group. If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Amber 7 Amber 3	Transfer Treat Tolerate	In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact. Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group. If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Green 4 Green 2	Transfer Treat Tolerate	Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact.	The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service.

Page 42		Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.	If wider support is required to control this risk, it must be escalated to the Departmental Management Team. Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.

ESCALATION PROCESS

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                    ┌──────────────────────────┐
                    │  Update/review meeting   │
                    └────────────┬─────────────┘
                                 ▼
                    ┌──────────────────────────┐
                    │  Issue raised by Risk    │
                    │       Champions          │
                    └────────────┬─────────────┘
                                 ▼
                    ┌──────────────────────────┐
                    │       DMT/WMT            │
                    │      Resolved?           │
                    └──────────────────────────┘
```

YES	NO
Minute the decision and instruct the appropriate risk champion to update the profile and inform the owner	Pass to the Strategic Risk Champion to escalate to the Corporate Governance Working Group

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                    ┌──────────────────────────┐
                    │         CGWG             │
                    │      Resolved?           │
                    └──────────────────────────┘
```

YES	NO
Minute the decision and pass to the Stategic Risk Champion to disseminate to the relevant risk champion to update the profile	Escalate to Executive Management Team

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                    ┌──────────────────────────┐
                    │         EMT              │
                    │      Resolved?           │
                    └──────────────────────────┘
```

YES	NO
Minute the decision and disseminate instructions to the risk champion to update the profile	Pass to the Audit & Risk Committee as an exception report for them to call in the profile owner for challenge

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A QUICK GUIDE TO THE COUNCIL'S

RISK MANAGEMENT PROCESS

Review date:	April 2017
Version:	8
Reviewed by:	Audit and Risk Committee
Next review date:	April 2018
Changes:	See below

Changes Made

22/03/2017	None

CONTENTS
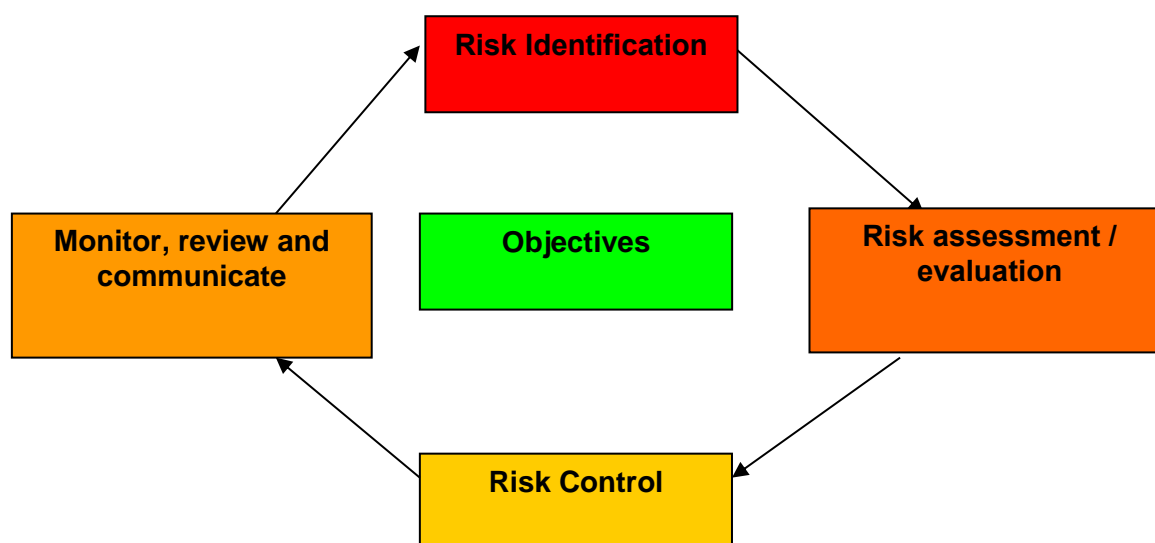
Objectives

In developing our approach to risk management, a key part at all stages of the process is to identify SMART objectives - in other words the objectives need to be Specific, Measurable, Achievable, Realistic and Time-bound. In other words, they need to be structured in such a way that they can be assessed as to whether they have worked properly or not. This section takes into account all the objectives set out above and provides more information on each.

Risk identification

What could go wrong?	Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans
Ensure risks are structured – what are the key elements to each risk?	E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this?
What type of risk is it?	Strategic, Operational, Project
What category is it?	e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i))

Risk assessment/Evaluation

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

What would be the impact on the council if the risk actually happened? How likely is it to happen? Based on the answers above, plot the rating on the table opposite The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is willing to take before intervention begins.				
L I K E L I H O O D	**HIGH**	Amber 7	Amber 8	RED 9
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
		Low	Medium	High
		IMPACT		

Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii)

Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the council's risk appetite (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

Who owns the risk?

What could should be done to reduce the impact and/or likelihood of the risk?

What else do you need to do in controlling the risk?

(see Appendix B(iii))

Priority	Review Period (months)	Action			
		Tolerate	Treat	Transfer	Terminate
High	1		√	√	√
Medium	2 - 6	√	√	√	√
Low	9 - 12	√	√	√	√

Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?
- Has the risk changed either as a result of what you have done or other factors?
- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?

Classification: NULBC **UNCLASSIFIED**

- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

Red	High risk, prompt action, contingency plan, monitor at least monthly
Amber	Medium Risk, contingency plan, monitor at least quarterly
Green	Low risk, monitor at least half annually

RISK ASSESSMENT IMPACT MEASURES AND CLASSIFICATION

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening OR permanent disability	Serious injury OR long-term absence from work (over 7 days)	Minor injury OR short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, DMT/WMT reporting (depending on the issue)
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (up to 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and/or EMT	DMT/WMT (where appropriate)

ALWAYS TAKE THE WORST CASE SCENARIO AS YOUR IMPACT LEVEL
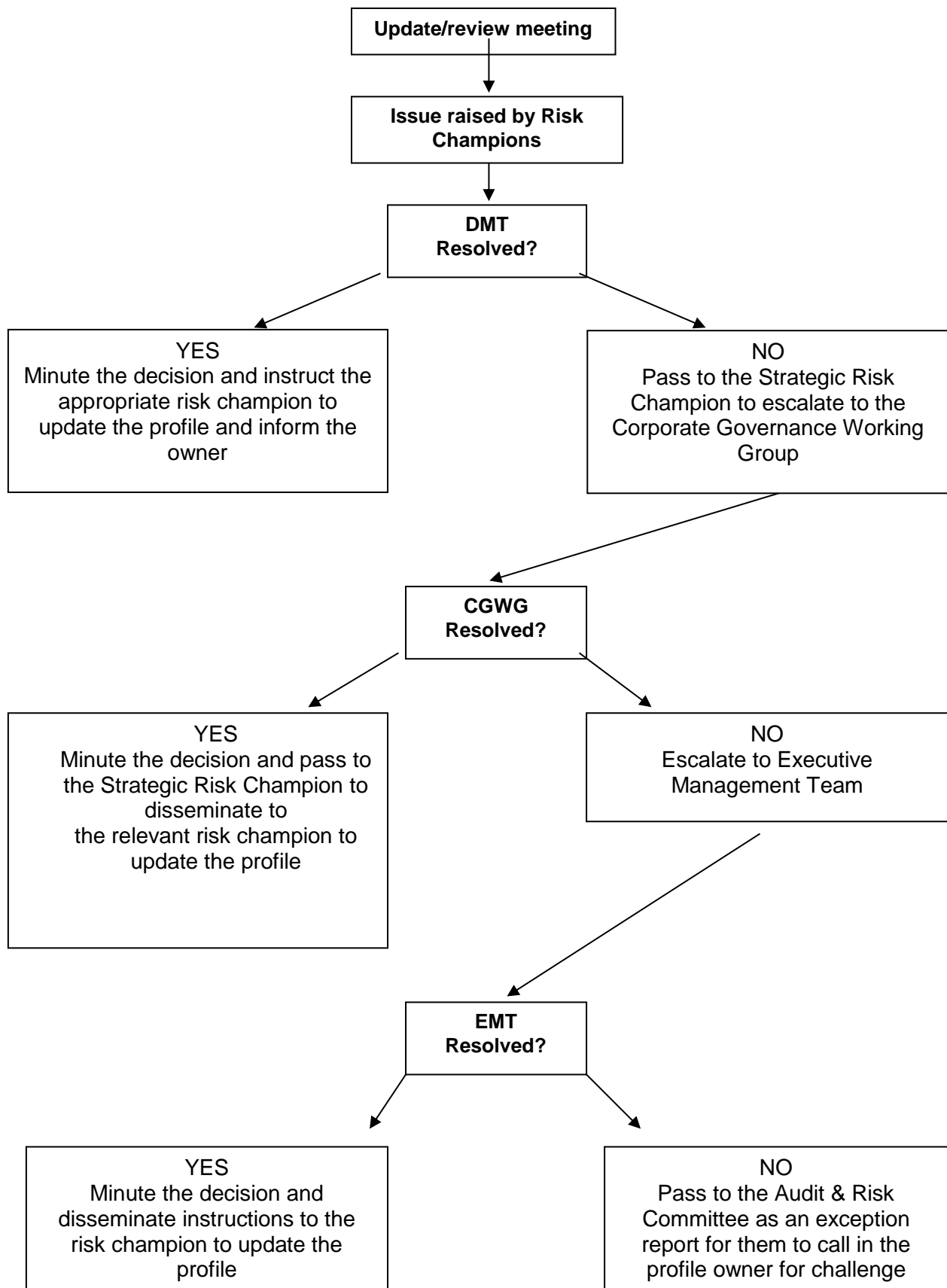
Likelihood Measures

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year OR is highly likely to occur in the next year	An incident has occurred in the past 2-5 years OR is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years OR is likely to occur in the next 6+ years

L I K E L I H O O D	High	7 Amber	8 Amber	9 Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High

IMPACT

RISK MANAGEMENT REVIEWING, REPORTING & COMMUNICATING FRAMEWORK

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9	Treat Terminate Transfer	This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed. Escalation of issues to go to DMT (via risk champion) CGWG (via strategic risk champion) EMT and Audit & Risk Committee if no resolution found.	The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team or Corporate Governance Working Group, where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team. Progress to manage this risk must be reviewed by the DMT and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact. Escalation of issues to go to DMT (via risk champion) CGWG (via strategic risk champion) EMT and Audit & Risk Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group. If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Amber 7 Amber 3	Transfer Treat Tolerate	In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact. Escalation of issues to go to DMT (via risk champion), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Corporate Governance Working Group. If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Green 4 2 1	Transfer Treat Tolerate	Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact. Escalation of issues to go to DMT (via risk champion), CGWG (via strategic risk champion), EMT and Audit & Risk Committee if no resolution found.	The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service. If wider support is required to control this risk, it must be escalated to the Departmental Management Team. Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.

Classification: NULBC **UNCLASSIFIED**

ESCALATION PROCESS

```
                    ┌─────────────────────────┐
                    │  Update/review meeting   │
                    └─────────────────────────┘
                                │
                                ▼
                    ┌─────────────────────────┐
                    │   Issue raised by Risk   │
                    │        Champions         │
                    └─────────────────────────┘
                                │
                                ▼
                    ┌─────────────────────────┐
                    │          DMT             │
                    │        Resolved?         │
                    └─────────────────────────┘
```

YES	NO
Minute the decision and instruct the appropriate risk champion to update the profile and inform the owner	Pass to the Strategic Risk Champion to escalate to the Corporate Governance Working Group

```
                    ┌─────────────────────────┐
                    │         CGWG             │
                    │       Resolved?          │
                    └─────────────────────────┘
```

YES	NO
Minute the decision and pass to the Strategic Risk Champion to disseminate to the relevant risk champion to update the profile	Escalate to Executive Management Team

```
                    ┌─────────────────────────┐
                    │          EMT             │
                    │        Resolved?         │
                    └─────────────────────────┘
```

YES	NO
Minute the decision and disseminate instructions to the risk champion to update the profile	Pass to the Audit & Risk Committee as an exception report for them to call in the profile owner for challenge

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CERTIFICATION WORK REPORT 2015/16

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance IT and Customer

Ward(s) affected: Non Specific

Purpose of the Report

To receive Grant Thornton's Annual Report in respect of the Certification of Claims for the Borough Council for 2015/16.

Recommendation

That Grant Thornton's Annual Report on the Certification of Claims be received.

Reasons

Funding from government grant – paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to auditors that it has met the conditions which attach to these grants.

---

1. **Background**

1.1   Grant Thornton's report (attached as an Appendix) summarises the findings from the certification of 2015/16 claims.

1.2   External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources.

2. **Issues**

2.1   There are no actions or recommendations arising from the report.

3. **Options Considered**

3.1   The report is based on information and evidence supplied by officers and has been through a process of quality control. To challenge the report is therefore not a feasible option.

3.2   The report should be received.

4. **Proposal**

4.1   To receive Grant Thornton's report on the Certification of Claims.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

The external audit function gives assurance on the stewardship of public resources. These reports provide external challenge to the Council through which can be demonstrated improvement in relation to the Corporate Priority of "Becoming a co-operative council which delivers high quality, community-driven services".

6. **Legal and Statutory Implications**

This report raises no new statutory or legal implications.

7. **Equality Impact Assessment**

There are no differential equality impact issues identified.

8. **Financial and Resource Implications**

There are no additional financial or resource implications arising from this report.

9. **Major Risks**

There are no additional risks identified by the report.

10. **List of Appendices**

Appendix – Certification Work Report 2015/16 – February 2017.

Grant Thornton

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30 January 2017

Dear Kelvin

Certification work for Newcastle under Lyme Borough Council for year ended 31 March 2016

We are required to certify the Housing Benefit subsidy claim submitted by Newcastle under Lyme Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £30.8 million. Further details of the claims certified are set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2015/16 for the Council is based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 is £8,052. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	30,853,592	Yes	(5)	Yes	The housing and council tax benefit claim was qualified because of errors found in the calculation of earnings and the application of CTC/WTC in the benefit entitlement calculation. The Council has estimated that this should not have a significant impact on the total amount of subsidy due but this will not be confirmed until the Department for Work and Pensions considers the qualifications on the Council's claim and determines the total amount of subsidy to be paid for 2015/16.

Appendix B: Fees for 2015/16 certification work

Claim or return	2013/14 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	10,736	8,052	8,052	0	n/a
Total	10,736	8,052	8,052	0	

2

The Audit Plan
for Newcastle under Lyme Borough
Council

Year ended 31 March 2017

March 2017

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April 2017

Dear Members of the Audit and Risk Committee
Audit Plan for Newcastle under Lyme Borough Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Newcastle under Lyme Borough Council, the Audit and Risk Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:
-give an opinion on the Council's financial statements
-satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. 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. 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. We look forward to working with you during the course of the audit.

Yours sincerely

John Gregory

Engagement Lead

Contents

Page 61

Understanding your business and key developments

Developments

New Homes Bonus

The Local Government Finance settlement announced on 15th December 2016 included details of the changes to eligibility for New Homes Bonus. Councils will no longer receive money from the scheme for new homes built until the increase exceeds the national housing growth baseline, to be set at 0.4 The Government is also considering withholding payments to councils that fail to meet planning targets from 2018/19.

Impact of Brexit

As details of the plan for Brexit begin to emerge, a successful transition will be dependent on knowing where potential challenges face the Council, and ensuring that sound financial and risk management processes are in place to respond.

Key challenges

Autumn Statement

The Chancellor detailed plans in the Autumn Statement to increase the National Living Wage from £7.20 to £7.50 an hour in April 2017. The plan alongside other reductions in government support including reductions in Revenue Support Grant, proposed changes to New Homes Bonus funding and changes to National Insurance contribution rates represents a major challenge to the future financial stability of the Council.

New Recycling and Waste Service

The Council's new Waste and Recycling Service became operational in July 2016. Additional costs to meet the demands of establishing the service have resulted in a budget overspend for 16/17.

The Council will need to monitor expenditure carefully going forward to ensure the anticipated saving of £500k is achieved during 2017/18.

Financial Planning

The Council presented the updated MTFS 17/18 to 21/22 to Cabinet in January 2017. This indicates a forecast budget shortfall of £2.728m for 2017/18, with additional shortfalls across 2018/19 to 2021/22 totalling £3.235m. The Budget Review Group, along with officers are building upon the work already done to identify savings opportunities as part of the 2020 project, to find ways of eliminating the shortfall.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced .The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

Our response

- We aim to complete all our substantive audit work of your financial statements by 4 August 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £1,209k (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £60k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Related party transactions have to be disclosed if they are material to the Council or to the related party	£20k. Individual misstatements will also be evaluated with reference to how material they are to the other party.
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20k

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

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

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Newcastle under Lyme Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable Therefore do not consider this to be a significant risk for Newcastle under Lyme Borough Council.
Management over-ride of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	**Work completed to date:** • Review of journal entry process **Further work planned:** • Review of accounting estimates, judgments and decisions made by management • Selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	**Work planned:** • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.
Valuation of property, plant and equipment	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	**Work completed to date:** • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of the Council's internal valuer. • Review of the instructions issued to the valuer and the scope of the work. **Further work planned:** • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register. • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Page 65

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	**Work completed to date:** • Documented the processes and controls in place around accounting for operating expenses. Walkthrough tests to confirm the operation of the controls. • Substantively test a sample of expenditure transactions up to and including month 11 **Further work planned:** • Obtain an understanding of the accruals process and test accruals • Review post year end payments to identify unrecorded liabilities • Review GRNI reports to identify any items which have not been properly accrued • Substantively test a sample of expenditure transactions from period 12
Employee remuneration	Employee remuneration accruals are understated	**Work completed to date:** • Documented the processes and controls in place around accounting for employee remuneration. Walkthrough tests to confirm the operation of the controls. • Substantively test a sample of payroll transactions up to and including month 11 **Further work planned:** • Review and test the reconciliation between payroll and the general ledger • Review of monthly trend analysis of total payroll • Substantively test a sample of payroll transactions from period 12

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	**Work completed to date:** • We have documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We have reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We have reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). **Further work planned:** • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Page 67

Other risks identified (continued)

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

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

- Heritage assets
- Property, Plant and Equipment
- Investment Property
- Cash and cash equivalents
- Trade and other receivables
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure

- Taxation and non-specific grants
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes
- Short term investments

Value for Money

Background

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

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	• Acting in the public interest, through demonstrating and applying the principles and values of sound governance • Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing and utilising assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	• Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
Financial Standing The medium term financial strategy (MTFS) 2017/18 to 2021/22 indicates a forecast budget shortfall of £2.728m for 2017/18, with additional shortfalls across 2018/19 to 2021/22 totalling £3.235m. The Budget Review Group, along with officers are building upon the work already done to identify savings opportunities as part of the 2020 project, to find ways of eliminating the shortfall.	This links to the Council's arrangements for under-standing and using appropriate cost and performance information to support informed decision making; and planning finances effectively to support the sustainable delivery of strategic priorities.	We will review the MTFS, assess the realism of savings/income generation plans, reviewing the outturn for 2016/17 and the Council's track record of addressing budget shortfalls.

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
  - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:
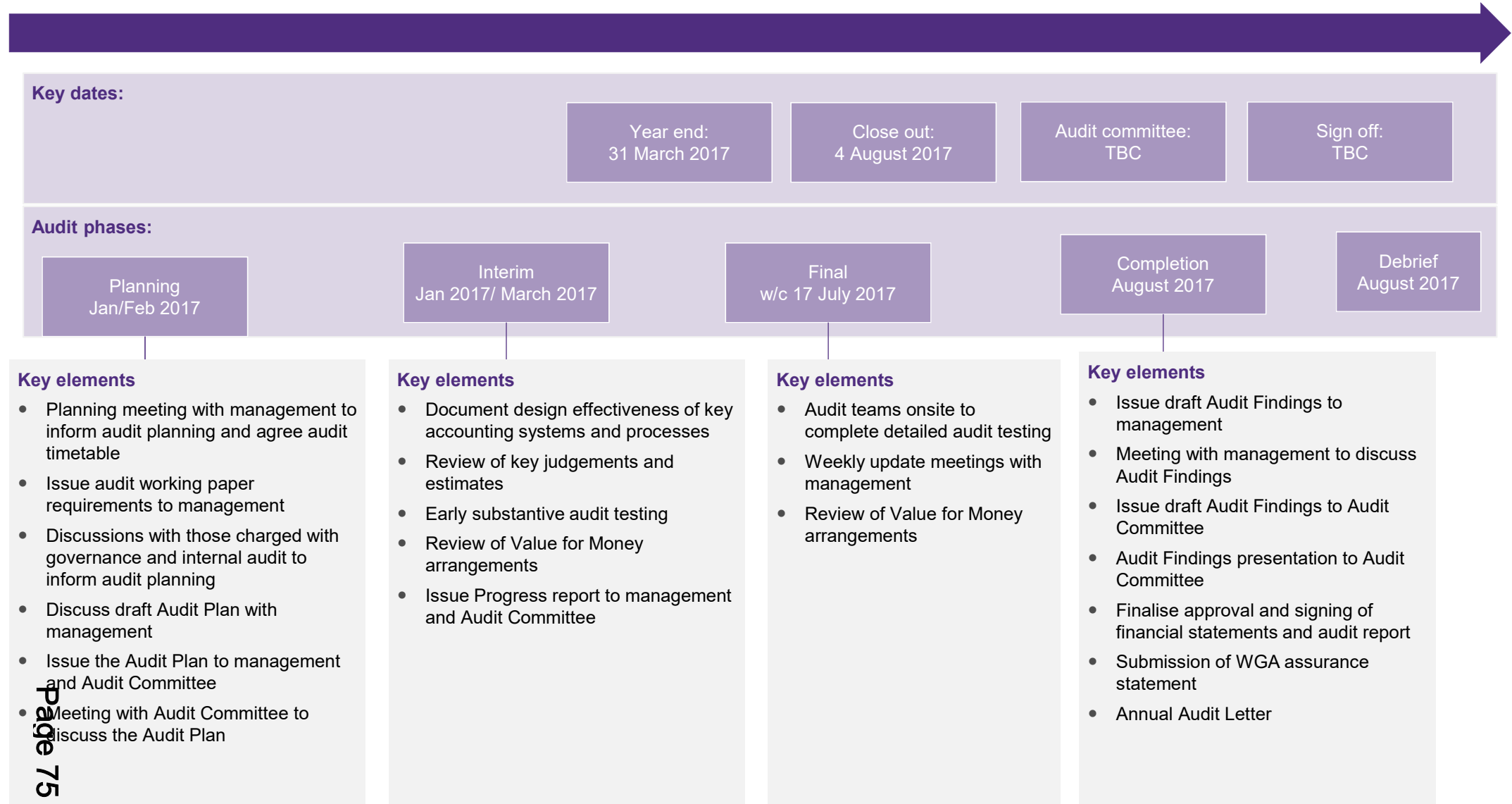
	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	At the year end we will undertake detailed testing on journal transactions, by extracting 'unusual' entries for further review.
Early substantive testing	We have undertaken early testing in the following areas: • Operating expenditure • Employee remuneration • Other revenues	Our early work has not identified any issues we wish to bring to your attention.

The audit cycle

The audit timeline

Key dates:

| Year end:
31 March 2017 | Close out:
4 August 2017 | Audit committee:
TBC | Sign off:
TBC |

Audit phases:

| Planning
Jan/Feb 2017 | Interim
Jan 2017/ March 2017 | Final
w/c 17 July 2017 | Completion
August 2017 | Debrief
August 2017 |

Key elements

- Planning meeting with management to inform audit planning and agree audit timetable
- Issue audit working paper requirements to management
- Discussions with those charged with governance and internal audit to inform audit planning
- Discuss draft Audit Plan with management
- Issue the Audit Plan to management and Audit Committee
- Meeting with Audit Committee to discuss the Audit Plan

Key elements

- Document design effectiveness of key accounting systems and processes
- Review of key judgements and estimates
- Early substantive audit testing
- Review of Value for Money arrangements
- Issue Progress report to management and Audit Committee

Key elements

- Audit teams onsite to complete detailed audit testing
- Weekly update meetings with management
- Review of Value for Money arrangements

Key elements

- Issue draft Audit Findings to management
- Meeting with management to discuss Audit Findings
- Issue draft Audit Findings to Audit Committee
- Audit Findings presentation to Audit Committee
- Finalise approval and signing of financial statements and audit report
- Submission of WGA assurance statement
- Annual Audit Letter

Page 75

Audit Fees

Fees

	£
Council audit	55,002
Grant Certification	6,210
Total audit fees (excluding VAT)	**61,212**

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list

- The scope of the audit, and the Council and its activities, have not changed significantly

- The Council will make available management and accounting staff to help us locate information and to provide explanations

- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited

- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business

- Feed back on your systems and processes, and identifying potential risks, opportunities and savings

- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community

- Regular sector updates

- Ad-hoc telephone calls and queries

- Technical briefings and updates

- Regular contact to discuss strategy and other important areas

- A review of accounting policies for appropriateness and consistency

- Annual technical updates for members of your finance team

- Regular Audit Committee Progress Reports

Independence and non-audit services

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Newcastle under Lyme Borough Council. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Audit related	Nil	N/a
Non-audit related	Nil	N/a

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Page 79

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE

Date   19 April 2017

HEADING　　　　　　**CODE OF CORPORATE GOVERNANCE**

Submitted by:　　　　Head of Audit & Elections

Portfolio　　　　　　Finance IT and Customer

Ward(s) affected　　All

Purpose of the Report

To remind Members of the requirements of the Code of Corporate Governance.

Recommendations

　　a)　**That the requirements of the amended Code of Corporate Governance be noted.**
　　b)　**A covering letter signed by the Chair and Vice Chair of the Audit and Risk Committee should be sent to all Members reminding them that a copy of the Code of Corporate Governance is available in the Members area on the Council's Intranet site**

Reasons

Good Governance is about how local authorities ensure that they are doing the right things, in the right way, for the right people in an open honest and accountable manner. In adopting the Code of Corporate Governance the authority is able to demonstrate that it is committed to ensuring that Good Governance is delivered in every aspect of its business.

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1. **Background**

　　1.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

　　1.2 Under the Accounts and Audit Regulations 2015, the Authority is required to produce an Annual Governance Statement (AGS). The AGS emphasises the importance of ensuring that the Authority has in place sound governance arrangements and transparent decision making processes

　　1.3 Alongside this requirement to produce the AGS, the Chartered Institute of Public Finance and Accountancy, (CIPFA) along with the Society of Local Authority Chief Executives (SOLACE) produced a framework for developing and maintaining a local Code of Corporate Governance.

　　1.4 The CIPFA/SOLACE framework which was first produced in 2007 was reviewed and updated in 2016 and applies to annual governance statements produced for the 2016/17 financial year. The new framework has been re-written and the previous 6 core principles have been replaced with a new set of principles, the old and new principles have been set out in the table below;

Former Core Principles	Revised Principles
Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
Members and Officers working together to achieve a common purpose with clearly defined functions and roles	Ensuring openness and comprehensive stakeholder engagement
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Defining outcomes in terms of sustainable economic, social, and environmental benefits
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Determining and planning the actions necessary to optimise the achievement of the intended outcomes
Developing the capacity and capability of members and officers to be effective	Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and officers
Engaging with local people and other stakeholders to ensure robust public accountability	Managing risks, performance and data through robust internal control and strong public financial management
	Implementing good practices in transparency, reporting, and assurance (including audit) to deliver effective accountability

2. Issues

2.1   Adoption of the CIPFA/SOLACE Delivering Good Governance in Local Government : Framework (2016), means that the Authority has been able to demonstrate that it has;
- reviewed the Governance arrangements, in line with best practice, and
- the Code of Corporate Governance is regularly reviewed to ensure that remains effective

2.2   The AGS which is produced alongside the Statement of Accounts will report publicly the extent to which the Authority is complying with our own Local Code of Corporate Governance. By producing this statement annually the Authority is able to demonstrate how the effectiveness of the governance arrangements have been monitored and report on any improvements or changes it plans to make in the coming year.

3. **Options Considered**

   Not applicable

4. **Proposal**

4.1 Code of Corporate Governance is provided as Appendix A

5. **Outcomes Linked to Corporate Priorities**

5.1 The adoption of the Local Code of Corporate Governance demonstrates that the Authority is complying with the principles of openness and inclusivity, integrity and accountability.

6. **Legal and Statutory Implications**

6.1 The Local Government Act 1999 places a duty on all local authorities to make arrangements to secure continuous improvement in the way that its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility the authority is also responsible for putting in place proper arrangements for the governance of its affairs.

6.2 It is also a requirement of The Accounts and Audit Regulations 2015 that the Council 'maintains an adequate and effective system of internal control in accordance with the proper internal audit practices'. Alongside this is the requirement to produce an Annual Governance Statement.

7. **Equality Impact Assessment**

7.1 There are no differential equality impact issues identified from this proposal.

8. **Financial and Resource Implications**

8.1 There are no resource implications for the AGS or the adoption of the new Local Code of Corporate Governance. Any resource requirements identified as a result of any action plans being drawn up to address any issues that arise out of the need to ensure compliance with any part of the Code will be brought to members as separate projects.

9. **Major Risks**

9.1 If sound governance arrangements are not in place the Authority is unable to demonstrate that it operates its business affairs in an open, honest and transparent way.

9.2 If sound governance arrangements are not in place, the Authority cannot give assurance that the Services being delivered provide value for money for the Council.

9.3 If sound governance arrangements are not in place managers are exposing their systems, processes and procedures to potential abuse from fraud and corruption.

10. **Key Decision Information**

   Not applicable

11. Earlier Cabinet/Committee Resolutions

Code of Corporate Governance - April 2016

12. List of Appendices

Appendix A: Code of Corporate Governance

13. Background Papers

'Delivering Good Governance in Local Government: Framework (2016)
Local Government Act 1999
Accounts and Audit Regulations 2015

Delivering Good Governance in Newcastle under Lyme Borough Council Local Code 2016

Introduction

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

In order for Members and Officers of Newcastle-under-Lyme Borough Council to deliver good governance they must whilst working to achieve the organisations objectives act in the public interest at all times.

Acting in the public interest requires a commitment to and effective arrangements for;

A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

B: Ensuring openness and comprehensive stakeholder engagement

Achieving good governance also requires a commitment to and effective arrangements for:

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

D: Determining and planning the actions necessary to optimise the achievement of the intended outcomes

E: Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and officers.

F: Managing risks, performance and data through robust internal control and strong public financial management.

G: Implementing good practices in transparency, reporting, and assurance (including audit) to deliver effective accountability.

Newcastle under Lyme Borough Council is committed to ensuring that the principles of good governance set out on A - G above flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. By making explicit our high standards of self-governance we aim to provide a lead to potential partners, to the public, private or voluntary sectors and to our citizens. This local code will set out how we aim to achieve this under the seven principles A – G as set out in Appendix A attached.

Appendix A – Local Code

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

This will include:

(a)   Behaving with integrity:

We will demonstrate this by;
- Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation,
- Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (Nolan Principles)
- Leading by example and using the above standard operating principles or values as a framework for decision making and other actions,
- Communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.

(b)   Demonstrating strong commitment to ethical values:

We will demonstrate this by;
- Seeking to establish, monitor and maintain the organisations ethical standards and performance,
- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisations culture and operation,
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.

(c)   Respecting the rule of law;

We will demonstrate this by;
- Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations
- Creating the condition to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements,
- Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders,
- Dealing with breaches of legal and regulatory provisions effectively,
- Ensuring corruption and misuse of power are dealt with effectively.

PRINCIPLE B:	Ensuring openness and comprehensive stakeholder engagement

This will include:

(a)   Openness:

We will demonstrate this by;
- Ensuring an open culture through demonstrating, documenting and communicating the organisations commitment to openness,
- Making decisions that are open about actions, plans, resource use, forecast, outputs and outcomes. The presumption is for openness, if this is not the case then the reason for keeping the decision confidential will be given,
- Providing clear reasons and evidence for decisions in both public records and explanations to stakeholders and being explicit about criteria, rationale and considerations used. In due course ensuring that the impact and consequences of those decisions are clear,
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

(b)   Engaging comprehensively with institutional stakeholders:

We will demonstrate this by;
- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably,
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively,
- Ensuring that partnerships are based on;
    - Trust
    - A shared commitment to change, and
    - A culture that promotes and accepts challenge among partners

(c)   Engaging with individual citizens and service users effectively:

We will demonstrate this by;
- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes,
- Ensuring that communication methods are effective and that members and officers are clear about their role with regards to community engagement,
- Encouraging and collecting the views and experiences of communities and citizens, service users and organisations of different backgrounds including reference to future needs,
- Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account,
- Balancing feedback from more active stakeholder groups to ensure inclusivity,

- Taking account of the impact of decisions on future generations of tax payers and service users.

PRINCIPLE C:	Defining outcomes in terms of sustainable economic, social, and environmental benefits

This will include:

(a)   Defining outcomes:

We will demonstrate this by;
- Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisations overall strategy, planning and other decisions,
- Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer,
- Delivering defined outcomes on a sustainable basis within the resources that are available,
- Identifying and managing risks to the achievement of outcomes,
- Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.

(b)   Sustainable economic, social and environmental benefits:

We will demonstrate this by;
- Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision,
- Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisations intended outcomes and short-term factors such as the political cycle or financial constraints,
- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, in order to ensure appropriate trade offs
- Ensuring fair access to services

PRINCIPLE D:	Determining and planning the actions necessary to optimise the achievement of the intended outcomes

This will include:

(a)   Determining Interventions:

We will demonstrate this by;
- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided,
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.

(b)   Planning Interventions:

We will demonstrate this by;
- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets,
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered,
- Considering and monitoring risks facing each partner when working collaboratively, including shared risks,
- Establishing appropriate key performance indicators (KPI's) as part of the planning process in order to identify how the performance of services and projects is to be measured,
- Ensuring capacity exists to generate the information required to review service quality regularly,
- Preparing budgets in accordance with objectives, strategies and the medium term financial plan (MTFS),
- Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.

(c)   .Optimising the achievement of intended outcomes:

We will demonstrate this by;
- Ensuring the MTFS integrates and balances service priorities, affordability and other resource constraints,
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term,
- Ensuring that the MTFS sets the context for on-going decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage,
- Ensuring the achievement of 'social value' through service planning and commissioning.

> **PRINCIPLE E:** Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and officers

This will include:

    (a)   Developing the councils capacity:

We will demonstrate this by;
- Reviewing operations, performance and use of assets on a regular basis to ensure its continuing effectiveness,
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently,
- Recognising the benefits of partnerships and collaborative working where added value can be achieved,
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

    (b)   Developing the capability of the entity's leadership and other individuals:

We will demonstrate this by;
- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained,
- Publishing a statement that specifies the types of decisions that are delegated to those reserved for the collective decision making of the governing body
- Ensuring that the leader and chief executive have clearly defined roles within a structure whereby the chief executive leads in implementing strategy and managing delivery of services and other outputs set by members and each provides a check and a balance for each other's authority,
- Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by;
  - Ensuring members and staff have access to appropriate induction tailored to their role and that on-going training and development matching the individual and organisational requirement is available and encouraged,
  - Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis,
  - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.
- Ensuring that there are structures in place to encourage public participation,
- Taking steps to consider the leaderships own effectiveness and ensuring leaders are open to constructive feedback from peer reviews and inspections,
- Holding staff to account through regular performance reviews which take account of training or development,

- Ensuring arrangements are in place to maintain the health and well being of the workforce and support individuals on maintaining their own physical and mental well-being.

PRINCIPLE F: Managing risks, performance and data through robust internal control and strong public financial management

This will include:

(a)   Managing Risk:

We will demonstrate this by;
- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively,
- Ensuring that responsibilities for managing individual risks are clearly allocated

(b)   Managing Performance:

We will demonstrate this by;
- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review,
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook,
- Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after the decisions are made thereby enhancing the organisations performance and that of any organisation for which it is responsible,
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement
- Ensuring there is consistency between specific stages e.g. budgets and post implementation e.g. financial reporting

(c)   Robust internal control:

We will demonstrate this by;
- Aligning the risk management strategy and policies on internal control with achieving objectives,
- Evaluating and monitoring risk management and internal control on a regular basis
- Ensuring effective counter fraud and anti-corruption arrangements are in place,
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring the Audit & Risk committee which is independent of the executive and accountable to the governing body;
  - Provides a further source of effective assurance regarding arrangements for manging risk and maintaining an effective control environment,
  - That its recommendations are listened to and acted upon

(d)   Managing Data:

We will demonstrate this by;
- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data,
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies,
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

(d)   Strong public financial management:

We will demonstrate this by;
- Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance,
- Ensuring well-developed financial management is integrated at all levels of planning and control including management of financial risks and controls.

> **PRINCIPLE G: Implementing good practices in transparency, reporting, and assurance (including audit) to deliver effective accountability**

This will include:

(a)   Implementing good practice in transparency:

We will demonstrate this by;
- Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate,
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

(b)   Implementing good practice in reporting:

We will demonstrate this by;
- Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way,
- Ensuring members and senior managers own the results reported,
- Ensuring robust arrangements for assessing the extent to which the principles contained in this local code have been applied and publishing the results of this assessment, including an action plan for improvement and evidence to demonstrate good governance.
- Ensuring that this local code is applied to jointly managed or shared services as appropriate,
- Ensuring that performance information that accompanies the financial statements is prepared on a consistent and timely basis and that the statements allow for comparison with other similar organisations.

(c)   Assurance and effective accountability:

We will demonstrate this by;
- Ensuring that recommendations for corrective action made by external audit are acted upon,
- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon,
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations,
- Gaining assurances on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement,
- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE

Date   19 April 2017

HEADING   **Counter Fraud Arrangements**

Submitted by: Head of Audit & Elections (Monitoring Officer)

Portfolio   Finance IT and Customer

Ward(s) affected   All

Purpose of the Report

The council is committed to providing an effective Counter Fraud function which is supported by an effective policy framework. Theft, fraud, corruption and bribery are all criminal offences; the council is committed to the highest standards of integrity and will not tolerate them in any form. By having an anti fraud and anti corruption framework in place this demonstrates our zero tolerance to any form of fraudulent activity, it is important that the existing framework is reviewed and updated to take into account new legislation, procedures and best practice.

Recommendation

 That the following policies which support the Counter Fraud function be noted;
 a) **Anti-Fraud and Anti-Corruption Framework,**
 b) **Fraud Response Plan**
 c) **the Whistleblowing Policy and the**
 d) **Anti-Money Laundering Policy**

Reasons

These policies are regularly reviewed to ensure that they remain relevant for the authority. There have been no new legislative changes since the last review and therefore the policies remain unchanged in this respect. There have only been minor changes to reflect changes to job titles.

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1.   **Background**

1.1 Fraud and corruption present risks to all sectors of the UK Economy whether they are the public, private or third sectors. The impact of both fraud and corruption on organisations can have a significant effect through the disruption of services or undermining the achievement of the organisations objectives. Official estimates[1] show the value lost to fraud to be significant. To assist organisations in identifying the risks of Fraud, CIPFA has produced a Code of Practice on Managing the Risk of Fraud and Corruption ("the Code") which has five principles;

 • Acknowledge the responsibility of the governing body for countering fraud and corruption

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[1] Experian PKF Littlejohn and the University of Portsmouth Centre for Counter Fraud Studies Annual Fraud Indicator 2016 estimates Public Sector Fraud to be at £37.5bn per year

- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy, and
- Take action in response to fraud and corruption

1.2 The policies that this Council has in place demonstrate our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. We encourage people with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The Whistle-blowing Policy is intended to encourage and enable people with concerns about a potential fraud or corruption, in any aspect of the Council's work, to raise these with the Council rather than overlooking a problem or raising them with external bodies first.

1.3 The Anti- Fraud & Anti-Corruption Framework, the Whistleblowing Policy Fraud Response Plan, and the Anti -Money Laundering Policy are approved annually as part of the Council's Constitution.

1. 4 The prevention of fraud and protection of the public purse is everyone's business and it is important that all staff know how to recognise a fraud, how to prevent it and more importantly what to do if they suspect they have come across a fraud.

1.5 The Anti-Fraud and Anti-Corruption Framework, Fraud Response Plan, Whistleblowing Policy and Anti-Money Laundering Policy are a range of policies in place that are designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage and then deal with any subsequent investigations in a prompt, thorough and professional manner.

2. **Issues**

2.1 The Council is committed to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. These documents demonstrate that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation. These policies are reviewed every two years with the proviso that should there be the introduction of any new legislation or best practice guidance that they are then reviewed sooner to take account of this. There have been no changes to the policies that were brought before the committee last year other than an update to reflect changes in job titles. A full review is scheduled for 2017/18 and these will be brought to the committee next year as part of the committees work plan. Copies of the policies have not been appended to this report, however members can request a copy if required.

2.2 In order to demonstrate this commitment the Council has an annual subscription with Public Concern at Work an independent legal charity with over 10 years experience of running a confidential helpline for employees and members. Public Concern at Work has given practical, confidential advice nationally on over 2500 whistleblowing concerns. Their approach is that any concerns that an employee or member has can be raised openly and that the organisation then has an opportunity to investigate and address the concern.

2.3 A Fraud Awareness Guide is available for all Managers; this guide outlines the Borough Council's commitment to the protection of public funds and the necessity for harnessing resources in order to minimise losses arising from fraudulent conduct. The guide gives details of;

- The identification of the types of fraud,
- How fraud occurs,
- Examples of behaviour that might indicate fraud,
- Indicators of potential fraud in a system,
- Advice to management and staff re:fraud and corruption, and
- Reporting of conduct that may be fraudulent

Within the guide is also a Self Assessment checklist for managers to complete for their own service area which will enable them to undertake an assessment of any key areas of risk within their own area.

2.4   A Corporate Fraud Action Plan has been developed and a programme of awareness raising initiatives has been and will be rolled out across the organisation. Examples of this include Whistleblowing. Previously we have rolled out training in relation to whistleblowing and undertaken various poster campaigns throughout council buildings. During 2017/18 we plan to run some e-learning training to raise the knowledge and awareness of staff in relation to what constitutes Bribery and the issues that they need to be aware of. This will be delivered through a package that has been developed by the CIPFA Counter Fraud Centre.

2.5   The council continues to work with Stoke-on-Trent City Council to form a North West Staffordshire Corporate Fraud Team. This also includes Staffordshire County Council and a number of Housing Associations, one of which is ASPIRE housing. This collaboration was successful in securing funding to set up a unit that is designed to tackle all aspects of 'corporate fraud'. Service Level Agreements have now been agreed and during 2017/18 this joint venture will see the set-up of a data hub which will allow all the organisations to share information across the different service areas and will also incorporate the award winning 'Spot the Cheater' campaign being rolled out across Borough.

2.6   Since May 2015 the Council's Corporate Fraud Officer has been part of the Internal Audit Team who in addition to working with the North West Staffordshire Corporate Fraud Team has been investigating cases of non-benefit fraud which have included Single Person Discount Fraud (SPD) and Council Tax Reduction Fraud, Blue Badge and undeclared residences. During 2016/17 110 cases have been investigated, these cases have been referred via a combination of internal referrals from the Revenues and Benefits Department, joint cases with the DWP and also calls made to the Whistleblowing hot line. The total amount of public money recovered from these cases equates to around £62K.

2.7   Information and details on how members of the public can make a referral are available on the council's website. With the development of the Fraud Hub this will see the introduction of a case management and referral system that will enable detailed reporting which will also include the facility to provide statistical analysis and details of costs recovered etc.

2.8   In addition for a number of years now the Council has been a member of the Midlands Fraud Forum (MFF). The forum includes both public and private sector organisations whose aim is to combat the risk of fraud and to raise the awareness of the risks at both a personal and business level.

3.   **Options Considered**

3.1   To review and adopt these documents ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of the Publics money.

3.2 Not to adopt these policies would leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Outcomes Linked to Corporate Priorities**

The strategies demonstrate that the Council is committed to ensuring the best use of resources and enable the prevention and detection of fraud and corruption at the earliest opportunity.

5 **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

6. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

7. **Financial and Resource Implications**

The cost of an annual subscription to Public Concern at work is £700 per annum plus ten pence per employee, which based on 500 employees makes the total subscription, cost £750.

8 **Major Risks**

The risk of not having these strategies in place would mean that staff have no guidance on what to do in the event that they may suspect that fraud or corruption is being committed. This in turn may hamper any investigation required to yield a satisfactory conclusion.

The existence of these polices mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.

Formal risk assessments in respect of Fraud Awareness and the Bribery Act have been completed.

9. **Key Decision Information**

Not applicable

10. **Background Papers**

Internal Audit Files
Experian PKF Littlejohn and the University of Portsmouth Centre for Counter Fraud Studies Annual Fraud Indicator 2016

CIPFA – Managing the Risk of Fraud and Corruption

CIPFA \ performance in public services

External Quality Assessment of Newcastle Under-Lyme Borough Council's Internal Audit Service to the Public Sector Internal Audit Standards

Final Executive Summary Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Internal QA: Technical Manager, CIPFA, Professional Standards & Guidance

4th April 2017

Review of Newcastle-Under-Lyme Borough Council's Internal Audit Service – January/February 2017

Introduction

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised April 2016). The standards require periodic self-assessments and an assessment by an external person every five years.

Background

Newcastle-Under-Lyme Borough Council's (NULBC) Internal Audit is based at the Civic Centre and only provides internal audit services to Newcastle-Under_Lyme Council. The team comprises 3.8 full time equivalent experienced and qualified staff, and have access to external specialists for computer audit on a contract basis.

The service has been operating under PSIAS for over three years, so this was deemed a good time for their first external review against the standards and the local government application note (LAGN) produced by CIPFA.

Review Process

The review was carried out between the 30th January and 3rd February 2017 through a process of interviews with employees of NULBC's Internal Audit Service, key officers within the Council, the Chair and Vice Chair of the Audit and Risk Committee, and document review. With regard to the latter, NULBC provided a comprehensive range of documents that were available for examination prior to and during this review. This included the services self-assessment against the PSIAS; quality assurance and improvement plan (QAIP); the audit manual and audit protocol; individual audit reports and supporting records; and a range of reports and communications that demonstrate the flow of information between Internal Audit and the Audit and Risk Committee.

All of these documents were made available to the reviewer and whilst they all contributed to the process, the following documents are regarded as fundamental and a major contributor to the review process:

- the audit charter and audit committee terms of reference;
- progress reports to the audit committee for the Council;
- Head of audit's annual report and opinion to the audit committee;
- audit plan and covering report to the audit committee;
- audit manual;
- individual audit reports and working papers;
- staff declarations of interest; and
- staff training and development records.

Conclusion and Opinion

From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards have been identified that would affect the

overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance.

On this basis it is our opinion that Newcastle-Under-Lyme Borough Council's Internal Audit Service generally conforms to the requirements of the Public Sector Internal Audit Standards. It is also our opinion that they generally conform to the requirements of the Local Government Application Note.

Two areas of partial compliance have been identified. The agreed action plan at appendix 1 sets out some practical recommendations (R) to address these issues and improve conformity with the standards.

Some practical suggestions have also been made to assist Newcastle-Under-Lyme Borough Council's Internal Audit Service with its continuous improvement and development programme. These primarily relate to the internal operations of the Internal Audit Service and not their conformity with PSIAS, and comprise minor enhancements to the policies, procedures, and manuals used by the service; individual audit reports; reports to management and the Audit and Risk Committee; and the use of computer assisted audit techniques. These are set out in detail in the full report. Some suggestions relating to the enhancement of the audit charter were incorporated into the revised charter for 2017/18 as the Head of Audit and Elections was revising this document during the review processes.

A list of the individuals interviewed during the review is included as appendix 2.

The Head of Audit and Elections has been provided with details of the areas where there is scope to enhance conformity with the standards and incorporate good practice into their operations.

Ray Gard, CPFA, FCCA, FCIIA, DMS

Summary findings and recommendations

Standard	Compliance	Findings	Recommendations and Suggestions	No
Attribute standards				
1000 Purpose, authority and responsibility	**Partially Conforms**	The terms board, senior management and the chief audit executive (CAE) are all defined in the charter. The CAE has line management responsibilities for services that are subjected to review by internal audit and there is a mechanism in place to ensure that the CAE's integrity and objectivity is not impaired. The audit charter provides an adequate description of assurance services and consultancy services. The CAE's annual report for 2016/17 will also need to include these definitions. As consulting activity is likely to expand during the coming months, the audit charter and audit protocol should be revised to incorporate a section on consulting services. The audit charter makes reference to compliance with the definition of internal audit and to PSIAS, and the code of ethics for the professional bodies that the staff are members of. Compliance with the code of ethics for internal audit is not in the 2015/16 CAE's annual report so this	Include a definition for assurance and consulting services are included in the CAE's annual report and opinion for 2016/17. Expand the CAE's annual report and opinion for 2016/17 should be expanded to include compliance with the code of ethics for internal auditors and the core principles for internal audit. Reference must also be made to compliance with the CIPFA Local Government Application Note, as this is mandatory within UK local government organisations.	R1 R2

Standard	Compliance	Findings	Recommendations and Suggestions	No
		should be added to the CAE's annual report for 2016/17.		
1100 Independence and objectivity	**Generally Conforms**	The CAE reports to the Section 151 officer. In addition to being the Council's CAE they are also the Monitoring Officer and also manages the Election service. Internal audit reports to the Audit and Risk (A&R) Committee and the CAE has direct access to the chair of the committee, although this is not covered in the terms of reference for the A&R committee. The service is free from interference in determining the scope of their work and reporting. Independence and objectivity is maintained and there are processes in place to deal with potential or actual impairments (see 1000 above).	No recommendations have been made for this standard	
1200 Proficiency and due professional care	**Generally Conforms**	The CAE holds a relevant CCAB qualification, being CPFA qualified. The internal audit team is experienced and qualified to Technician level with both team members in post being MAAT qualified. The team also has a qualified dedicated fraud specialist. The CAE has an understanding of IT risks and controls, but this knowledge is limited amongst the rest of the team who need to	Enhance the knowledge and understanding of IT risks and controls for the Audit Technicians by implementing the action point on the QAIP	R3

Standard	Compliance	Findings	Recommendations and Suggestions	No
		be developed in this area of activity. This issue has been identified by the CAE and is on the services QAIP.		
		For specialist technical reviews, they buy in specialist ICT auditors on an annual contract.		
		The CAE has an understanding of computer assisted audit techniques (CAATs) and the service has had an IDEA licence in the past, although they do not currently have a current licence for IDEA or any other CAATs application. The CAE is however aware that they may need to develop the use of this application to test routine systems on a regular basis as this could free up staff resources to undertake audits that cannot be carried out by electronic means.		
		The team has an audit manual and an audit protocol, and well-established working papers and methodologies. At the time of the EQA, the service was in a transition phase between audit management systems. The old system, APACE, had been de-commissioned as the licence had expired, and the new system, Pentana, was in the final stages of user acceptance testing and transferred from the 'test environment' to the 'live environment' during the EQA site visit.		

Standard	Compliance	Findings	Recommendations and Suggestions	No
		Consequently most working papers for 2015/16 were held as word or excel files on internal audit's shared dive.		
		A risk based approach is applied to each audit assignment. There is a robust supervision and review process in place with the CAE performing this function for all working papers, draft and final audit reports.		
		Staff development and CPD are linked to the employees annual appraisals and development programme, with data being held in the councils HR application		
1300 Quality assurance and improvement programme	Generally Conforms	Both internal and external assessments are used as part of the quality assurance and improvement programme. The Head of Audit and Elections undertakes a self-assessment against PSIAS annually.

CIPFA has been commissioned to undertake the full EQA review and the outcome of this review will be reported to the A&R Committee. The EQA review took place in January & February 2017.

The outcomes of the annual self assessment and the pre-EQA review by the IIA have been reported to the A&R Committee.

The annual report includes a statement stating that the service has complied with | The CAE's annual report and opinion for 2016/17 should be expanded to include compliance with the code of ethics for internal auditors and the core principles for internal audit. Reference must also be made to compliance with the CIPFA Local Government Application Note as this is mandatory within UK local government organisations. (see above) | R2 |

Standard	Compliance	Findings	Recommendations and Suggestions	No
		PSIAS but the 2015/16 report did not mention the definition for internal audit, the code of ethics or the local government application note. This should be added to the CAE's annual report for 2016/17. Individual audit reports do not currently refer to the fact that the audit has been performed in accordance with the requirements of PSIAS or ISPPIA. This should be added to the report template currently being finalised in Pentana. The 2015/16 annual report also does not include a section regarding any impairments to independence or objectivity.		
Performance standards				
2000 Managing the internal audit activity	**Partially Conforms**	The planning process uses the internal audit's risk assessments, the outcomes from previous audits and discussions with senior managers. The plan does not make full use of the strategic risk register and does not use the operational risk registers as the CAE feels that these are not sufficiently mature to add value to the audit planning process. The risk assessment processes should be reviewed as the majority of the key financial systems tend to score as high risk and	Align the IA plan with the priorities in the Council's strategic plan 2015-18. This could be achieved by mapping the audits in the audit universe within Pentana to the priorities. Align the IA plan with the Council's strategic risk register. Again this could be achieved within the Pentana application. Ensure the key risks from the	R4 R5 R6

Standard	Compliance	Findings	Recommendations and Suggestions	No
		have been audited on an annual basis, regardless of the fact that most are well controlled and few if any recommendations are made.	operational risk registers are covered in the audit plan	
		Comprehensive policies and procedures, an audit manual and an audit protocol underpin the planning process.		
		The 2016/17 audit plan is not aligned to the Council's objectives and strategies.		
		The service does not have a separate strategic statement setting out how the CAE will deliver the internal audit service. Instead, the CAE has set out how the service will be delivered in the annual audit plan report to committee.		
		Resource management is also covered in both the audit charter and the audit plan report. Whilst these documents provide information regarding the service having sufficient resources, they do not mention that the service also has sufficient skills to deliver the service.		
		Reference is included in the audit charter, annual report, and audit protocol regarding coordination of resources, reporting etc refers to sharing information with the external auditor.		
		Reports to the A&R Committee are informative and are usually made on a		

Standard	Compliance	Findings	Recommendations and Suggestions	No
		quarterly basis. However, due to the de-commissioning of the old APACE audit management system it has not been possible to provide detailed information for the A&R committee for the September and November 2016 meetings. Consequently, briefing papers were tabled at these two meetings rather than full progress reports. Regular reports are sent to the Corporate Management Team and the Statutory Officers group.		
2100 Nature of work	**Generally Conforms**	The audit processes and methodology are set out in the audit manual and the risks, controls and audit objectives are recorded in the working papers. These are also included in the new Pentana application. The audit service assesses the adequacy of governance, risk, and IT governance arrangements as part of their audit activity as well as the control environment. At present, the service audits most of the key financial services on an annual basis even though 'well controlled' assurance opinions have been issued on the services for a number of years, often with no recommendations. Consideration should be given to moving the audit of these services to a less frequent timetable and redirecting audit resources to areas of	No recommendations have been made for this standard	

Standard	Compliance	Findings	Recommendations and Suggestions	No
		greater risk. The service has not been engaged to carry out consulting assignments in the past so this area of activity is not currently covered in the audit manual or the audit protocol. However, indications from senior management suggest this area of activity is likely to become an element of the services provided by internal audit in the future.		
2200 Engagement planning	**Generally Conforms**	There is a robust planning process in place for all engagements based on internal audits risk assessments, the outcomes from previous audits and discussions with senior managers. Comprehensive policies and procedures, an audit manual, and an audit protocol underpin the planning and audit process. Detailed terms of reference are produced for each audit setting out the objectives, risks, key controls, information required for the audit, and time scales for the audit, but not the distribution schedule for the draft or final audit reports. Each assurance assignment includes an evaluation of the risks, governance and controls. Where opportunities to add value to the service are identified these are also reported to management.	No recommendations have been made for this standard	

Standard	Compliance	Findings	Recommendations and Suggestions	No
2300 Performing the engagement	**Generally Conforms**	The audit manual sets out the methodologies for carrying out the audits. The review process ensures that each audit is undertaken in accordance with the audit manual and methodologies, and the core principles for internal audit. Sufficient and relevant evidence is obtained for the audits and recorded in the audit files and set out in the audit reports. Going forward this will also be recorded in the Pentana application. Access control is applied to the audit records. The service has a records retention policy in place.	No recommendations have been made for this standard	
2400 Communicating the results	**Partially Conforms**	The results of audit assignments are communicated to senior managers, the section 151 Officer, and those officers responsible for managing the services that have been reviewed. The results of all completed audit are reported to the A&R Committee and those with 'less than adequately controlled' assurance audits are discussed in detail at the committee meetings Whilst all audit work carried out conforms to PSIAS, the code of ethics and the definition for internal audit, and this is confirmed in the CAE's annual report, a similar paragraph is not included in each individual audit report. Including such a paragraph would enhance the reputation of	Expand the CAE's annual report to include the Council's risk management and governance arrangements as well as the control environment. Add a statement to the CAE's annual report regarding compliance with the definition for internal audit, the code of ethics, PSIAS, the CIPFA Local Government Application Note and the seven principles of public life.	R7 R8

Standard	Compliance	Findings	Recommendations and Suggestions	No
		the service. This issue has been identified by the CAE and is on the services QAIP, so including this as an improvement suggestion in this report will not add any further value to the service.		
		Similarly should a situation arise where an audit does not conform, a statement should be included in the individual audit reports setting out the reasons for the non conformance		
		The annual report for 2015/16 only gave an assurance opinion on the Council's control environment and did not cover the Council's governance and risk management arrangements. This needs to be added to the opinion in the CAE's annual report.		
		The annual report for 2015/16 did not include a statement stating that the service complies with the definition of internal audit, the code of ethics, PSIAS, and the seven principles of public life. It is recommended that that this is added to the annual report for 2016/17.		
2500 Monitoring progress	**Generally Conforms**	Progress on delivering the audit plan is reported to the A&R Committee. Performance indicators are set by the CAE in line with those used throughout the Staffordshire internal audit services and	No recommendations have been made for this standard	

Standard	Compliance	Findings	Recommendations and Suggestions	No
		are monitored on a quarterly basis. Management's progress on implementing recommendations is monitored by internal audit. Where applicable follow up reviews are undertaken although a revised audit opinion is not normally issued if the recommendations have been implemented. Progress on the implementation of recommendations is reported to the A&R Committee		
2600 Communicating the acceptance of risks	**Generally Conforms**	The communication of the acceptance of risk is covered by the audit manual and audit protocol. There is an escalation process through the Statutory Officers Group and the A&R Committee if internal audit believe management is accepting a level of risk greater than the Council's risk appetite.	No recommendations have been made for this standard	
Code of Ethics	**Generally Conforms**	The service is conforming to the code of ethics for internal audit although this is not specifically referred to in the 2015/16 annual report. This is covered under standard 2400 above.	A statement is added to the CAE's annual report regarding compliance with the definition for internal audit, the code of ethics, PSIAS, the CIPFA Local Government Application Note and the seven principles of public life.	R4
Mission	**Generally Conforms**	The draft audit charter for 2017/18 includes the mission statement as required by the revised (2016) PSIAS	No recommendations have been made for the mission	

Standard	Compliance	Findings	Recommendations and Suggestions	No
Core principles of internal audit	**Generally Conforms**	Overall the internal audit service conforms to the core principles of internal audit although they are not set out in the audit charter and should be added at the next revision. A paragraph stating that the service complies with the core principles should also be included in the Head of Audit and Elections annual report for 2016/17. The CAE believes the service is currently operating at the minimum level to provide an adequate audit service and she is conscious that there is no cover for her post should the need arise. The S151 officer also believes that the service is lean, whilst the Chief Executive would like Internal Audit to develop into a service that could undertake VFM and consulting assignments. Both officers acknowledge that this will be difficult to achieve with the current limited resources. A solution to this problem will however need to be found if the service is to become the insightful, proactive and forward thinking service that senior management clearly want.	Add the core principles for internal audit to the audit charter at the next revision. Look to strengthen the service by exploring options to support the Head of Audit and Elections whilst remaining within the current budget allocation. This could be through creating a principle auditor post to take on the deputy role; or seconding staff into the section on a temporary basis; or partnering with another authority or public sector internal audit provider for additional resources; or entering into a full shared service arrangement	R9 R10

Appendix 1: action plan

Recommendations

No	Recommendation	Response	Responsible Person	Action date
R1	Include a definition for assurance and consulting services are included in the CAE's annual report and opinion for 2016/17.	Agreed this will be included in the Annual Report for 2016/17	Head of Audit & Elections – Liz Dodd	31 July 2017
R2	Expand the CAE's annual report and opinion for 2016/17 should be expanded to include compliance with the code of ethics for internal auditors and the core principles for internal audit. Reference must also be made to compliance with the CIPFA Local Government Application Note as this is mandatory within UK local government organisations.	Agreed this will be included in the Annual Report for 2016/17	Head of Audit & Elections – Liz Dodd	31 July 2017
R3	Enhance the knowledge and understanding of IT risks and controls for the Audit Technicians by implementing the action point on the QAIP	Agreed – this area of work continue to be developed alongside the work programme of the Staffs Chief Auditors Computer Sub Group, which both of the Audit Technicians attend.	Head of Audit & Elections – Liz Dodd	31 March 2018
R4	Align the IA plan with the priorities in the Council's strategic plan 2015-18. This could be achieved by mapping the audits in the audit universe within Pentana to the priorities.	This will be reviewed during 2017/18 through the use of Pentana	Head of Audit & Elections – Liz Dodd	31 March 2018
R5	Align the IA plan with the Council's strategic risk register. Again this could be achieved within the Pentana application.	This will be reviewed during 2017/18 through the use of Pentana	Head of Audit & Elections – Liz Dodd	31 March 2018

No	Recommendation	Response	Responsible Person	Action date
R6	Ensure the key risks from the operational risk registers are covered in the audit plan	This will be reviewed during 2017/18 through the use of Pentana	Head of Audit & Elections – Liz Dodd	31 March 2018
R7	Expand the CAE's annual report to include the Council's risk management and governance arrangements as well as the control environment.	Agreed this will be included in the Annual Report for 2016/17	Head of Audit & Elections – Liz Dodd	31 July 2017
R8	Add a statement is added to the CAE's annual report regarding compliance with the definition for internal audit, the code of ethics, PSIAS, the CIPFA Local Government Application Note and the seven principles of public life.	Agreed this will be included in the Annual Report for 2016/17	Head of Audit & Elections – Liz Dodd	31 July 2017
R9	Add the core principles for internal audit to the audit charter at the next revision.	Agreed this will be added to the next revision of the Charter	Head of Audit & Elections – Liz Dodd	31 March 2018
R10	Look to strengthen the service by exploring options to support the Head of Audit and Elections whilst remaining within the current budget allocation. This could be through creating a principle auditor post to take on the deputy role; or seconding staff into the section on a temporary basis; or partnering with another authority or public sector internal audit provider for additional resources; or entering into a full shared service arrangement.	Options will be discussed with the Section 151 Officer and there will be a continual look at the way we can develop the service through shared resource or partnering	Head of Audit & Elections – Liz Dodd	31 March 2018

Appendix 2: Interviewees

Person	Position	Organisation
Liz Dodd	Head of Audit and Elections (and Monitoring Officer)	Newcastle-Under-Lyme Borough Council
John Sellgren	Chief Executive Officer	Newcastle-Under-Lyme Borough Council
Kelvin Turner	Executive Director of Resources & Support Services (and Section 151 Officer)	Newcastle-Under-Lyme Borough Council
Dave Adams	Executive Director Operational Services	Newcastle-Under-Lyme Borough Council
Jane Spencer	Benefits Manager	Newcastle-Under-Lyme Borough Council
Sarah Moore	Partnerships Manager	Newcastle-Under-Lyme Borough Council
Nesta Barker	Head of Environmental Services	Newcastle-Under-Lyme Borough Council
Sarah Pickup	Chair of Audit and Risk Committee	Newcastle-Under-Lyme Borough Council
Sylvia Diamond	Vice Chair of Audit and Risk Committee	Newcastle-Under-Lyme Borough Council
Phil Evans	Audit Technician	Newcastle-Under-Lyme Borough Council
Phil Templeton	Audit Technician	Newcastle-Under-Lyme Borough Council
Tony Marshall	Agency Audit Technician	Newcastle-Under-Lyme Borough Council