

Public Document Pack

Date of meeting Monday, 18th February, 2013
Time 7.00 pm
Venue Training Room No1. Civic Offices, Merrial Street,
Newcastle, Staffs
Contact Peter Whalan

Audit and Risk Committee

AGENDA

PART 1– OPEN AGENDA

- 1 Apologies for Absence**
- 2 DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETING** (Pages 1 - 6)
To consider the minutes of the previous meeting held on 5 November 2012.
- 4 MANAGEMENT REVIEW OF THE IMPACT OF THE RE-STRUCTURING OF THE PARK ATTENDANT SERVICE** (Pages 7 - 14)
To consider a briefing note submitted by the Council's Head of Operations on the above matter.
- 5 Corporate Risk Management Report October to December 2012** (Pages 15 - 30)
- 6 Adoption of Internal Audit High Risk Recommendations and Summary of Assurance - 1 October to 31 December 2012** (Pages 31 - 36)
- 7 Internal Audit Progress Report - Quarter 3 2012/13** (Pages 37 - 50)
- 8 Internal Audit Plan 2013/14** (Pages 51 - 68)
- 9 Review of the Internal Audit Strategy 2013 to 2016 and the Internal Audit Section Terms of Reference** (Pages 69 - 84)
- 10 Planned Audit Fee 2012/13** (Pages 85 - 90)
- 11 Certification Work Report 2011/12** (Pages 91 - 102)
- 12 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors Loades, Waring, Jones, Mrs Peers, Turner and Stringer (Vice-

Chair)

'Members of the Council: If you identify any personal training / development requirements from the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Committee Clerk at the close of the meeting'

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

AUDIT AND RISK COMMITTEE

Monday 5 November 2012

Present:- Councillor P Waring – in the Chair

Councillors Miss Baker, Jones and Turner

Also in attendance:

Phil Butters – Independent Member

David Jenkins – District Auditor

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Loades and Mrs Peers.

2. DECLARATIONS OF INTEREST

There were none.

3. MINUTES OF PREVIOUS MEETING

Resolved:- That the minutes of the meeting held on 27 September 2012 be approved as a correct record.

4. HEALTH AND SAFETY HALF YEARLY UPDATE REPORT

Consideration was given to the above report that provided details of issues and trends regarding health and safety at the Council.

The report was the seventh of its kind to committee and covered the period April to September 2012.

It was indicated that the Council's health and safety policy applied to all employees and that training was available to all staff as required.

The committee was advised that failure to adopt best practice health and safety standards could result in wastage of council resources and the provision of an inefficient service.

Details of accident reporting and workplace inspections carried out since consideration of the last report were set out together with details of matters discussed by the Corporate Health and Safety Committee.

It was indicated that recommendations made following an independent audit of the Council's Health and Safety Management and Operations at the Central Depot in 2009 had been implemented and that the recommendations of an audit undertaken in 2012 together with an action plan had been reported to the Corporate Health and Safety Committee in June 2012.

Overall there had been significant improvements in Health and Safety arrangements of the Council since the above audits and actions plans had been prepared for those areas where a need for improvement had been identified. Progress against the audit

recommendations was to be reported to the Corporate Health and Safety Committee in December and in the annual report for 2012/13.

A short discussion took place on the impact on the Council and its staff of emerging legislation and revised HSE guidance and it was agreed that the implications should continue to be closely monitored by the officers and, where appropriate, bring reports brought to future meetings of this committee for consideration.

It was hoped that the new legislation would reduce the need to report to the Health and Safety Executive.

In conclusion, it was indicated that following the recent retirement of the Council's Corporate Health and Safety Officer, a review of the future delivery of the service was being undertaken.

Resolved:- (a) That the report be received.

(b) That the officers continue to monitor the likely implications of emerging legislation and revised HSE guidance, and where appropriate, bring reports to the committee for consideration.

(c) That the minutes of each meeting of the Corporate Health and Safety Committee be forwarded to the Chairman of this committee.

5. CORPORATE RISK MANAGEMENT REPORT FOR THE PERIODS JULY TO SEPTEMBER 2012

Consideration was given to a report providing an update on progress made by the Council in enhancing and embedding risk management for the above period, including progress made in managing identified risks.

The report outlined action authorised by the Cabinet to control a risk identified around a failure to make services savings for recycling in 2012/13 and 2013/14 and also highlighted the Council's current most significant risks.

The report also provided details of emerging legislation that could have an impact on the Council.

In response to a question asked at the previous meeting, the officers were able to confirm that in terms of risk management this Council compared very favourably with those other councils looked at.

Furthermore, and in response to comments made at the last meeting, it was indicated that the importance of including risk profiles in committee reports had been impressed upon the Council's managers.

The committee had the opportunity to examine the risk register attached to the report as an appendix and asked questions on item 1 (reputational damage), item 2 (potential claims growth), item 3 (overall budget realisation fails), item 6 (stock condition survey) and item 8 (fall in interest ratio).

Having regard to item 6 in the register, the committee was advised that the Council's Asset Manager Strategy was currently being updated with a view to it going forward for scrutiny and then to Cabinet for approval.

On item 1 it was considered that the officers should not only look at the risks of doing things in a certain way but also the benefits that might be achieved of doing things in a certain way.

On item 2 it was agreed that the comments made in the “Action required to address risk” should be re-examined by the officers and reported to the next meeting. Finally it was considered that the comments for item 8 should be expanded and that comments made on the remaining 2 items be reported upon at the next meeting.

Resolved:- (a) That the report be received and the new risks identified between July and September 2012 be noted.

(b) That the actions agreed in respect of risks included in the Risk Register be noted and reported to the next meeting.

(c) That the information provided by the officers on the Asset Management Strategy that was to be considered by the Council’s Scrutiny Committees and Cabinet be received.

6. TREASURY MANAGEMENT HALF YEARLY REPORT 2012-13

Consideration was given to the Treasury Management Half Yearly Report for 2012/13. The Committee was also asked to review the Treasury Management activity for that period.

It was indicated that the economic background and economic forecast included in the report had been provided by the Council’s Treasury Management Advisors, Sector Treasury Services.

Reference was made to Heritable Bank indicating that the Council’s original investment had been £2,500,000. Twelve dividends had been received up to the time of the meeting from administrators, Ernst and Young and details of such payments were set out in an annex to the officer’s report.

The administrators for the bank continued to predict an estimated base case return of between 86% and 90% in their latest report to creditors dated 27 July 2012.

The report gave details of investments outstanding as at 30 September 2012. It was indicated that at the end of the first two quarters of 2012/13 the Council had earned £57,975 interest on its investments. A full list of investments was set out in the annex to the report.

It was indicated that the Council would continue to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it was considered appropriate to keep investments short term and to only invest with highly credited financial institutions using the sector suggested credit worthiness in matrices including Credit Default Swap (CDS) overlay information provided by Sector Treasury Services Ltd.

Investments during the first six months of the 2012/13 financial year had been in line with the strategy and there had been no deviations from it. As there was still considerable uncertainty and volatility in the financial and banking market it was considered that the strategy approved on 22 February 2012 remained fit for purpose in the current economic climate.

Having regard to the Council's borrowing position it was currently not intended to borrow to finance capital investment in 2012/13. The only borrowing envisaged by the 2012/13 Treasury Management Strategy and temporary borrowing to cover short-term cash flow deficits and borrowing had taken place in the first half of the financial year.

Resolved:- That the Treasury Management Half Yearly Report for 2012/13 be received.

7. ANNUAL AUDIT LETTER 2011/12

A report was submitted relating to the Annual Audit Letter from the Audit Commission that summarised the findings from the 2011/12 audit.

The Audit Commission had issued an unqualified opinion on the Authority's 2011/12 financial statements concluding that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. It also concluded there were no matters arising from the value for money work undertaken by the Audit Commission that needed to be reported on.

The report asked the committee to receive the Annual Audit Letter and to agree to a copy being sent to all members of the Council.

Resolved:- (a) That the Audit Commission's Annual Audit Letter be received and circulated to all members of the Council.

(b) That all members of the Council be advised that a copy of the Audit Commission's Governance Report for the Council is available for inspection on the Council's website.

8. INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 2012/13

Consideration was given to a report setting out details of the work undertaken by the Internal Audit Section during the period 1 July to 30 September 2012. The report identified the key issues raised.

It was indicated that up to the end of September 2012, 368 recommendations had been made of which 338 had been implemented (85%), the target being 96% by the end of the current financial year. With 85% of all recommendations implemented to date it was indicated that this provided a good indication that managers were responding positively to implement the recommendations made.

The officer's report contained information about the percentage of clients who had expressed that they were either satisfied or very satisfied with the service provided by the audit section and it was indicated that of the six satisfaction surveys sent out during the second quarter, three had been returned.

Details of how progress made against the plan was measured were set out in the officer's report and it was indicated the productivity at the end of quarter 2 was 74% and that the Council was on target to achieve the annual target of 90% with 24% of the planned audits being completed by the end of quarter 2.

Details of the type of recommendations made were set out in the report and Members made particular reference to the review being undertaken of Park Attendants requesting that the outcome of the review be the subject of a report to the

next meeting of this committee. A request was made that the results of this review include a comparison of projected and actual costs for this service.

Resolved:- (a) That the report be received.

(b) That a report detailing the outcome of the survey into Park Attendants including comparative actual and projected costs be submitted to the next meeting for consideration.

9. **ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE - 1 JULY TO 30 SEPTEMBER 2012**

Consideration was given to a report on outstanding high risk fundamental recommendations and providing Members with an assurance opinion on internal contracts over Council services.

It was indicated that in the second quarter there had been only one high risk recommendation due for review and had been the subject of five target date changes. The recommendation related to provision of security services and due to the complexity of the specification needed for this work, a request was made for the target date to be further extended to 13 February 2013.

A revised copy of the Assurance Summary for October was circulated at the meeting and a request was made that in future, and to help the committee to identify trends, the summary should be presented to committee dealing with the preceding 3 month period and not limited to one month.

Resolved:- (a) That the actions taken by the officers and levels of assurance be noted.

(b) That the target date relating to the tendering process for the provision of security services be extended to 13 February 2013.

(c) That in future the Assurance Summary be presented to committee as detailed above.

P WARING
Chair

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Agenda Item 4

Newcastle-under-Lyme Borough Council

Briefing Paper to Portfolio Holder for Culture and Leisure

Management Review of the Impact of the Restructuring of the Park Attendant Service

Submitted by: Head of Operations – Roger Tait

October 2012

1. **Background**

In 2010/11, the Council carried out a Budget Service Review in order to identify and implement efficiency savings to meet the projected budget deficit.

One of the efficiency savings identified was a review of the Senior Ranger and Park Attendant Service.

The review proposed an initial restructure of the service to develop capacity in relation to community engagement and support and to reduce costs in relation to temporary and casual staff. It also proposed a change in working patterns to eliminate non-productive and low value tasks to enable resources to be focused into priority areas.

The review identified savings of £100,000 per annum which have been successfully delivered in 2011/12 and 2012/13.

The report on the proposed efficiency measures identified the impact of the changes and the risks involved, along with potential mitigation and control measures. This included recognition that by reducing the number of hours the parks could be staffed, there would be a risk of a decrease in standards of cleanliness and a reduction in the amount of income collected for “pay and play” use of tennis courts and bowling greens.

2. **Rationalisation of Structure**

In order to achieve the savings identified and retain a service which was fit for current purposes, plans were subsequently put together to amalgamate the existing Senior Ranger and Park Attendant services to provide a new mobile Park Attendant Service.

Taking into account existing job descriptions and current salary grades, a new structure was designed to re-designate a post as a team leader who would be in charge of the unit and report directly to the Community Manager. This post was titled “Park Attendant Officer” whose role primarily is to ensure that budgets are managed in accordance with the planned programme of work, work rotas are planned and community volunteer work is supported. The programme of community volunteer work is created and directed to the Park Attendant Officer from both the Environmental Officer and the Community Development Officer, both of whom are also based within the Community Business Unit.

The Park Attendant Officer is also responsible for ensuring VFM is achieved and materials are used effectively and efficiently. Other areas of responsibility are the management of the utility bills for the parks and sports buildings managed by the Community Business Unit, ensuring heating and water cost are monitored, and effective checking systems are in place to inform Facilities Management of possible improvements/alterations to help reduce waste.

The new park attendant service was also structured around the existing Streetscene model which splits the Borough into 2 geographical areas, North and South. Each area operates a vehicle with

two staff allocated per vehicle, and two shifts working which overlap during the day to allow communication between the two teams. The structure gives coverage from 7.00am – 10.00pm during the summer hours, reducing according to the natural daylight, finishing in the winter at 6.00 pm. Holidays and sickness are only covered by casual staff if there was a need for this due to Health and Safety, or organised events.

Each area is also allocated an Assistant Park Attendant Officer who acts in a supervisory capacity for the park attendants. Six full time Park Attendants are allocated to the two vehicles working the predetermined rotas and these posts plus the Assistant Park Attendant Officer are assisted by 6 casual staff.

Work rotas are designed to not only cover the traditional Park Attendant duties but to link into and support the community volunteer work parties who are operating in the Borough. The community volunteer work programme is delivered by groups co-ordinated by the Community Development Officer and Environmental Officer and consist of people from all walks of life whose aim is to get involved in caring for their local green space, street or neighbourhood. These works are often connected to general maintenance works like litter picking, weeding flower beds and sweeping paths; some of the groups are carrying out planting, painting and other more advanced grounds maintenance works.

The groups can consist of up to 10 volunteers and materials, tools and equipment are provided by the council along with a method statement and risk assessment. The Park Attendants work with the group in a supervisory role providing the necessary training and guidance to carry out the agreed task. The Park Attendants are also responsible for ensuring all tools and equipment are available for the work party and that adequate supervision and training is given to ensure the work tasks are carried out safely.

When there are no work parties to supervise / monitor, the Park Attendants are employed on the traditional Park Attendant duties, which includes cleaning of sports facilities, picking litter, opening and locking gates (which is greatly reduced from the previous rota carried out by the Senior Rangers) patrolling parks and sports facilities and securing premises.

3. **Impact of the Restructured Park Attendant Service**

Advantages

There are many benefits to the new structure which has rationalised the management structure and resolved issues with accountability experienced with the previous system. The structure is more cost effective and delivers a wider service than that of the previous structure. The benefits can be summarised into the following bullet points:

- Significant annual financial saving of £100k
- Greater focus and direction of the community volunteer groups.
- Reduction of non-productive periods of time (during the winter hours of darkness staff were employed until 10.00 pm at night).
- More appropriate allocation of tasks and deployment of resources (the Senior Rangers previously locked and unlocked daily at over 70 locations).
- Significant reduction in administration relating to annual recruitment of temporary and casual staff and associated costs relating to uniforms, telephones etc.
- Reduction in utility costs for parks buildings due to closer monitoring
- Operating two vehicles working within the Borough rather than one vehicle which enables faster response times to reported issues (each vehicle covering half the Borough) with two staff per vehicle working and in extreme cases both vehicles and four staff can be called upon if needed.

- Risk assessment for a person working with another member of staff indicates that this is safer than lone working.
- Members of staff are based alone less frequently at parks buildings which ensures a safer method of operation and more efficient way of working.

Disadvantages

These can be summarised into the following bullet points:

- No staff are permanently based at any of the parks / sports centres, which has affected the sale of both “pay and play” and season tickets, for bowls and tennis.
- Litter is not cleared as quickly as it was previously where static staff were based.
- The lack of presence of a Park Attendant regularly patrolling the Parks can lead to a greater feeling of insecurity (fear of crime).
- Fewer checks are being made in areas where there is a charge for tennis (Westlands Sportsground and Wolstanton Park) with the result that people are playing without payment being made. The mobile vehicle visits Westlands Sportsground every day (including weekends) but the Park Attendants now spend limited time on site (from 30 minutes to 2 hours) thus allowing more periods when play can take place without challenge. In addition, the site is staffed by casual staff from 4pm to 9pm on weekdays in the summer (which have traditionally been the busiest periods) giving 20 hours per week dedicated staffing. This represents a decrease from the 54 hours per week (36 hours weekdays, 18 hours weekends) during which the site was staffed prior to the restructure. In terms of total hours of staffing provided throughout a year of operation, the new system provides approximately 1000 hours per year compared to approximately 1400 hours per year under the previous system.
- No facility is available to offer pre-booking a tennis court at Westlands Sportsground as was previously offered.
- Less capacity exists to check season tickets and collect fees for “pay and play” ticket sales for bowling on the council’s 10 bowling Greens.

Mitigation

The following measures have been put in place to mitigate the anticipated impacts on the service:

Creation of Community Development Officer role to develop community capacity.

Preparation and implementation of community work programme for green spaces and neighbourhoods (litter collection, weeding, shrub bed maintenance, painting etc)

Realignment of Streetscene resource into litter collection in strategic parks.

Development of partnership arrangements to supplement in-house resource (e.g. Elite/Day Care: Saltbox; Community Payback).

Additional patrols and joint working with the police.

Reactive response to localised issues (e.g. temporary locking of sites when problem arises).

In general, these mitigation measures appear to be working successfully or have the potential to improve and develop. The reduction in the number of sites which are locked each evening does not appear to have resulted in any major problems occurring with crime or anti-social behaviour to date and the service has retained the capacity to deal with any such issues on a reactive basis. Litter is an ongoing problem, not just in parks but across the Borough as a whole and a number of collection, education and enforcement initiatives are in progress to tackle this.

The impact on income from tennis and bowls is explored in the following section of this paper.

4. **Impact on Income**

Income for Tennis 2011/2012 was £17,520

Income for Bowls 2011/2012 was £7,908

This was divided for Tennis: Season ticket income £6,325
Casual ticket sales £11,195

This was divided for Bowls: Season ticket income £ 7,187
Casual ticket sales £721

Current income levels for 2012/13 at period 6 for tennis is £4,414
Income levels for 2011/12 at period 6 were £16,741

Current income levels for 2012/13 at period 6 for Bowls is £4,341
Income levels for 2011/12 at period 6 were £7,908

5. **Options for Future Collection of Tennis Fees**

The risk of not being able to collect income on a constant or regular basis was highlighted in the initial report. At the time of writing it was assumed that regular season ticket holders would continue to purchase annual tickets.

However, it has become apparent that the sales of season tickets has reduced considerably, perhaps due to people opting to play without paying when the site is not staffed.

Sales of both season tickets and pay and play tickets have also been affected by the extremely poor weather experienced during this Spring/Summer.

Elected members have also challenged the current pricing structure for tennis, particularly in relation to family tickets which have been perceived to be expensive and a barrier to family use of Westlands Sportsground and Wolstanton Park during school holiday periods.

During the course of summer 2012, income levels and site use and management has been monitored to inform a review and assist in developing options for future management.

It is apparent that if no change is made to the current management system, it is likely that there will be very limited income from tennis ticket sales from Westlands Sportsground and Wolstanton Park in the future. However, this must be considered in the context of the ongoing annual saving of £100,000 which will continue to be achieved by the reduction in staffing levels which has been implemented.

The following options for future site management have been considered:

Option 1

Allow free use of "Class A" tennis courts (Westlands Sportsground and Wolstanton Park).

Advantages

Eliminate problems with trying to put in a workable cost effective solution: promote the Borough's Health and Well-being agenda by offering free opportunities to participate in sport and outdoor activity

Disadvantages

Loss of income for tennis; difficulties in managing the sites and potential conflict between users.

Option 2

Lock the gates and issue a key when a season ticket is purchased.

Advantages

It is inexpensive to operate, if damaged can be easily repaired and the lock barrels can be changed each year when the new season tickets are sold.

Cost per court estimated at approximately £100.

Disadvantages

Reliant on trust to operate effectively; can be easily misused; does not allow casual play (although this could be resolved at Westlands Sportsground) by leaving two tennis courts open for casual ticket sales.

Option 3

Fit electronic swipe card system to each tennis court.

Advantages

Implements a system with better controls, giving knowledge of users and times of use; Could be designed to allow casual play (purchase 1hr cards only); cards can be changed each year when new season tickets are sold; swipe cards could also be sold at J2/Guildhall/Kidsgrove/Madeley.

Disadvantages

Reliant on trust to operate effectively; can be easily misused; if damaged, expensive to repair; expensive to install (due to lack of outdoor electrical points). Cost per court estimated at approximately £1,000

Option 4

Staff Westlands Sportsground for a greater proportion of time during the summer months.

Advantages

It will allow collection of fees for pay and play tennis and checking of season tickets, as well as allowing bookings.

Disadvantages

The cost of providing casual staff to carry out this work is approximately £15.00 per hour (including on costs). Staffing Westlands Sportsground from 2.00pm – 8.00 pm 7 days per week would cost £630.00 per week and over 6 months (26 weeks) of the summer season it would cost £16,380. Taking into consideration that the Park Attendant would only collect casual ticket fees (as season tickets are purchased from the Guild Hall) the income he would potentially collect would be approximately £11,195 (based on 2011/12 income levels). This staffing cost would not cover times from 8.00 am – 2.00 pm daily nor the winter October – April period.

Poor weather conditions and the difficult economic climate could also seriously reduce the estimated income from casual tennis ticket sales from that achieved in 2011/2012.

Option 5

Engage a club to assist with the management of Westlands Sportsground

Work with a local tennis club or coach to supervise the site, organise ticket sales, book and allocate courts and collection of money for casual tennis play. This arrangement could involve a negotiated management fee based on income collected. The club or coach could potentially use the pavilion as a base, sell drinks, food and sports clothing etc and store equipment. Building repairs and cost related to the building would remain the responsibility of the council.

A further interim option would be to explore the use of agency staff or people looking for temporary summer employment (eg students) to staff the sites during the summer season. This could be put in place while work on developing the club/coach managed option was progressed.

Advantages

This would deliver a local management solution with full controls, resulting in a better managed facility with more use of the buildings and tennis courts, and potentially a more secure income stream, albeit offset by management costs.

Disadvantages

Preliminary talks with local clubs have not elicited a positive approach so it is evident that there will have to be some development of this option to make it feasible. Club or coach managed tennis may reduce the opportunity for casual tennis play if the club/coach becomes more intensively used. A greater demand for repairs and maintenance to the tennis courts and pavilion could result if the facilities are more intensively used.

6. Preferred Option

It is considered that Option 5 should be pursued as the preferred long term solution for the site, if it proves feasible following development work and negotiation with potential local clubs and/or coaches. The interim solution of employing a summer agency worker or student could be explored as an immediate trial during the summer of 2013.

In the meantime, if the interim solution proves undeliverable, it is proposed to continue with the current staffing arrangements and attempt, where possible, to increase the presence of a park attendant at Westlands Sportsground and Wolstanton Park during busy periods.

7. Proposed Review of Tennis Fees/Charges

In addition to this, in response to challenge from elected members regarding the affordability of tennis, a benchmarking exercise has been carried out to compare current charges in Newcastle with those of other providers in the locality.

This has revealed that charges in Newcastle (Westlands Sportsground and Wolstanton Park only as all other sites are free) are broadly similar to other providers although some providers offer a greater concession for family tickets, junior, 60+ and unemployed players.

The aim of reviewing the charges is to encourage greater participation in tennis, encourage greater family use of the facilities, encourage more use of the courts by groups, and to increase the sale of season tickets.

Current charges for tennis in Newcastle are:

Family ticket 1hr (1 or 2 adults and 2/3 children)	£7.00
Adult 1 hr ticket	£4.00
Junior / 60 plus + unemployed 1 hr	£2.20
Adult ½ hr ticket	£2.20
Junior / 60 plus + unemployed ½ hr	£1.20
Season Ticket adult	£88.50

Season Ticket Junior / 60 plus + unemployed £61.00

Proposed Changes to the Tennis Fees and Charges

Family ticket 1hr (1 or 2 adults and 2/3 children)	£5.00
Family ticket 1hr (up to 4 adults and or 4 children with 2 adults)	£8.00
Adult 1 hr ticket	£4.00
Adult 1 hr group ticket (4 adults)	£12.00
Junior / 60 plus + unemployed 1 hr	£2.00
Junior/60 plus + unemployed 1 hr group ticket	£6.00
Adult ½ hr ticket	£2.00
Junior / 60 plus + unemployed ½ hr	£1.00
Season Ticket adult	£90.00
(Direct debit option £7 per month)	
Season Ticket Junior, 60 plus and unemployed	£65.00
(Direct debit option £5 per month)	

It is hoped that by offering discounts for families and groups and offering direct debit options on season tickets it will make it more attractive to play and potentially increase the numbers of tickets sold, albeit recognising that former total income levels may no longer be achievable in the short term.

8. **Communication**

In the short term, signs will need to be erected on each tennis court to indicate that players must purchase season tickets prior to using the courts and that casual tennis can only be played on specified courts where Park Attendants will call regularly to collect money from people playing and check season tickets.

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CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD October to December 2012

Submitted by: Head of Business Improvement and Partnerships

Portfolio: Communication, Transformation and Partnerships

Ward(s) affected: All

Purpose of the Report

To provide an update to Members of the progress made by the Council in enhancing and embedding risk management for the period October to December 2012, including progress made in managing the identified corporate risks.

Recommendations

The Committee is asked to:-

- (a) Scrutinise the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers where applicable.**
- (b) Note the new risks that have been identified between October to December 2012.**
- (c) Identify, as appropriate, risk profiles to be scrutinised in more detail as part of your responsibility at the next meeting.**
- (d) Note the horizon scanning risks listed to bear in mind when making decisions on reports submitted to committees and the effect it may have on the future of the council.**

Reasons

The risk management process previously adopted by the Council has been reviewed to incorporate changes in the way it 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 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 ambition of achieving excellence 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 with the corporate business processes.

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.

The last review of these risks was reported to you in November 2012.

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 **Strategic, Operational, Project and Partnership Risk Registers (Appendices)**

The Council regularly reviews and refreshes its risk registers in accordance with the risk management strategy. This is co-ordinated by the Strategic Risk Champion who works closely with the Directors, Operational Risk Champions and the Risk Owners.

The risk map below shows the descriptions of the ratings, for ease of use.

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

After the review of the risks had taken place, the following risks have been reduced – through good risk management by your officers, and by the re-rating process.

- Failure of Keele Golf Course – this risk has been reduced through officer’s working to have active risk management of the accounts and rent arrears; a business continuity plan is in place; ongoing monitoring and review by EMT and Informal Cabinet, and a contingency plan is being developed (negotiations currently being undertaken).

The appendix to this report now highlights the Council’s most significant risks, with the risks that fall into the top line of the ratings only, being reported.

2.2 **Horizon Scanning**

At the last meeting it was requested that a list of legislative developments be provided, either upcoming or current.

Below is a selected list of prospective legislation currently going through Parliament that could have an impact on the Council. The list is not exhaustive, but represents a selection of the major pieces of proposed legislation currently under debate prior to Royal Assent

An outline of the proposed changes in each of these Acts/Bills and the potential impact on the Borough Council was discussed previously at the Committee and updates will be provided at the meeting.

- Health and Social Care Act 2011
- Localism Act 2011
- Police Reform and Social Responsibility Act 2011
- Local Government Finance Act 2012
- Legal Aid Sentencing and Punishment of Offenders Act 2012

The full list of (local government related) Bills before Parliament in the current session (2012/13) includes the following: -

- Caravan Sites Bill 2012-13
- Disabled Person's Parking Badges Bill 2012-13
- Electoral Registration and Administration Bill 2012-13
- Land Value Tax Bill 2012-13
- Landlord Accreditation Bill 2012-13
- Littering From Vehicles Bill 2012-13
- Local Government Finance Bill 2010-12 to 2012-13
- Local Services (Planning) Bill 2012-13
- Off-Road Vehicles (Registration) Bill 2012-13
- Plastic Glasses and Bottles (Mandatory Use) Bill 2012-13
- Prevention of Social Housing Fraud Bill 2012-13
- Property Boundaries (Resolution of Disputes) Bill 2012-13
- Public Service Pensions Bill 2012-13
- Regulation of Signage and Ticketing Technology (Public-Available Car Parks) Bill 2012-13
- Town and Country Planning (Control of Advertisements)(England) Regulations 2007 (Amendment) Bill 2012-13

Members are asked to nominate any further areas of legislation they might wish to consider at a future meeting and to consider whether they wish to receive further information on the Bills listed here.

It was requested that the Localism Act be looked at by the Member Development Committee as well as Audit & Risk Committee, given its wide focus and potential impact on the Council.

2.3 **Issues From Last Meeting**

At the last meeting Members required clarification and expansion of current positions or progress comments against some of the lines. Below is the result:

Item 1 (reputational damage)

Although this is identified as a risk, reputation damage is normally a consequence of other risks that have occurred. There are numerous controls in place within this profile, but if this did occur, the impact and likelihood of it happening has resulted in the High Red 9 rating. There is, of course, an opportunity to positively publicise any successes that the council has, whether through prosecutions for benefit cheats, fraudulent insurance claims, savings made on settling insurance claims, the quick response to complaints and insurance claims, and the positive publicity of any developments, regeneration and community projects to areas where in the past, bad publicity has been, whereas in the past, these may not have been voiced.

Item 2 (potential claims growth)

Reporting of incidents/accidents is completed on Target100 Health and Safety system and the Council's Business Improvement Officer (Risk and Insurance) collates information monthly to pass to the Council's claims handlers. This then allows for a more robust and

faster way to investigate a potential claim by having investigations take place earlier whilst things are clearer in people's minds. However, with the new Jackson Reform being implemented, some areas that are changing may initially increase the number and frequency of claims. The introduction of "fixed costs" may cause claimant solicitors to pursue "clients" before the approximate implementation date of October 2013. Claimant solicitors will have to bear a set rate for their charges, rather than allowing them to delay settlement of the claim, and obtaining a 100% success fee, which they are entitled to at present. The onset of Qualified One-Way Costs Shifting will also allow for a potential increase in the number of claims made against the Authority. This process will allow claimant solicitors to instigate legal proceedings without the chance of their clients having to pay the Authorities legal fees if they lose (which is the current situation).

Item 3 (budget realisation fails)

This is the combination of various risks - increase in fuel costs, reduction of income, energy costs, inflation, pay settlements, fall in interest rates, increase in NI rates, failing to deliver on the council's priorities etc. There are however numerous controls in place to deal with this internally such as monthly budget reports, vacancy factor for financial year 2012/13, Medium Term Financial Strategy is continually reviewed, contingency fund available, realistic increases included in base figures and the maintenance of adequate balances where possible.

Item 6 (now item 7 – stock condition survey)

The outcome report has been received by the Assets Review Group. In addition, the Asset Management Strategy (which covers the above) has been considered by both the Economic Development & Enterprise/Transformation & Resources Overview & Scrutiny Committees, before being approved by Cabinet on 16th January 2013. Urgent items are covered by the three-year Capital Works Programme and this should allow for the repairs to be undertaken. There is, however, an annual review of the Works Programme to assess if there is a need to change priorities.

Item 8 (now item 9 – fall in interest ratio)

This risk is largely out of the control of the council due to the fact that interest rates are set by the limited number of organisations with which the council is authorised to invest. The council also has to be mindful of the need to safeguard the Capital invested, which is the prime consideration in accordance with the Council's Treasury Management Strategy. The amounts to be invested are also limited compared to past historic years and with interest rates being low, the amounts available for investment are much reduced.

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 2011, 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 facilitates 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 - List of the Council's most significant risks

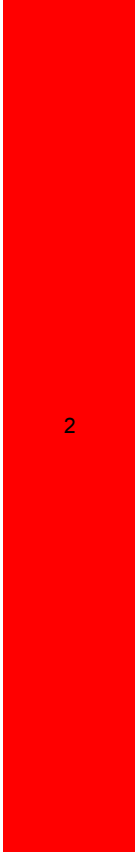
8. **Background Papers**

None

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		High 9 risks								
		Medium 7 & 8 risks								
		Risks to be deleted from next 1/4 profile								
		Risk reduced from last 1/4 profile								
		New risks								
Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating		
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 25/01/2013	as at June 12	as at Sept 12	as at Dec 12		
1	Reputational damage	Chief Executive	The Council has an ongoing responsibility to ensure that services are delivered to the highest quality and all citizens are treated with courtesy. The Council seeks to keep citizens and others informed of decisions made and the reasons for these decisions and also seeks to make the public aware of any work which has been completed, together with clear plans of upcoming decisions and priorities for investment. The Council has made a conscious effort to be transparent and open at all times.	Strategic	Although this is identified as a risk, reputation damage is normally a consequence of other risks that have occurred. There are numerous controls in place in this profile, however if this did occur, the impact and likelihood of it happening has resulted in the High Red 9 rating. There is of course an opportunity to positively publicise any successes that the council has, whether through prosecutions for benefit cheats, fraudulent insurance claims, savings made on settling insurance claims, the quick response to complaints and insurance claims, whereas in the past, these may not have been voiced.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9		





Appendix X Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk in order to reduce the risk	Target Date for action completion	Risk Category Strategic, Operational, Project	Current position / progress as at 25/01/2013	Status as at June 12	Status as at Sept 12	Current Rating as at Dec 12
2 Potential Claims growth	Chief Executive	The Council has robust systems in place both to deal with claims when they happen and also to prevent, where possible, the circumstances where claims could arise. In doing so, the Council has in place policies and procedures designed to enhance safety at work and also to advise staff and others when driving or operating machinery. The Council checks, on a regular basis, that it is up to date on best practice in this area and that systems reflect changes in the local, national or international environments		Strategic	Reporting of incidents/accidents is completed on Target100 Health and Safety system and the Council's Business Improvement Officer (Risk and Insurance) collates information monthly to pass to the Council's claims handlers. This then allows for a more robust and faster way to investigate a potential claim by having investigations take place earlier whilst things are clearer in people's minds. However, with the new Jackson Reform being implemented, some areas that are changing may initially increase the number and frequency of claims. The introduction of "fixed costs" may cause claimant solicitors to pursue "clients" before the implementation date of October 2013. Claimant solicitors will have to bear a set rate for their charges, rather than allowing them to delay settlement of the claim, and obtaining a 100% success fee, which they are entitled to at present.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

Appendix X								
Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 25/01/2013	as at June 12	as at Sept 12	as at Dec 12
3	Resource & Support Services	Whilst elements of this item are outside the Council's direct control, a range of systems are in place designed to ensure that information is received and understood quickly and efficiently and appropriate actions taken (through planning and reviewing the Council's financial position on a regular basis) and that contingencies are in place to counter any issues which occur.		Strategic	Numerous controls in place to deal with this internally such as monthly budget reports, MTFS continually reviewed, contingency fund available, realistic increases included in base figures	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9
4	Resource & Support Services	A further training of the government protected marking scheme is to be rolled out across the council following the recent mandatory information security briefings to all staff	Mar-13	Strategic	This risk is currently being controlled - various training sessions have taken place with all staff, guidelines are available, data protection and information security training has taken place, however the overall impact and likelihood ratings have remained high.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

<p>Failure to secure external funding from other bodies</p>	<p>Kidsgrove Sports Centre</p>	<ol style="list-style-type: none"> 1. Submit expression of interest application to Sport England 2. Submit followup application to Sport England should EIO be successful 3. Agree financial arrangements to draw-down money from partners subject to Sport England finances available 	<ol style="list-style-type: none"> 1. 01/10/2012 2. 30/11/2012 3. 31/12/2012 	<p>Project</p>	<p>The bid was unsuccessful with Sport England due to the fact that match funding was not available by the council, with only a 25% contribution amount being available at that time. The current situation is that Sport England are sending an officer to speak with the Council to determine the next steps forward - various other funding options, and different ways to finance the required works. A further report will be submitted to Cabinet on this discussion with a view to obtain a decision on the way</p>	<p>I = 3 L = 3 High 9</p>	<p>I = 3 L = 3 High 9</p>
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Appendix X								
Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 25/01/2013	as at June 12	as at Sept 12	as at Dec 12
6	Failure of the council to establish robust processes to dispose of surplus land and buildings	Asset Management Strategy	A draft list of surplus land to be approved as part of the decision making process in the Asset Management Strategy	Jan-13	Operational	The draft list has been approved as part of the decision making process, however the Site Allocation Process needs to be approved before any further action can be taken to dispose of the land and buildings. Once this is received, marketing can start for the disposal of such.		I = 3 L = 3 High 9
7	Inability to implement outcomes from the Stock Condition Survey due to lack of finance	Asset Management Strategy	Report outcome of Stock Condition Survey to Capital Programme Review Group	Nov-12	Operational	The outcome report has been received by the Capital Programme Review Group. The urgent items are covered by the 3 year Capital Works Programme and this should allow for the repairs to be undertaken. There is however an annual review of the Works Programme to assess if there is a need to change priorities.		I = 2 L = 3 Medium 8

<p>Increase in Fees and Charges does not result in higher income levels</p>	<p>Balances / Contingency Reserve 2012/13</p>	<p>An in-depth review of levels of fees and charges has been carried out, using data from local authorities across the country and this has been tested against local knowledge of usage and demand to produce as realistic a set of fees and charges as possible. In addition, care has been taken to set realistic targets for income as part of the overall annual budget setting exercise.</p>		<p>Project</p>	<p>The control measures in place currently secure this risk as it is, however if any issues arise it is monitored as part of the financial system</p>	<p>I = 2 L = 3 Medium 8</p>	<p>I = 2 L = 3 Medium 8</p>	<p>I = 2 L = 3 Medium 8</p>
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Appendix X Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk in order to reduce the risk	Target Date for action completion	Risk Category Strategic, Operational, Project	Current position / progress as at 25/01/2013	Status as at June 12	Status as at Sept 12	Current Rating as at Dec 12
9 Fall in interest rates reduces income to the Council	Balances / Contingency Reserve 2012/13	As interest rates are set outside the direct control of the Council, care has been taken to reflect the potential for changing levels of interest rates as part of the Council's Treasury Management Strategy. Projections have therefore been included in the Council's budget plans which reflect the ongoing position regarding interest rates and this has been independently analysed. The Council has also included contingencies in its budget plans to reflect possible changes to interest rates, although the ongoing historically low levels of interest rates means that it is likely that any changes will only result in rises rather than falls in the short to medium-terms.		Project	This risk is somewhat out of the control of the council due to the fact that the interest rates are set by the limited number of organisations that the council is authorised to invest with. The council also has to be mindful of the need to safeguard the Capital invested which is the prime consideration in accordance with the Council's Treasury Management Strategy. The amounts to be invested are also limited compared to past historic years and with interest rates being low, the amounts available for investment are much reduced.	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8



Appendix X									
Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating	
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 25/01/2013	as at June 12	as at Sept 12	as at Dec 12	
10	Abuse of email facility	Fraud Awareness	The updated online fraud and corruption data package now contains an elearning training module on misuse of time and resources on email and internet facilities. Roll out then needs to be done to all staff	Mar-13	Operational	The control measures in place currently secure this risk as it is. The rating is low impact, high likelihood but the mailmeter reports sent to Heads of Service allow the corrective measures when required, to be implemented in line with the disciplinary procedures of the council.	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7
11	Possible receipt of malicious package at the Civic Offices	Customer Services	A series of procedures have been suggested should this arise as part of a recent risk review and these are being implemented - see comment under 'Current Position/Progress'.		Operational	Following a risk review with the Head of Service for the area during January 2013, it was agreed that in line with the procedures and processes, and actual receipt of "malicious" packages through the post, that the risk is adequately controlled and the final rating has been reduced to a Low 4, and risk will not appear on the next quarter's report	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7	I = 1 L = 3 Medium 7

Appendix X Risks and Action Plan Risk Identified	Profile	Action Required to Address Risk in order to reduce the risk	Target Date for action completion	Risk Category Strategic, Operational, Project	Current position / progress as at 25/01/2013	Status as at June 12	Status as at Sept 12	Current Rating as at Dec 12
Failure of Keele Golf Course to continue trading under current contractor	Regeneration & Development	Further review of contingency plans at six-monthly intervals whilst the business remains in rent arrears.	Mar-13	Strategic	It is considered prudent to check the robustness of contingency plans at half yearly intervals. Responsible areas for action: Property in relation to the tenancy agreement/lease and the finding of an alternative tenant Revs & Bens in relation to debt recovery Leisure in relation to a potential leisure sector operator Operations in relation to interim grounds maintenance work pending a re-let	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 2 Medium 5



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ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 OCTOBER TO 31 DECEMBER 2012

Submitted by: **Audit Manager**

Portfolio **Finance and Budget Management**

Ward(s) affected **All**

Purpose of the Report

To report on any outstanding high risk recommendations to the Audit and Risk Committee on a quarterly basis and where necessary to request Members' approval to the Executive Directors requested actions in respect of the recommendations and proposed target dates.

To provide Members with an assurance opinion on internal controls over Council Services.

Recommendation

That the action of your officers and levels of assurance be noted.

Reasons

High risk recommendations are those agreed with management that are key controls in providing assurance as to the efficiency and effectiveness of the system, service or process under review. By agreeing to prolong target dates Members are accepting the risk of not implementing the control. Delayed implementation of such controls should be challenged to identify reasons behind this and solutions to the delay. Delays may be a result of external or internal influences, lack of resources or inertia. Such delays in the implementation of recommendations will affect the assurance opinion provided on each Service.

1. Background

- 1.1 High risk recommendations are those where action is considered imperative to ensure that the authority is not exposed to high risks and to do this it needs to be implemented within 1 month of the recommendation being agreed with managers.
- 1.2 Recommendations are reported to committee on an exception basis, i.e. reports where high risk recommendations have been followed up with Managers on more than two occasions are brought to the attention of Members. In addition the Chair and Vice Chair receive exception reports quarterly where high risk recommendations have been followed up with Managers after the initial implementation date has expired.
- 1.3 With the production of the Annual Governance Statement in conjunction with the Statement of Accounts the follow up and implementation of recommendations is increasingly important, since they provide both officers and Members with assurance as to the effectiveness of key internal control.
- 1.4 Assurance is provided on an annual basis as part of the Annual Report on the Internal Audit Service. It is now also provided to each Executive Director on a monthly basis, based on the number of recommendations that have been implemented, and where the target date has been changed more than twice on either medium or high risk recommendations.

2. **Issues**

- 2.1 At the end of the third quarter there were no outstanding high risk recommendations due for review and implementation.
- 2.2 A summary of the Assurances for the last quarter can be found in the appendix to this report. This reflects how the levels of assurance can and do vary on a month by month basis dependant upon the number and level of outstanding recommendations that require implementation.

3. **Reasons for Preferred Solution**

- 3.1 Reasons for each Director proposal are specific to the actions required.

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

- 4.1 The systems, services and processes reviewed by Internal Audit link to and support the four priority themes of the Council, by reviewing these Audit is making the best use of the Council's resources and improving efficiency and this is further reinforced by managers as they implement the recommendations made.

5. **Legal and Statutory Implications**

- 5.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

6. **Equality Impact Assessment**

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

7. **Financial and Resource Implications**

- 7.1 The majority of recommendations are met within existing resources; where additional resources are required these will form part of a separate report.

8. **Major Risks**

- 8.1 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly. High Risk Recommendations identify areas where action is required in order to avoid exposure to risk. If managers fail to act upon fundamental audit recommendations assurance cannot be given on the adequacy of the systems of internal control.

9. **Key Decision Information**

Not applicable.

10. **Earlier Cabinet/Committee Resolutions**

- 10.1 Where high risk recommendations show a target date change; this identifies the number of times the recommendation has been referred back to Executive Management Team and to members for consideration of the risks prior to agreeing an extended implementation date or other action.

11. **List of Appendices**

Appendix – Summary of Assurance for Quarter 3.

12. **Background Papers**

Internal Audit PI and Assurances file

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Audit Recommendations – Summary of Assurance

Quarter 3 – 1 October to 31 December 2012

	October 2012				November 2012				December 2012			
	Full	Substantial	Limited	Little	Full	Substantial	Limited	Little	Full	Substantial	Limited	Little
Chief Executives Directorate	√						√				√	
Resources and Support Services Directorate		√				√				√		
Operational Services Directorate		√				√				√		
Regeneration and Development Directorate			√		√				√			

Opinions are classified as:-

Full	The Internal Audit did not reveal any control weaknesses based on the samples at the time of the audit	94% - 100%
Substantial	The Internal Audit identified areas that required necessary action to avoid exposure to significant risk	70% - 93% or target changed > 2 on medium risk recommendations
Limited	The Internal Audit identified areas where it was imperative to act to avoid exposure to risk.	50% - 69% or target changed > 2 on high risk recommendations
Little	The Internal Audit identified very little evidence of key controls being in place or a repetition of evidence that known action has not taken place to avoid exposure to high risk i.e. as identified in previous audits. This exposes the Council to high risks that should have been managed.	Below 50%

Full assurance can be given where the Council achieves 94% of all recommendations implemented as the agreed performance measure for 2007/08.

Where target dates for the implementation of recommendations are changed or renegotiated, we cannot give our full assurance. If the ongoing risk was considered as:

High Risk: *(action that is considered imperative to ensure that the authority is not exposed to high risks; {Implemented within 1 month})*

Medium Risk: *(action that is considered necessary to avoid exposure to significant risks: {Implemented within 3 months})*

By changing the date the risk is not being managed and therefore you may wish to seek additional assurance as to the security of the controls in place.

INTERNAL AUDIT PROGRESS REPORT – QUARTER 3 2012/13

Submitted by: **Audit Manager**

Portfolio **Finance and Budget Management**

Ward(s) affected **All**

Purpose of the Report

To report on the work undertaken by the Internal Audit section during the period 1 October to 31 December 2012. This report identifies the key issues raised. The full individual reports issued to Officers contain the key issues plus a variety of minor issues and recommendations.

Recommendation

That Members consider any issues that they may wish to raise with Cabinet and, or Executive Directors.

Reasons

The role of Internal Audit is key to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments.

1. Background

1.1 The Internal Audit Plan for 2012/13 allows for 534 days of audit work.

1.2 This is the third progress report of the current financial year presented to the Committee and the areas that it will cover are as follows:

- Actual against planned performance for the third quarter, demonstrating progress against the plan
- Details of audit reviews completed and final reports issued
- Consultancy and non audit work, including corporate work

1.3 The delivery of an audit plan at this stage does not normally show 75% of the audits completed by the end of the third quarter. Past experience has shown this is more likely to be around 40% at this stage in the audit plan. Achievement of the 40% is dependent on a full complement of staff from 1 April, fully qualified and trained to complete work with minimum supervision. A full 75% of the plan is not normally achieved due to slippage of the previous quarter, and other factors such as special investigations. The audit plan is a guide to what may be achieved given optimum resources and no external influences; as such it is normal to revise the plan throughout the year to reflect unforeseen issues. Emphasis during such a revision, if required, will be on achieving the high risk audit reviews first, followed by medium and low. Variations to the plan will affect the assurance that Internal Audit can give as to the effectiveness of the internal controls and systems; it is the role of the Audit Manager with responsibility for the Section to highlight to members if this is approaching a level that would jeopardise that assurance statement.

2. **Issues**

2.1 **Performance Indicators**

The indicators reported below relate to the end of the third quarter (December 2012).

2.2 **Number of Recommendations Implemented**

At the conclusion of every audit, an audit report is issued to management detailing findings of the audit review together with any recommendations required to be implemented to address any weakness identified.

Up to the end of December 2012, 447 recommendations had been made of which 410 have been implemented, 96%, the target for the implementation of all recommendations is 96% by the end of the financial year, therefore at this stage the target for the year is being achieved. With 96% of all recommendations implemented to date this provides a good indication that managers are responding to and implementing the recommendations made.

2.3 **Percentage of clients who are satisfied or very satisfied with the service provided**

Management's views are sought on the conclusion of each key audit by the issue of a Customer Satisfaction Survey. This requires management to give a satisfaction rating of between 0 and 5. A medium satisfaction score would be between 54 to 74%, high satisfaction 75 to 100%, the target for 2012/13 is 85%.

6 out of 15 satisfaction surveys sent were returned during the third quarter, the average for these was 91%.

Progress made against the plan.

This is measured using three indicators;

- **Audit staff utilisation rate:** This indicator demonstrates whether staffing resources are being used to complete non audit duties. Audit duties are chargeable to clients and can include audit reviews, special investigations, consultancy and contributing to corporate initiatives in terms of providing controls advice. Non audit and therefore non productive time covers aspects such as administration, training and leave. The target for productive time is 74%

Productivity at the end of quarter 3 is 80%.

- **Percentage of audits completed compared to the total number of audits planned for completion (percentage):** the annual target for this is 90%. 58% of the planned audits had been completed by the end of quarter 3.
- **Percentage of the audit plan completed within the year:** the annual target for this is 90%. 58% of the operational audit plan had also been completed against an expectation of 40%.

2.4 **Audit reviews completed and final reports issued between 1 October and 31 December 2012**

On completion of the audit reviews an opinion can be given as to the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Well Controlled	Controls are in place and operating satisfactorily. Reasonable assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money (vfm).
Adequately controlled	There are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Less than adequately controlled	Controls are in place but operating poorly or controls are inadequate. Only limited assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.
Poorly controlled	Controls are failing or not present. No assurance can be given that the system, process or activity should achieve its objectives safely whilst achieving value for money.

2.5 The table below shows the overall audit opinion and the number and types of recommendations agreed to improve existing controls, or introduce new controls on the audit reviews completed since 1 October 2012. The attached appendix provides fuller details of these audit reviews under each service area.

AUDIT REVIEW	AUDIT OPINION	Risk Category
Chief Executives		
Mayor's Charity Fund Accounts	Well Controlled	A
Elections	Well Controlled	B
Resources and Support Services		
Data Protection	Adequately Controlled	B
Creditors	Adequately Controlled	A
Treasury Management	Well Controlled	A
National Non Domestic Rates	Adequately Controlled	A
Post Opening	Well Controlled	A
Electronic Payments	Well Controlled	B
Removable Media	Adequately Controlled	B
Operational Services		
Operational Services Administration	Adequately Controlled	B
Tree Management	Adequately Controlled	B
Sports and Events	Adequately Controlled	B
Museum	Adequately Controlled	B
Annual Weed Spraying Contract	Well Controlled	A
Regeneration and Development Services		
Health and Safety	Adequately Controlled	B

AUDIT REVIEW	AUDIT OPINION	Risk Category
Public Buildings Maintenance	Adequately Controlled	B
Corporate Reviews		
Gifts Hospitality and Private Works	Well Controlled	A

Risk categories relate to the risk to the Council achieving its objectives if the area under review is not performing and identify the frequency of the audit. An 'A' risk area requires a review of its key controls on an annual basis or as the need for an audit arises for example, in the case of contracts coming to an end final account audits are required and completed. A 'B' risk area is reviewed twice during a three year programme and a 'C' risk every three years.

'Risk' can be defined as the chance, or probability, of one or more of the Council's objectives not being met. It refers both to unwanted outcomes that may arise, and to the potential failure to reach desired outcomes. Management compliance with agreed action plans will ensure that risks are addressed.

2.6 **Consultancy and non audit projects**

During quarter 3 the Audit Manager has been involved in various projects which have included the following;

- An additional 10 audit days have been spent undertaking special projects at the request of other Directorates.
- A total of 12 days were spent during the third quarter on consultancy across all of the Directorates. This includes the provision of advice and guidance for ad hoc enquiries, in relation to things such as financial regulations, and compliance with other council policies and procedures, that the audit team has to deal with.

3. **Options Considered**

3.1 Audit recommendations are discussed and agreed following the issue of the draft audit report. These draft discussions give management the opportunity to discuss and agree the recommendations that have been proposed.

3.2 The audit plan is a living document and as such circumstances may arise that affect it; these are considered in the light of risk and decisions taken to enable intelligent variations to be made to the plan.

4. **Proposal**

4.1 In agreeing to audit reports, management acknowledge the issues raised and risks identified from the review and therefore accept the recommendations that have been made.

5. **Reasons for Preferred Solution**

5.1 By implementing the recommendations, the exposure to risk is minimised and achievement of the Council's objectives maximised. The completion of the audit reviews provide evidence on which assurance of the Council's systems and internal controls can be provided.

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

6.1 The Internal Audit function contributes to the prevention, detection and investigation of potential fraud and corruption incidents as well as giving assurance on the effectiveness of services in terms of value for money.

6.2 By managers ensuring that they have strong controls in all their systems, processes and activities the potential for crime can be reduced whilst providing best value facilities.

7. **Legal and Statutory Implications**

7.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

8. **Equality Impact Assessment**

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

9. **Financial and Resource Implications**

9.1 The implementation of recommendations will ensure that the areas reviewed will provide value for money in relation to their objectives and that operations are provided safely and risks managed. This in turn will reduce the risk of financial losses.

9.2 The service is currently on target to be provided within budget.

10. **Major Risks**

10.1 If key controls are not in place, managers are exposing their systems, processes and activities to the potential abuse from fraud and corruption.

10.2 If key controls are not in place, assurance cannot be given that the Services being delivered provide Value for Money for the Council.

10.3 If the risks identified are not addressed through the implementation of agreed recommendations, achievement of the Council's objectives will be affected.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

12.1 Agreement of the Internal Audit Plan for 2012/13 (Audit and Risk Committee 30 January 2012).

13. **List of Appendices**

Appendix - Internal Audit Plan 2012/13: Progress to the end of Quarter 3 – 2012/13.

14. **Background Papers**

Internal Audit Plan & PI's Folder
APACE files 2012/13

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Internal Audit Plan 2012/13**Progress to the End of Quarter 3 – 2012/13****Chief Executive's Directorate**

The following areas have been completed in quarter 3:

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Mayors Charity Fund Accounts	A	Well Controlled	0	0	0	0
Elections	B	Well Controlled	0	0	2	2

The main issues arising from the above audits can be summarised as follows:

Mayor's Charity Fund Accounts

The audit of the Mayors Charity Fund Accounts is completed on an annual basis to ensure that statements produced are complete and accurately presented in the Authority's financial statements. As can be seen from the results shown in the above table controls were found to be operating well and no recommendations were made.

Elections

The main objectives of this review are to ensure that the Elections process is carried out in accordance with the relevant regulations and legislative requirements, as well as ensuring compliance with the Council's financial regulations. As can be seen from the results in the table above it was found that controls were operating well with just two low risk recommendations being made which related to ensuring risk assessments include all aspects of the elections process and procedures in relation to the staffing of elections.

Resources and Support Services Directorate

The following areas have been completed in quarter 3:

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Data Protection	B	Adequately Controlled	0	3	1	4
Creditors	A	Adequately Controlled	0	2	3	5
Treasury Management	A	Well Controlled	0	0	1	1
National Non Domestic Rates	A	Adequately Controlled	1	0	1	2

Post Opening	A	Well Controlled	0	0	0	0
Electronic Payments	B	Well Controlled	0	0	1	1
Removable Media	B	Adequately Controlled	0	6	3	9

The main issues arising from the above audits can be summarised as follows:-

Data Protection

The main objectives of this review are to ensure that:

- the responsibility for ensuring compliance with the Act has been assigned;
- systems that process personal data are registered under the Act;
- an adequate programme of awareness and education has been prepared, and presented to all staff that deal with data protection;
- subject access requests have been effectively dealt with centrally; and
- incident management and reporting arrangements exist.

In the main it was found that adequate procedures were in place with just a small number of recommendations being made, these were in relation to the updating of job descriptions to cover the requirement to protect personal and sensitive data, a review of the forms used to collect data throughout the organisation to ensure that they contain the relevant statement in respect of Data Protection and also a reminder to Heads of Service of the need to respond to Subject Access requests.

Creditors

The review is completed annually, the main objectives of which are to ensure that all orders raised and invoiced processed are done so in accordance with the Councils Standing Orders and Financial Regulations. The audit identified no major problems with only a small number of recommendations that related to the updating of Agresso user lists to ensure that staff who had now left the organisation were deleted, the updating of risk assessments to include all aspects of the creditors process, updating the Business Continuity Plan and the a reminder be issued corporately with regards to the payment of invoices within 30 days to ensure that all relevant information is received by the Creditors Section to enable the Council to achieve this performance target.

Treasury Management

The main objectives of this review are to ensure that the Council’s Treasury Management function is adequately controlled in accordance with CIPFA guidance. The audit revealed no major weaknesses and found that all the necessary controls were operating effectively. There was just one recommendation made and this was in relation to creating a risk profile on the GRACE risk management system relating solely to the Treasury Management function in order that the operational risks relevant to this area are clearly identifiable.

National Non Domestic Rates

This review is undertaken annually, the objectives of which are too ensure that there are adequate controls in place to ensure that the council complies with all the legal requirements in respect of NNDR and that the charges made are accurate and relevant. The majority of

controls were found to be in place, however one High Risk recommendation was made and this was in relation to the approval of write offs below £2,500 during Write offs for the 2011/12 financial year below the value of £2,500 in respect of NNDR, Council Tax and Sundry Debtors accounts should be approved by the Executive Director of Resources and Support Services at the earliest opportunity. In addition a further recommendation was made in relation to reviewing the Health and Safety risk assessments relative to the Revenues and Benefits on an annual basis.

Post Opening

The main objectives of this review are to ensure that:

- post-opening procedures are in place and operating effectively, and
- there is integrity and security of postal remittances.

Overall the audit revealed that the procedures were in place with regard to post opening and these were working satisfactorily. In addition it was confirmed that Security controls were in place and best practice was being demonstrated.

Electronic Payments

This audit ensures that the systems and procedures in place for the collection of income via the Council's website and via telephone (Automated Telephone Payments, ATP) are operating effectively. Generally controls were found to be in place with just one recommendation being made, which related to the updating of the Council's website to include a listing of the types of credit and debit cards accepted by the Council.

Removable Media

This review was undertaken by CW Audit Services, who are delivering the Council's Computer Audit contract for 2012/13. The main objectives of this review are to ensure that:

- there is an appropriate framework in place to ensure that use of removable media is appropriate to need, properly authorised and that electronic information is protected from unauthorised use, disclosure, access, modification loss or destruction,
- the issue and use of removable media and data held is restricted to authorised personnel,
- the use of removable media is properly controlled and appropriate to need, and
- access to confidential/sensitive data is properly restricted.

A number of recommendations were made as a result of this review and these included:

- reminding staff about the policy on removable media,
- ensuring registers containing records of removable media are kept up to date and reviewed to ensure accuracy,
- where officers leave the council any removable media is returned and then records updated accordingly,
- risk registers are updated, and
- proper stock and inventory controls are implemented.

Operational Services Directorate**Areas completed in Quarter 3 of the 2012/13 Audit Plan**

The following areas have been completed in quarter 3

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Operational Services Administration	B	Adequately Controlled	0	7	2	9
Tree Management	B	Adequately Controlled	0	5	3	8
Sports and Events	B	Adequately Controlled	0	1	1	2
Museum	B	Adequately Controlled	0	5	1	6

The main issues arising from the above audits can be summarised as follows;

Operational Services Administration

The Operational Services Administration Section is responsible for the administration of matters relating to Streetscene, Leisure, Waste Collection and Environmental Health. The objectives of the audit were to ensure that work undertaken within the Service is done so in accordance with financial regulations in that any money received is correctly accounted for and that stock and inventory records are being maintained. There were a number of recommendations made these related to procedural issues to ensure compliance with the Councils financial regulations, security of premises and records held within the department and also the completion and review of risk assessments in relation to Health and Safety issues.

Tree Management

The objectives of this review is to ensure that the Council has a policy and strategy in place for the management of trees within the Borough, in addition ensuring that the service is delivered in accordance with the Councils Standing Orders and Financial Regulations, and that there is compliance with the Information Security and Health and Safety polices. Overall adequate assurance could be given with regards to the delivery of this service. A small number of recommendations were made and these were in relation to ensuring that the strategy in place was reviewed and updated, establishing a separate cost centre for this function in order to ensure that budgets could be more easily monitored, establishing performance data and targets for the service area and the updating and completion of a tree register for all the trees within the Borough for which the Council has a responsibility for.

Sports and Events

The review looked at the provision of sport and leisure events within the Borough which also incorporated the Summer playscheme that has operated within the Borough for 11-16 years over the six week summer holiday period for a number of years now. The main objectives are to ensure compliance with the Councils financial regulations, information security and Health and Safety policies, as well as ensuring the completion of relevant risk assessments.

Overall the service was found to be operating well, a small number of recommendations these related to ensuring that all information was recorded within the Gladstone Leisure system and that the Councils website be reviewed to ensure that any outdated information is removed.

Museum

A review of the service delivered and provided by the Borough Councils Museum was undertaken to ensure that they were in compliance with the Council financial regulations, information security and health and safety policies as well as ensuring that the necessary risk assessments had been completed. Findings from this review led to a number of recommendations being made which mainly related to procedural issues with regards to compliance with Financial regulations, these included completion and updating of stock and inventory records, ensuring that accurate records are maintained and that risk assessments are kept up to date.

In accordance with Financial Regulations all final payments made against a contract need to be verified by Internal Audit before payment can be made. During quarter 3 the following final payments have been audited

Contract Name	Contractor	Value of Work	Audit Findings
Annual Weed Spraying Contract	Gibson & Faulding	£92,656.62	No problems identified, contract delivered within budget

Regeneration and Development Services Directorate

Areas completed in Quarter 3 of the 2012/13 Audit Plan

The following areas have been completed in quarter 3:

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Health and Safety	B	Adequately Controlled	0	5	5	10
Public Buildings Maintenance	B	Adequately Controlled	0	4	3	7

The main issues arising from the above audits can be summarised as follows:

Health and Safety

The main objectives of this review were to ensure that:-

- there is a Health and Safety Policy in place which is fully approved, distributed and compliance monitored throughout the Council.
- responsibility for health and safety is appropriately assigned both at a corporate and a departmental level.
- appropriate training and guidance is provided on health and safety for all new starters and specific training given to roles where further knowledge is necessary.

- an appropriate schedule of Health and Safety Risk Assessments is in place and is performed according to set procedures.
- the Council observes all health and safety responsibilities and receives regular updates to remain compliant with legislation and best practice.
- appropriate controls are in place to ensure that visitors to the Council premises are made aware of health and safety issues.
- adequate reporting procedures exist to ensure that incidents prompt remedial action and proactive review of similar potential hazards throughout the Council.
- health and safety management information and reporting is timely and escalated to the appropriate level within the Council for consideration.

Overall the findings of the review found the area of Health and Safety to be operating well throughout the Council, however a number of recommendations were made with a view to assisting management in further improving this function throughout the organisation. These included ensuring:

- a regular review of target 100 to ensure that managers are updating the system with their risks,
- all new starters attend a Corporate Induction covering Health and Safety issues,
- updating records and undertaking refresher training in respect of both First Aiders and Fire Marshalls,
- distributing an updated copy of the Health and Safety Policy to all staff,
- ensuring that the intranet site is kept up to date in respect of Health and Safety issues.

Public Buildings Maintenance

The main objectives of this review were to ensure that:

- contract procedures per Standing Orders and Financial Regulations are followed effectively;
- there are adequate management procedures in place to operate external contracts; and procedures are in place to ensure official orders are raised for the work.
- adequate procedures are in place in relation to the payment of contractors for work carried out.
- there are procedures in place to ensure that the work is performed to the requirement of the Council; and to correct any shortfalls in performance.
- procedures are in place to monitor contract expenditure against the annual and total budget and that regular management reports are produced.
- adequate controls are in place to protect ICT equipment during contracts from misuse/damage.
- in relation to Repairs and Renewals the whole ordering system from requisition to invoice payment is controlled.
- all relevant risks have been identified and recorded appropriately and that adequate insurance cover exists.
- adequate controls exist to confirm that there is compliance with legislation.

The findings of the audit found that overall controls were found to be in place and operating effectively, a number of recommendations were made to management to help further improve existing procedures and processes, these included:

- a review of the existing contracts in place,

- ensuring that the intranet is kept up to date with the information in relation to the service,
- ensuring that all invoices received are paid promptly, and
- updating and reviewing current risk assessments

Corporate Reviews

These are audit reviews that cut across all Service Areas, as such Audit Briefs go out to all Executive Directors, Corporate and Service Managers and reporting is done on an individual service level in order to retain confidentiality of the issues identified.

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Gifts Hospitality and Private Works	A	Well Controlled	0	0	1	1

The main issues arising from the above audit can be summarised as follows;

Gifts and Hospitality

This is an annual review which is completed on behalf of the Audit Commission as part of the managed audit. There were no areas of concern that arose from this review, recommendations that were made related to the requirement to remind staff of their obligations in respect of the receipt of gifts and hospitality and registering of any outside interests as set out in the Employee Code of Conduct.

Note on recommendations

Recommendations fall into one of three categories;

High (H): *action that is considered imperative to ensure that the authority is not exposed to high risks;*

Medium (M): *action that is considered necessary to avoid exposure to significant risks;*

Low (L): *action that is considered desirable and which should result in enhanced control or better value for money.*

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INTERNAL AUDIT PLAN 2013/14

Submitted by: **Audit Manager**

Portfolio: **Finance and Budget Management**

Ward(s) affected: **All**

Purpose of the Report

To inform Members of the proposed Internal Audit Plan for 2013/14 and to seek their approval as to its contents.

To agree with Members the reporting arrangements for performance against the 2013/14 proposed plan.

Recommendations

(a) That the Internal Audit Plan for 2013/14 be approved.

(b) That Members agree to the continuation of the reporting arrangements as set out in the report.

Reasons

Under CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom Internal Audit has a duty to plan effectively to ensure it contributes to the Council's objectives at strategic and operational levels. Planning also enables Internal Audit to demonstrate that they are making the best use of resources.

1. Background

- 1.1 The Local Government Accounts and Audit Regulations 2011 require every Local Authority to maintain an adequate and effective system of internal audit of accounting records and control systems. Internal Audit is an independent appraisal function within the Borough Council under the control of the Executive Director Resources and Support Services and Section 151 Officer. The Section also provides a service to management by giving assurance that there are adequate internal controls in operation, ensuring the proper, economic, efficient and effective use of resources, to include the security of assets and data and to assist management in preventing and detecting fraud. This is covered by routine system and regularity audits and under a wider remit by value for money and special audits.
- 1.2 A sufficiently resourced and effective Internal Audit Section is key to providing assurance on the Councils systems of internal control and the prevention and detection of fraud and corruption. In addition the District Auditor will require assurance that 'the Council has arrangements in place to maintain a sound system of internal control' with evidence to support that:
- The Council reviews and reports on its systems of internal control.
 - The Council has an audit committee or equivalent and an internal audit function and that the internal audit function operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

Best practice guidance states that Internal Audit should achieve 90% of its internal audit plan. Any divergence from the plan should be due to legitimate operational factors, i.e. special investigations, and the plan should be reappraised.

- 1.3 In reviewing the effectiveness of the Internal Audit function, external auditors will look for:
- Evidence of a risk assessment of material items of income and expenditure and that Internal Audit reviews all high risk financial systems each year and medium risk financial systems on a cyclical basis.
 - Evidence that such risks are reported to Members.
 - Evidence that Internal Audit has the resources to deliver its work programme.
 - Evidence of a process to ensure that accepted recommendations by Internal Audit are reviewed by senior management and members.
 - Evidence that arrangements for discharging the functions of an Audit Committee have been considered, such functions would include:
 - reviewing the adequacy of policies and practices to ensure compliance with statutory and other guidance;
 - reviewing the adequacy of internal controls and
 - monitoring the performance of internal audit and agreeing to the external audit plan.

A review of the Council's Corporate Governance arrangements and Internal Audit's role in this helps to support and demonstrate compliance in these areas.

2. **Issues**

Internal Audit Plan for 2013/14

- 2.1 The Internal Audit Plan is calculated in terms of audit days, 530 for 2013/14, see Appendix A based on a full risk assessment of each audit area which considers expenditure, income, management controls, operational practices, political and legislative influences and the risk of fraud. In accordance with the CIPFA Code of Practice for Internal Audit the plan is fixed for no longer than one year and outlines the areas to be covered together with the estimated resource, in terms of audit days required to complete the assignment.
- 2.2 Information from risk assessments on each audit area is subjected to a weighted risk assessment process to allocate the available resources to those activities of greatest risk. At present the risk model is set up to ensure all areas are covered over a three year cycle. Appendix B shows an example of the risk assessment conducted against each audit area. In addition to this Executive Directors and Heads of Service are requested to raise any new areas that may require auditing or a change in practices to existing audit areas and to comment on the proposed annual plan and resultant Audit Services. At the beginning of each audit a brief is sent to Executive Directors and Heads of Service highlighting the objectives of the audit and requesting any comments or inputs into the proposed work. At the end of every audit a new risk analysis is completed to reflect any changes to the audit area and therefore risks, and this is then subject to the weighted risk assessment process and the plan is updated annually.
- 2.3 In producing the Audit Plan for 2013/14 using the existing risk model and in an ideal situation where the Internal Audit Team is fully resourced on a regular basis, a total of 880 productive days are required if all risks are to be covered. However, this model has to be balanced against the resources available and those reasonable for an authority of this size. Audit days available for 2013/14 have been calculated at 530. The plan is refined to match the available resources ensuring that all 'A' risk audit areas will be covered and then priority is

given to 'B' risk areas, in this way reviews are prioritised based on need and relevance to the Council's priorities. The revised plan covers all 'A' risk audit areas which total 240 days and 290 days for 'B' risk areas.

2.4 Given the resources available for 2013/14 a total of 350 days were required to be adjusted out of the plan, these were identified as follows:

- a review of the planning model where a total of 169 days were identified for areas that were no longer relevant and included reviews such as Corvu (performance management system), the Barracks Trust, Concessionary travel, Chesterton Sports Centre and the Neighbourhood Management Pathfinder;
- since 2011/12 key financial systems are reviewed on a rotational basis whereby half the systems are done in full and the other half are just reviewed in terms of key controls, this has allowed for a further 112 days to be adjusted from the plan for 2013/14;
- the remaining 69 days were identified by reviewing days already allocated to audit reviews in the plan and some audit areas that had been completed in 2012/13 and as a result did not warrant a further review in 2013/14.

2.5 When deciding on which areas to leave in the plan and which to remove a number of factors were taken into consideration these included the date of the last audit, knowledge gathered as part of other reviews, and feedback from Heads of Service etc.

2.6 During the course of 2013/14 this risk model will continue to be reviewed to ensure that it continues to reflect the demands of improvement changes in relation to the Council's priorities

3. **Internal Audit Performance Reporting**

3.1 Progress against the Audit Plan will be reported as part of regular quarterly reports to Audit and Risk Committee.

4. **Options Considered**

4.1 In considering the resourcing of the Internal Audit Section consideration is given to the skills required and those that are available internally, or are best provided by external companies. The provision of Computer Audit skills is a specialist area and one that is constantly changing. Whilst internal auditors can provide a level of computer auditing looking at environmental controls and some of the basics in relation to systems and project management, the more technical expertise will be bought in. The provision of Computer Audit work for 2013/14 is currently being reviewed and quotations are in the process of being obtained. The Committee will be advised of the results of this process through reports to future meetings.

5. **Proposal**

5.1 In agreeing the proposed Audit Plan for 2013/14 members are agreeing to a review of all audit areas listed, following a risk assessment based on the information available for review during 2013/14 and within the resources available to the Section as identified at the beginning of the year.

5.2 Once agreed the plan will be translated into an operational plan detailing the audit assignments to be carried out, the purpose of each assignment and the allocation of

resources. Each assignment will have clear objectives and scope to be delivered within the allocated resources and will be supervised for quality and consistency.

6. **Reasons for Preferred Solution**

- 6.1 By agreeing to the proposed plan the Internal Audit Section is fulfilling its responsibility to plan effectively and ensure that it contributes to the Council's objectives at strategic and operational levels. The plan will also enable Internal Audit to demonstrate that they are making the best use of their resources balanced against the perceived risks to the Council.

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

- 7.1 The Internal Audit function contributes to the prevention, detection and investigation of potential fraud and corruption incidents as well as giving assurance on the effectiveness of services in terms of value for money. Therefore ensuring the best use of the Council's resources and improving efficiency where weaknesses are identified.
- 7.2 By managers ensuring that they have strong controls in all their systems, processes and activities the potential for crime can be reduced whilst providing best value facilities.

8. **Legal and Statutory Implications**

- 8.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

9. **Equality Impact Assessment**

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

10. **Financial and Resource Implications**

Resourcing of the Internal Audit Section

- 10.1 The present Internal Audit Section has 3.5 posts, which include the Audit Manager and 2.5 operational staff providing, a combined total of 500 days in addition 30 days are brought in from specialist external computer auditors,
- 10.2 The provision of computer audit for 2013/14 will be delivered by an external computer audit specialist. Quotations are currently being sought for this work and as mentioned earlier in this report the results of this market testing will be brought to a later meeting of this committee.
- 10.3 The Audit Plan for 2013/14 can be provided within current revenue budgets provided that the staffing resources remain unchanged from estimates used in support of the proposed plan.

11. **Major Risks**

- 11.1 Any issue that increases the demand on Internal Audit Section which in turn diverts the attention from the completion of the Audit Plan is a risk to the organisation. Non completion of the Audit Plan will increase the risk to the Council of poor financial and managerial controls due to assurance not being given for these. This in turn could result in District Audit Management Letters, poor value for money and increase the risk of fraud or corruption.
- 11.2 A full risk assessment has been completed in respect of the Internal Audit Service, a copy of this assessment is shown at Appendix C

12. **Key Decision Information**

Not applicable.

13. **Earlier Cabinet/Committee Resolutions**

Not applicable.

14. **List of Appendices**

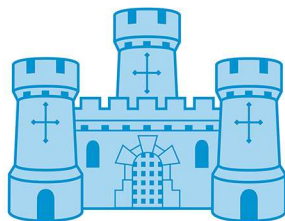
Appendix A - Proposed Internal Audit Plan 2013/14

Appendix B - A risk assessment conducted against each audit area

Appendix C - Risk Assessment in respect of the Audit Service

15. **Background Papers**

Internal Audit Plan file



NEWCASTLE·UNDER·LYME

BOROUGH COUNCIL

Internal Audit Plan 2013/14

Audit Areas	Risk	Days
Chief Executives		
Insurances	B	10
Print Room	B	10
Newcastle Partnership	B	10
Committee Services	B	10
Licensing	B	10
Chief Executive Total Days		50
Resources & Support Services		
Payroll	A	5
Human Resources	A	10
Council Tax	A	5
Creditors	A	5
Asset Management (Capital)	A	15
General Ledger, main accounts	A	5
Treasury Management	A	5
Bank Account Reconciliation & Banking arrangements	B	8
Information Security	A	8
Housing Benefits	A	30
NNDR	A	5
Sundry Debtors	A	5
National Fraud Initiative	A	20
Network Review*	B	8
Medium Term Financial Strategy	B	5
Central Administration	B	10
Post Opening (all sections)	A	2
Code of Conduct	B	5
CRM System*	B	8
Guildhall & Kidsgrove Income Collections	A	10
Housekeeping & Data Management*	B	8
Review of ICT Operations*	B	7
Resources and Support Services Total Days		189
Operational Services		
Jubilee 2	B	15
Kidsgrove Sports Centre	B	10
Fleet Management	B	15
Current / Final Accounts	A	20
Allotments	B	5
Waste Management Services	B	20
Depot – Health & Safety	A	

APPENDIX A

Community Centre Review	A	10
Park Attendants	A	2
Operational Services Total Days		112
Regeneration & Development Services		
Town Centre Partnership	B	5
Renovation Grants	B	5
Building Control	B	10
Food Safety	B	8
Section 106 Agreements	B	5
Energy Management	B	5
Environmental Protection	B	10
Current / Final Accounts	B	2
Economic Development & Promotion	B	10
Civil Parking Enforcement	B	10
Planning & Development Control	B	10
Regeneration and Development Services Total Days		80
Corporate Functions		
Gifts, Hospitality & Outside Interests	A	5
Performance Management	A	10
Mileage Travel & Subsistence Claims	B	10
Financial appraisals	A	3
Corporate Governance	A	10
Partnerships	A	10
Enforcement	B	10
Court Costs	B	5
Strategic Risks – action plans	A	5
Procurement	A	10
Community Interest Companies	B	8
Petty Cash	B	3
Income Collection Processes	A	10
Corporate Functions Total Days		99
Total Days for 2012/13		530

** denotes ict areas that have been identified for review and will be completed by an external computer audit specialist.*

APPENDIX B

UPDATE FORM FOR NEEDS ASSESSMENT

The following needs to be completed during every audit, not all boxes will be applicable to all areas but the form should be clearly marked where this is the case.

AUDIT AREA	
FILE REFERENCE	
AUDITOR	

	RISK ELEMENT	SCALE OF QUALIFICATION	
1	INTERNAL CONTROL QUALITY (25%)		
1	Segregation of duties		
	Total control over staff activities (e.g. in house development in a sizeable, well established control environment, internal contractor	1	
	Mixed internal/external partnership situation	2	
	Some controls effective – managed service, external staff internal equipment	3	
	Almost no control, fully externalised	4	
2	Documentation		
	Fully documented and up to date	1	
	Partial documentation but not necessarily up to date	2	
	Poor/ absent documentation	3	
3	Quality/reliability		
	Controls match risks – no problems encountered	1	
	Minor controls – ineffective	2	
	Controls ineffective – no problems in the past	3	
	Controls ineffective – major problems in the past	4	
	<i>N.B. If There Is No Previous Experience Of The Area Or The Internal Control Quality Is Not Known – Enter A Score Of 2</i>		
2	CRITICALITY/MONETARY FACTORS (30%)		
1	Criticality		
	Insignificant impact on operational / strategic plan	1	
	Partial impact on operational / strategic plan	2	
	Significant impact on operational / strategic plan	3	
2	Expenditure		
	£0	1	
	£1-50,000	2	
	£50,000 – 250,000	3	
	£250,000 – 1,000,000	4	
	£1,000,000 – 5,000,000	5	
	£5,000,000+	6	
3	Income		
	£0	1	
	£1-50,000	2	
	£50,000 – 250,000	3	
	£250,000 – 1,000,000	4	
	£1,000,000 – 5,000,000	5	
	Above £5,000,000	6	
4	Stores		
	None	1	
	Below 1,000	2	

APPENDIX B

	Above 1,000	3	
5	Transactions		
	0-1	1	
	1-1,000	2	
	1,000-10,000	3	
	10,000-100,000	4	
	100,000-200,000	5	
	Above 200,000	6	
3	ENVIRONMENTAL CHANGE (20%)		
1	Personnel Structure		
	Static workforce	1	
	Low level / low number of changes	2	
	High turnover – staff / management	3	
2	Systems		
	Static	1	
	Minor enhancements	2	
	New Systems	3	
3	Growth		
	Static	1	
	Anticipated increase/decrease	2	
	Unexpected or very significant growth	3	
	<i>A significant increase in growth is approximately 20%</i>		
	Incidence of local and national fraud		
	Minimal	1	
	Significant	2	
	High	3	
4	COMPLEXITY (10%)		
	Systems (computer or manual)		
	Simple manual or stand alone	1	
	Fully integrated/automated	2	
	Large number of separate systems	3	
	Technical (area under audit)		
	Capable of audit without specialist input or training	1	
	Some training or research required to undertake audit	2	
	Detailed specialist training/input required	3	
5	LEGAL AND REGULATORY CONSIDERATIONS (5%)		
	No recent new legislation and/or no specific problems monitored in the press release	1	
	One of high level regulatory requirements, grave consequences of non compliance, recent direct regulatory criticism, major new legislation	2	
	More than one of the above occurrences	3	
6	POLITICAL SENSITIVITY		
	Not politically sensitive	1	
	Some political pressure group interest	2	
	Considerable interest, client sensitivity and impact of failure on other systems	3	
	Date risk analysis updated on APACE		
	Signature of administrator		

Risks, controls and actions Audit

as at 25/01/13

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required	Risk Count:
Audit							14
Lack of resources	affect on use of resources, failure to give full assurance on internal controls, affect on the annual governance statement.	3	6	Employee Development interviews Flexible working Homeworking Reallocate audit plan to free up capacity Staffing reviewed and benchmarked with other Staffordshire authorities. Audit manual Agency staff used when necessary Knowledge transfer	6	Raise with Kelvin Turner Review audit plan	
Information provided not accurate or timely	Results in a false audit report - recommendations being made that are not relevant. Reputational issues for the Council. Possible financial implications dependant upon the nature of the audit and the information wrongly provided. Potential legal issues. Political issues possibly.	3	9	Notification of Audits given Reminders for information given by email and telephone Escalation process for information reminders Verification of the source of the information Analysis of information provided	6	Staff development Internal Audit protocol document to be circulated	

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Audit				Revised Internal Audit Protocol document recirculated with Audit Plan in January 2012.		
Failure to retain key staff with experience & skills	Failure to provide the correct information and service to members and staff.	3	9	Flexible working Business continuity identified through process mapping Employee Development interviews Homeworking Workforce Development Plan	6	
Major investigation taking priority over audit plan	Failure to deliver on risk based audit plan	3	6	Agency staff used when necessary Reallocate audit plan to free up capacity Officers trained in investigation procedures Outside investigators employed as and when Investigating procedures training undertaken	6	Shared service arrangements with other authorities for assistance with investigations and/or the audit plan.
High Risk Recommendations not being implemented	Financial Implications, Reputational Damage, Political Consequences	3	6	Communication process in place Escalation process for information reminders	6	Internal Audit protocol document to be circulated

Risk Count: 14

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Audit				Regularly report to Audit & Risk Committee, Chair and Director of Resources (Sec 151 Officer) on capacity issues Reminders for information given by email and telephone Revised Internal Audit Protocol document recirculated with Audit Plan in January 2012.		
Lack of co-operation from Managers	Financial Implications, Reputational Damage, Political Consequences, Disciplinary Action	3	6	Communication process in place Escalation process for information reminders Notification of Audits given Regularly report to Audit & Risk Committee, Chair and Director of Resources (Sec 151 Officer) on capacity issues Reminders for information given by email and telephone	6	Internal Audit protocol document to be circulated
Failure to deliver managed audit requirement of the Audit Commission	Financial Implications, Reputational Damage, Political Consequences, Third Party intervention	3	3	Audit Plan document	6	

Risk Count: 14

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Audit				<p>Improve relationships and have regular meetings between External Audit and Audit Manager</p> <p>Regularly report to Audit & Risk Committee, Chair and Director of Resources (Sec 151 Officer) on capacity issues</p> <p>Statutory Officers Group</p>		
Failure to recognise/be aware of fraud/corruption	Financial Implications, Reputational Damage, Third Party Intervention, Political Consequeneces	3	6	<p>Anti-fraud and anti-corruption strategy</p> <p>Financial Regulations</p> <p>Fraud manual for Heads of Service</p> <p>Fraud Awareness - A Guide for Managers</p> <p>Money laundering policy</p> <p>Standing Orders</p> <p>Countering Fraud and Corruption Staff Survey</p> <p>Member Code of Conduit to be followed</p> <p>Employee Code of Conduct to be followed</p> <p>Fraud Response Plan</p>	6	<p>Staff training using Moodle</p> <p>Results of staff survey to be analysed</p> <p>Policies need to be revised for the Bribery Act</p> <p>Publish online training package on fraud/corruption on Intranet site.</p> <p>New training module will be delivered via STEP</p>

Risk Count: 14

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Audit				Whistleblowing policy and fraud response plan for parties contracting with the Council		
Failure to fully identify all relevant controls	Financial Implications, Reputational Damage, Third Party Intervention, Political Consequeneces	3	6	Access to web sites for information Audit manual CIPFA matrices Information sharing with other authorities	6	Refresher training in CIPFAs systems based audot methodology
Long-term sickness	failure to deliver audit plan	3	6	Homeworking Knowledge transfer Agency staff used when necessary Employee Development interviews Absence management policy	3	
Failure to provide efficient staff capacity to deal with unplanned investigations	Failure of staff to follow correct procedures, leading to damage to Council reputation, adverse publicity, and loss of confidence from outside bodies and staff.	3	9	Outside investigators employed as and when Reallocate audit plan to free up capacity Regularly report to Audit & Risk Committee, Chair and Director of Resources (Sec 151 Officer) on capacity issues	3	Shared service arrangements with other authorities for assistance with investigations and/or the audit plan.

Risk Count: 14

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required
Audit				Corporate Governance issues reinforced through the Corporate Governance Working Group and associated processes Officers trained in investigation procedures Investigating procedures training undertaken New Staffordshire Chief Auditors Group Terms of Reference		
Failure of External Audit providers to inform of changing policies and procedures	Damage to reputation. Failure to comply with legislation or best practice. Intervention from District Audit or the Law Courts.	3	9	Improve relationships and have regular meetings between External Audit and Audit Manager Communication process in place Audit Plan document Continuing consultation and dialogue with External audit	3	
Medium Risk recommendations not being implemented		1	4	Communication process in place Escalation process for information reminders	4	Internal Audit protocol document to be circulated

Risk Count: 14

Risk Identified	Potential Consequences	Impact	Risk Rating	Control Measure	Final Risk Rating	Further Action Required	Risk Count:
Audit				Reminders for information given by email and telephone Revised Internal Audit Protocol document recirculated with Audit Plan in January 2012.			14
Low Risk recommendations not being implemented		1	4	Communication process in place Reminders for information given by email and telephone Revised Internal Audit Protocol document recirculated with Audit Plan in January 2012.	4	Internal Audit protocol document to be circulated	

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REVIEW OF THE INTERNAL AUDIT STRATEGY 2013 TO 2016 AND THE INTERNAL AUDIT SECTION TERMS OF REFERENCE

Submitted by: **Audit Manager**

Portfolio: **Finance and Budget Management**

Ward(s) affected: **All**

Purpose of the Report

To seek Members approval to the revised Internal Audit Strategy and Terms of Reference which have been reviewed as part of the Audit Planning process for 2013/14.

Recommendations

That the Internal Audit Strategy 2013 to 2016 and the Internal Audit Section's Terms of Reference be approved in their revised forms.

Reasons

These documents are reviewed and updated annually to ensure compliance with the newly defined Public Sector Internal Audit Standards (PSIAS) that come into effect from 1 April 2013.

1. Background

- 1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Manager is required to produce an Audit Strategy which sets out how the Internal Audit Service will be delivered in accordance with the terms of reference and how it links to the organisational objectives and priorities. The PSIAS requires that the Strategy is kept up to date with the organisation and its changing priorities.
- 1.2 The previous Strategy which covered the period 2012 to 2015 was approved by this Committee in January 2012. This document has now been reviewed and updated to reflect that the PSIAS will be in place from 1 April 2013 and these replace the previous CIPFA Code of Practice for Internal Audit 2006, however at the time of writing this report guidance is still awaited from CIPFA on how the PSIAS should be applied, upon receipt of the guidance from CIPFA it may be necessary to bring back a further report to the committee later in the year. The Strategy covers the period 2013 to 2016 and sets out how Internal Audit will contribute to the Council's review of Corporate Governance arrangements, risk management processes, key internal control systems and how assurance for the annual statement on internal control will be demonstrated. It also establishes the resources and skills required for its delivery and allocation of audit work.
- 1.3 The Terms of Reference for Internal Audit have also been reviewed and updated in accordance with the PSIAS.

2. Issues

- 3.1 In accordance with the PSIAS the documents have been reviewed and updated to reflect the changes that the organisation has recently gone through.

3. **Options Considered**

- 3.1 To review and adopt these documents ensures and demonstrates that the Internal Audit Section has mechanisms in place to;

“To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it”

- 3.2 Not to adopt these changes would leave the Council open to criticism of not being able to provide a level of assurance on the Councils systems of internal control.

4. **Proposal**

- 4.1 That the Internal Audit Strategy 2013 to 2016 and the Internal Audit Sections Terms of Reference be approved in their revised forms.

5. **Reasons for Preferred Solution**

As option 3.1 above.

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

- 6.1 The documents demonstrate that the Council is committed to ensuring the best use of resources and ensuring that there is provision to give assurance on the adequacy of internal controls. Therefore contributing to it's Corporate Priority of becoming a Co-operative Council which delivers high quality, community-driven services.

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

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

9. **Financial and Resource Implications**

There are no new financial or resource implications.

10. **Major Risks**

- 10.1 The risk of not having these documents in place would leave Internal Audit open to criticism of not being able to demonstrate how it will deliver a risk-based audit plan in a professional manner, and provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Audit Strategy 2012 to 2015 and Internal Audit Terms of Reference, Audit & Risk Committee – January 2012,

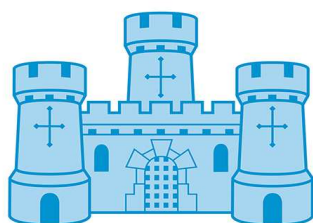
14. **List of Appendices**

Appendix A - Internal Audit Strategy 2013 to 2016
Appendix B - Internal Audit Terms of Reference

15. **Background Papers**

Internal Audit Planning file/folder

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NEWCASTLE·UNDER·LYME

BOROUGH COUNCIL

Newcastle under Lyme Borough Council Internal Audit Services

STRATEGY 2013 TO 2016

1. INTRODUCTION

- 1.1 This document outlines the strategy for Internal Audit for 2013 to 2016.
- 1.2 It consolidates and develops previous internal strategies.
- 1.3 The strategy will be reviewed annually as part of the Internal Audit Reporting Protocol.

2. BACKGROUND – THE COUNCIL

- 2.1 Newcastle under Lyme Borough Council aims to deliver excellent, sustainable services to its communities
- 2.2 To assist in the delivery of this aim there are four defined areas of priority:
 - **Creating a Clean, Safe and Sustainable Borough.**
 - **Creating a Borough of Opportunity.**
 - **Creating a Healthy and Active Community.**
 - **Becoming a Co-operative Council which delivers high quality, community-driven services.**
- 2.3 To endorse the aim and priorities Newcastle under Lyme Borough Council continues to strive to meet the core values of **equalities, best value, fairness, openness, honesty, community and partnership involvement and value added by staff**. Any activities of the Council and the operation of the Members and employees in their duties are underpinned by these core values.
- 2.4 The organisation continues to strive for excellence which will improve overall performance of the authority.
- 2.5 The work of Internal Audit aims to contribute to and assist management with the achievement of these aims.

3. BACKGROUND – INTERNAL AUDIT SERVICES

- 3.1 Corporate strategies and priorities significantly influence the environment within which Internal Audit operates.
- 3.2 Other external influences affecting the service include Standards, Ethics, Corporate Governance and other legislation affecting local government.
- 3.3 Previously Internal Audit's Best Value review identified that there was a need for the provision of IT audit and due to the increased technology within the Council it had become an integral part of audit work. The retention or training of such skills internally would not be cost effective. As a result since the review external specialists have been employed to cover IT audits.

4. INTERNAL AUDIT STRATEGY

- 4.1 The overall strategy of Internal Audit is:

“To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it”.

- 4.2 The Audit Strategy for 2013 to 16 follows the Council's strategies, priorities and values. However in addition to supporting these Internal Audit needs to keep ahead of changes and develop to ensure the continued delivery of a quality, appropriate and valued service for all its customers. The remainder of this strategy sets out our main objectives for 2013 to 16 but will be reviewed and rolled forward annually.
- 4.3 The Terms of Reference of Internal Audit are expanded upon within the Strategy.

5. STATUTORY BASIS FOR INTERNAL AUDIT – OUR ROLE

- 5.1 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. Regulation 6 of the Accounts and Audit Regulations 2011 more specifically requires that “a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.
- 5.2 Internal Audit undertakes the statutory Section 151 audit for the Executive Director (Resources and Support Services) in liaison with the External Auditors. It is an assurance function that primarily provides an objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources (The control environment includes all authority operations, resources, services and its responsibilities to other bodies).
- 5.3 Internal Audit plays a key role in ensuring that the Corporate Governance arrangements within the organisation are sound and provides assurance on the robustness of these

arrangements and forms an important part in the production of the Authority's Annual Governance Statement.

- 5.4 Internal audit will produce a risk based audit plan that takes into account the requirement to produce an annual internal audit opinion and the assurance framework. The audit plan is fixed for a period of no longer than one year and it takes into account the requirements of External Audit and other Inspection Agencies. The compilation of the plan has included consultation with service areas and the use of a risk assessment framework to ensure resources are allocated via an appropriate and justifiable method. The plan will be reviewed on a quarterly basis to ensure that any significant changes can be identified and addressed.

6. PROFESSIONAL STANDARDS – HOW WE WORK

- 6.1 Internal Audit will adhere to the newly defined Public Sector Internal Audit Standards (PSIAS) which replace the CIPFA Code of Practice for Internal Audit in Local Government with effect from 1 April 2013. Staff are also expected to comply with any other appropriate professional standards.

- 6.2 Internal Audit has well developed procedures and quality standards based upon those set out in CIPFA's Audit Manual for Local Government, these being;

- To objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources within the Council so contributing to the pursuit of value for money.
- To ensure that appropriate staff are professionally trained and developed and work to the professional standards expected by their professional bodies.

- 6.3 The Audit Manager is responsible for delivering the Internal Audit Service in accordance with the Terms of Reference. To ensure that this can be achieved there are appropriate arrangements for:

- Determining and planning the work to be carried out (i.e. an audit plan based on an assessment of the risk),
- Providing the resources required to deliver the audit plan (principally the level of staff and external input), the necessary skills (both in general audit and technical areas) and support facilities (such as IT facilities, equipment and management and administration processes)

- 6.4 The Internal Audit Service will be delivered on the basis of an Annual Audit Plan and this is attached as Appendix A. The plan sets out the number of person-days required for Internal Audit to adequately review the areas involved. The overriding objective of this approach is to ensure that Internal Audit is able to present an opinion on the control environment by directing adequate resources based on the relative risks of the operations, resources and services involved using a formal risk assessment process. The risk assessment process takes account of a range of strategic, corporate, service and operational risks including those identified through the Risk Management process with External Audit and the views of senior management on these issues. Where resources available are not considered by the Audit Manager to be adequate for such an opinion to be provided, this will be reported to the Council.

- 6.5 The Plan balances the following requirements:

- The need to ensure the Audit Plan is completed to a good practice level (currently at least 90%)
 - The need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control (on which the External Audit place reliance),
 - The need to appropriately review other strategic and operational arrangements,
 - The need to have uncommitted time available to deal with unplanned issues which may need to be investigated, and
 - To enable positive timely input to assist corporate and service developments.
- 6.6 Progress against the audit plan will be kept under review by the Audit Manager in liaison with the Executive Director (Resources and Support Services). Where there is a need for material changes to the plan (i.e. affecting over 20% of planned assignments) a revised plan will be resubmitted to the Audit and Risk Committee for approval. The Audit and Risk Committee will also be advised of performance against the plan and on relevant performance indicators on an annual basis

7. QUALITY

- 7.1 To deliver a professional, cost effective and competent service which meets customer requirements.
- 7.2 To monitor and review the quality measures and performance targets identified and ensure that they are meaningful to customers.

8. HOW WE MAINTAIN OUR INDEPENDENCE

- 8.1 Internal Audit has no executive role, nor does it have responsibility for the development, implementation or operation of systems.
- 8.2 The Audit Manager shall have right of access to the s151 Officer (Executive Director – Resources and Support Services) but has the right to report directly to the Chief Executive (Head of the Paid Service), Monitoring Officer, Leader of the Council or the External Auditor where necessary.
- 8.3 The Audit Manager shall be entitled to control the content of all written reports.
- 8.4 Within the Council responsibility for internal control rests fully with management who should ensure appropriate and adequate arrangements exist without reliance on the Council's Internal Audit Service. In order to preserve the objectivity and impartiality of the internal auditor's professional judgement, responsibility for implementing audit recommendations in accordance with the timetable they have agreed rests with management.
- 8.5 Internal Audit is responsible to the Executive Director Resources and Support Services for contributing to the delivery of the statutory financial responsibilities, however, Internal Audit remains independent in its planning and operation. The Audit Manager does however have responsibility for Information Security/Assurance throughout the organisation and the section has one member of the team whose role is split 50/50 between Internal Audit and Information Assurance. Given that Information Security/Assurance is one of a number of key objectives examined as part of all audit reviews it is not felt that this dual role provides any conflict with maintaining our independence

- 8.6 Internal Audit has rights of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities.

9. WORKING WITH CUSTOMERS

- 9.1 To provide a responsive, professional and informed audit service, which demonstrates value for money.
- 9.2 To be familiar and proactive to all service areas and to recognise their objectives, requirements and limitations.
- 9.3 Promoting **equalities, best value, fairness, openness, honesty, involvement and value added** with all of our customers and colleagues
- 9.4 Continued consultation during audits, post audit questionnaires and the annual customer survey.

10. STRIVING TO ACHIEVE EXCELLENCE

- 10.1 The section will continually review its working methods and practices to ensure continuous improvement in its service delivery. This will include optimisation of available and productive time.
- 10.2 To continue to ensure that all audits undertaken review how service areas are demonstrating continuous improvement.
- 10.3 To support corporate initiatives such as transformation, workforce development, partnership working and the climate change/carbon reduction agenda.
- 10.4 To review arrangements for the performance management framework.

11. AUDIT OF AND USE OF TECHNOLOGY

- 11.1 To develop the effective use of technology by Internal Audit in the delivery of the service and to meet the e-government agenda.
- 11.2 To review the provision of computer audit services to ensure that these still meet the needs of the Internal Audit Section.

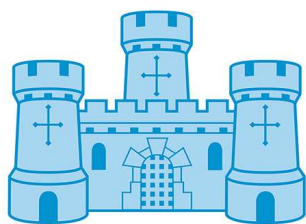
12. DEVELOPING OUR EMPLOYEES

- 12.1 To ensure that employee appraisals occur annually, including the development of personal action plans.
- 12.2 To encourage and support professional continuous personal development.
- 12.3 To develop mechanisms to enable the sharing of training experiences to encourage development of employees and value for money from training.
- 12.4 To ensure effective communications within the team at all levels.

- 12.5 To ensure a team of appropriately skilled and resourced staff, effectively managed and fully involved in the operation of the unit.

13. **DEVELOPING THE SERVICE**

- 13.1 To review and assess the Audit Service against the new requirements as set out in the Public Sector Internal Audit Standards (PSIAS) which replace the CIPFA Code of Audit Practice with effect from 1 April 2013.
- 13.2 To ensure the Corporate Governance arrangements of the Council (that reflects Annual Governance Statement).
- 13.3 To continue to identify relevant training for Members in relation to their role on the Audit and Risk Committee.
- 13.4 To review the role of audit to ascertain ways in which it can add further value to the organisation
- 13.5 Investigate new/ alternative ways of service delivery based on customer feedback and practices in other local authorities and service providers.
- 13.6 Review of practices, procedures and standard documentation
- 13.7 Continued development of customer feedback and consultation via feedback from individual audits and annual customer surveys.
- 13.8 Review and further develop the audit planning and control environment time recording and planning system, especially the use of management information.



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

Newcastle under Lyme Borough Council
Internal Audit Service

Terms of Reference

1. INTRODUCTION

The Internal Audit Service is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It should provide a service to the whole of the Council and at all levels of management.

The Internal Audit Service is responsible for giving assurance to the Council through the s151 Officer (Executive Director – Resources and Support Services) and the Audit and Risk Committee on all control arrangements. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible. It remains the duty of management, not internal audit, to operate an adequate system of internal control. It is for management to determine whether or not to accept audit recommendations and to recognise and accept the risk of not taking action.

2. SCOPE

All the Council's activities, funded from whatever source, fall within the remit of the Internal Audit Service. The Internal Audit Service will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken all the necessary steps to achieve these objectives. The scope of internal audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will be subject to review, but that all will be included in the audit needs assessment and hence considered for review following the assessment of risk.

It is not in the remit of the Internal Audit Service to question the appropriateness of policy decisions. However the Internal Audit Service is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed.

The Internal Audit Service may also conduct any special reviews, providing independent and objective services, including consultancy and fraud related work, requested by Council, the s151 Officer, the Monitoring Officer, the Chief Executive or other Executive Directors. There will always be due consideration in planning this work to ensure that the Service maintains its objectivity and independence. The prioritisation of special work will also take account the requirements of the s151 Officer and the approved audit plan.

3. RESPONSIBILITY

- 3.1 The Audit Manager is required to give an annual opinion on the effectiveness of the whole of its internal control system and the extent to which the Council can rely on it. The Audit Manager should also comment on other activities for which the Council is responsible and to which the Internal Audit Service has access. The Audit Manager should give an opinion on whether control arrangements, including those for economy, efficiency and effectiveness are adequate and properly applied.
- 3.2 In order to provide the required assurance, the Internal Audit Service will undertake a programme of work over a cycle authorised by the s151 Officer on the advice of the Audit Manager to achieve the following objectives:
- (a) To appraise the soundness, adequacy and application of the whole internal control system;
 - (b) To ascertain the extent to which the systems of internal control ensure compliance with established policies and procedures;
 - (c) To ascertain the extent to which the assets and interests entrusted to or funded by the Council are properly controlled and safeguarded from losses arising from fraud, irregularity or corruption;
 - (d) To ascertain that accounting and other information is reliable as a basis for the production of accounts, and financial, statistical and other returns;
 - (e) To ascertain the integrity and reliability of financial and other information provided to management, including that used in decision making;
 - (f) To ascertain that systems of control are laid down and operate to promote the economic and efficient use of resources.

The Audit Manager will agree with the External Auditor those systems and key controls which will be reviewed annually.

4. STATUTORY REQUIREMENT AND STANDARDS OF APPROACH

- 4.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.
- 4.2 The Internal Audit Services' work will be performed with due professional care in accordance with the Chartered Institute of Public Finance and Accountancy, C.I.P.F.A. Code of Practice for Internal Audit on Local Government in the UK, Public Sector Internal Audit Standards, the Accounts and Audit Regulations 2011, the Auditing Practices Board's guideline 'Guidance for Internal Auditor's', the Public Sector Internal Audit Standards and with any other statutory obligations and regulations.
- 4.3 The Audit Manager should implement measures to monitor the effectiveness of the services and compliance with standards. In addition, the s151 Officer should approve the performance measures used by the Internal Audit Service, and should also ask the external auditor to provide an independent assessment of internal audit's effectiveness.
- 4.4 In achieving its objectives, the Internal Audit Service should:
- (a) Identify all elements of control systems on which it is proposed to place reliance and establish a review cycle;

- (b) Evaluate those systems, identify inappropriate or inadequate controls and recommend improvement in procedures or practices;
- (c) Provide advice on the management of risk, predominantly but not exclusively, on issues surrounding the design, implementation and operation of systems of internal control;
- (d) Provide clear reports that provide management with an opinion on the soundness, adequacy and application of internal controls;
- (e) Ascertain that those systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources;
- (f) Draw attention to any apparently uneconomical or otherwise unsatisfactory result flowing from decisions, practices or policies;
- (g) Contribute to the general management and conduct of business through provision of expertise on appropriate working groups and participation in ad-hoc exercises, including value for money and best value studies, subject to adequate resources being available within the Audit Plan;
- (h) Investigate and report upon all (non benefit related) frauds and irregularities in accordance with documented procedures. (The Revenues Manager is responsible for investigating benefit related fraud in relation to benefit claimants); and
- (i) Liaise with external auditors.

5. INDEPENDENCE

- 5.1 The Internal Audit Service has no executive role, nor does it have responsibility for the development, implementation or operation of systems. It must be asked to provide advice, however, on control and related matters arising from planned or proposed changes to, or the development of, systems or services, subject to resource constraints and the need to maintain objectivity.
- 5.2 The Audit Manager shall have right of access to the s151 Officer (Executive Director – Resources and Support Services) but has the right to report directly to the Chief Executive, Monitoring Officer, Leader of the Council or the External Auditor where necessary.
- 5.3 The Audit Manager shall be entitled to control the content of all written reports.
- 5.4 Within the Council responsibility for internal control rests fully with management who should ensure appropriate and adequate arrangements exist without reliance on the Council's Internal Audit Service. In order to preserve the objectivity and impartiality of the internal auditor's professional judgement, responsibility for implementing audit recommendations in accordance with the timetable they have agreed rests with management.

6. RIGHTS OF ACCESS

- 6.1 The Internal Audit Service has rights of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities. Rights of access to other bodies funded by the Council should be set out in conditions of funding. The Audit Manager has a right of direct access to the s151 Officer (Executive Director – Resources and Support Services), the Leader of the Council, the Monitoring Officer, the Chief Executive, the Audit and Risk Committee and the External Auditor. In turn, the Internal Audit Service will comply with any requests from the external auditors for access to any information, files or working papers obtained or prepared during the audit work that they need to discharge their responsibilities.

- 6.2 The Audit Manager shall be informed of all suspected or detected fraud, corruption or impropriety so that she can consider the adequacy of the relevant controls, and evaluates the implication of fraud and corruption for her opinion on the internal control environment.

7. AUDIT MANAGEMENT

- 7.1 The Council is required to provide sufficient resources to allow an adequate and effective Internal Audit Service to be provided. The Council shall appoint an Audit Manager who will be required to determine the priorities of, deliver, and manage the Internal Audit Service for the Council. In discharging these duties the Audit Manager will:
- (a) Prepare a long-term strategy document supported by an audit needs assessment, and an annual audit plan;
 - (b) Update the plan regularly to reflect changes in Council priorities and risks;
 - (c) Translate the annual plan into operational plans for the Auditors;
 - (d) Prepare an audit brief for each audit assignment undertaken, setting out the scope and objectives of the work, timescales and reporting arrangements;
 - (e) Ensure that all audit work is completed to high standards and in accordance with appropriate professional standards;
 - (f) Undertake an annual review of the development and training needs of auditors and arrange for this to be provided;
 - (g) Establish effective relationships with managers at all levels and the external auditor; and
 - (h) Monitor the effectiveness of the service delivered and compliance with standards.

8. AUDIT REPORTING

- 8.1 The Audit Manager should prepare and submit an annual audit plan to Audit and Risk Committee for approval following consultation with relevant managers and the s151 Officer (Executive Director – Resources and Support Services)
- 8.2 The Audit Manager should submit an annual statement to the s151 Officer for inclusion in the statement of accounts based on the Council's financial year. This should give an opinion on the whole framework of internal control at the Council, and the arrangements for securing economy, efficiency and effectiveness.
- 8.3 The Audit Manager is accountable to the s151 Officer and the Audit and Risk Committee for the performance of the service. The performance of Internal Audit will be reported to the s151 Officer and Audit and Risk Committee on a quarterly basis.
- 8.4 The Internal Audit Service will produce draft reports, usually within a month of completion of the audit testing, giving an opinion on the area reviewed and making recommendations to improve systems where appropriate. These will be discussed with the responsible line managers who will provide responses to the report, giving management comments agreeing an action plan with timescales for implementing recommendations. A final report will then be issued to line managers, usually within a month of issuing the draft report. Where there are significant issues raised in the reports a copy may be provided to all or some of the following people, the s151 Officer (Executive Director of Resources and Support Services), Chief Executive, Monitoring Officer, External Auditor, Leader of the Council, Standards Committee or Full Council and attention drawn to such findings and recommendations.

- 8.5 The Audit Manager shall regularly review the progress made and will report progress on all high and medium risk recommendations that have been agreed with managers. Reports on outstanding recommendations will be provided to all Executive Directors on a monthly basis, together with an Assurance Statement which is based on the number of recommendations that have been implemented and those that remain outstanding. High Risk audit recommendations that are not implemented and whose target date has been changed on more than two occasions will be reported to the Audit and Risk Committee on a quarterly basis. For those high risk recommendations that have had one target date change a report will be sent to the Chair and Vice Chair of the Audit and Risk Committee for their consideration.
- 8.6 The Audit Manager will draw the attention of the s151 Officer (Executive Director – Resources and Support Services), Executive Management Team and Audit and Risk Committee to any significant recommendations, which have not been accepted by management, and to the risks arising.
- 8.7 The Audit Manager will report to the s151 Officer any serious weaknesses, significant fraud or major accounting breakdown discovered during the normal course of audit work. The Audit Manger will then report the matter to the Chief Executive, Monitoring Officer, External Auditor, Leader of the Council, Audit and Risk Committee or Full Council as appropriate.

9. LIAISON

- 9.1 The Internal Audit Service will liaise with External Auditors and other agencies as appropriate, including the Police, to enhance the level of service it provides to the Council.

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PLANNED AUDIT FEE 2012/13

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance and Budget Management

Ward(s) affected: All

Purpose of the Report

To consider the planned audit fee for 2012/13 as attached as an appendix.

Recommendation

That the planned audit fee for 2012/13 be approved.

Reasons

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 and corporate governance of public services. The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business and this is reflected in the proposed fees and plan.

1. Background

1.1 Grant Thornton's plan for the 2012/13 audit of the Council's financial statements and value for money conclusion is attached as an appendix. The plan sets out the work that they propose to undertake to satisfy their responsibilities under their Code of Audit Practice.

2. Proposal

2.1 It is proposed that the Grant Thornton's planned audit fee for 2012/13 is approved.

3. Outcomes Linked to Corporate Priorities

3.1 The External Audit function gives assurance on the stewardship of public resources and effectiveness of services in terms of value for money as well as contributing to the prevention, detection and investigation of potential fraud and corruption incidents.

4. Legal and Statutory Implications

4.1 The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's Statutory Code of Audit Practice.

5. Financial and Resource Implications

5.1 Provision in respect of the fees for Grant Thornton's work for 2012/13 - £85,936 - is contained within the Council's budget estimates and represents a 40% saving from the fees charged by the Audit Commission in respect of 2011/12.

6. **Major Risks**

- 6.1 The level of fee is based on the Council having no significant audit risks and that it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes. If these assumptions are not met then additional audit work may have to be undertaken which could result in an increased audit fee. Grant Thornton will keep the Executive Director (Resources and Support Services) informed of any changes to the plans and therefore the fee.

7. **List of Appendices**

Appendix - Grant Thornton's Planned Audit Fee for 2012/13.

Our Ref TJC/DJ/N09000008 L1

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12 November 2012

Dear Kelvin

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £72,436, which compares to the audit fee of £120,726 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of

Chartered Accountants

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resources (the value for money conclusion)

- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £13,500.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	36,218
March 2013	18,109
June 2013	18,109
Grant Certification	
June 2013	13,500
Total	85,936

Outline audit timetable

We will undertake our audit planning and interim audit procedures November 2012 to May 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in January to September 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2012 to May 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to September 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	January to September 2013	Report to those charged with governance	As above
Financial resilience	January to September 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13 remain unchanged:

	Name	Phone Number	E-mail
Engagement Lead	Tony Corcoran	0121 232 5342	Tony.J.Corcoran@uk.gt.com
Engagement Manager	David Jenkins	0121 232 5322	David.Jenkins@uk.gt.com
Audit Executive	Naomi Povey	0121 232 5294	Naomi.J.Povey@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead (jon.roberts@uk.gt.com).

Yours sincerely

Tony Corcoran
For Grant Thornton UK LLP

CERTIFICATION WORK REPORT 2011/12

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance and Budget Management

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 2011/12.

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 2011/12 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

- 5.1 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 2011/12 – January 2013.

Newcastle-under-Lyme Borough Council

Certification work report 2011/12

January 2013

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1	Executive Summary	1
2	Results of our certification work	3

Appendices

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B	Details of claims and returns certified for 2011-12	7

1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified two claims and returns for the financial year 2011/12 relating to expenditure of £69.119 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	Both claims were submitted on time to audit and were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns. Of the two claims that required certification in 2011/12, your National Non-Domestic Rates claim did not require amendment. The Housing and Council Tax Benefit claim required amendment and a qualification letter to be submitted. Given the complexity of the Benefits scheme and the volume of transactions involved it is not uncommon for amendments to be made and a qualification letter issued on this type of claim. The issues reported were consistent with those that have been reported at other councils.
Supporting working papers	Supporting working papers for the two claims were good, which enabled certification within the deadlines. The relatively minor nature of the amendments and issues raised in the qualification letter reflect a strong performance by the team.

The way forward

- 1.8 We have not had to make any recommendations to address the key messages above or other findings arising from our certification work.

Acknowledgements

- 1.9 We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

January 2013

2 Results of our certification work

Key messages

- 2.1 We have certified two claims and returns for the financial year 2011/12 relating to expenditure of £69.119 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011/12		Achievement in 2010/11		Direction of travel
		No.	%	No.	%	
Total claims/returns		2		2		
Number of claims submitted on time	100%	2	100	3	100	→
Number of claims certified on time	100%	2	100	3	100	→
Number of claims certified with amendment	0%	1	50	2	66	↑
Number of claims certified with qualification	0%	1	50	2	66	↑

- 2.3 This analysis of performance shows that:
- The number of claims that require audit have decreased with the Disabled Facilities claim no longer requiring audit.
 - Of the two remaining claims that required certification in 2010/11 and 2011/12, your National Non-Domestic Rates claim did not require amendment this year. The Housing and Council Tax Benefit claim required amendment and a qualification letter to be submitted and appears twice in Exhibit Two as both amended and qualified.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Your previous auditors, the Audit Commission, charged a total fee of £23,242 against an indicative budget of £22,500 for the certification of claims and returns in 2011/12. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.6 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Compilation procedures and supporting working papers

- 2.7 Supporting working papers for the claims and returns were good, which enabled certification within the deadlines. The relatively minor nature of the amendments and issues raised in the qualification letter reflect a strong performance by the team.
- 2.8 Of the two claims that required certification in 2011/12, your National Non-Domestic Rates claim did not require amendment. The Housing and Council Tax Benefit claim required amendment and a qualification letter to be submitted. Given the complexity of the Benefits scheme and the volume of transactions involved it is not uncommon for amendments to be made and a qualification letter issued on this type of claim. The issues reported were consistent with those that have been reported at other councils.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	37,217,086	Yes	1,032	Yes	18,462	19,291	
National non-domestic rates return	31,901,486	No	0	No	3,117	2,831	
Reporting to those charged with Governance					945	1,120	
Total	69,118,572		1,032		22,524	23,242	

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