

# Public Document Pack

**Date of meeting** Monday, 16th November, 2015  
**Time** 7.00 pm  
**Venue** Training Room 1 - Civic Offices, Merrial Street,  
Newcastle-under-Lyme, Staffordshire, ST5 2AG  
**Contact** Julia Cleary

## **Audit and Risk Committee**

### **AGENDA**

#### **PART 1 – OPEN AGENDA**

**1 DECLARATIONS OF INTEREST**

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

- |          |  |                        |
|----------|--|------------------------|
| <b>2</b> | <b>Health and Safety</b>   | <b>(Pages 3 - 8)</b>   |
| <b>3</b> | <b>Corporate Risk Management Report for the period July to September 2015</b>  | <b>(Pages 9 - 16)</b>  |
| <b>4</b> | <b>Treasury Management</b>   | <b>(Pages 17 - 24)</b> |
| <b>5</b> | <b>Annual Audit Letter</b>   | <b>(Pages 25 - 32)</b> |
| <b>6</b> | <b>Internal Audit Progress Report (Quarter Two)</b>  | <b>(Pages 33 - 44)</b> |
| <b>7</b> | <b>Adoption of Internal Audit High Risk Recommendations and Summary of Assurance 1 July to 30 September 2015 (Quarter Two)</b> | <b>(Pages 45 - 52)</b> |
| <b>8</b> | <b>URGENT BUSINESS</b>   |                        |
- To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

**Members:** Councillors Burgess, Dymond (Vice-Chair), Loades, Owen, Pickup (Chair), Waring and Hambleton

**PLEASE NOTE:** The Council Chamber and Committee Room 1 are fitted with a loop system. In addition, there is a volume button on the base of the microphones. A portable loop system is available for all other rooms. Should you require this service, please contact Member Services during the afternoon prior to the meeting.

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

**Meeting Quorums :-** 16+= 5 Members; 10-15=4 Members; 5-9=3 Members; 5 or less = 2 Members.

**FIELD\_TITLE**

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

## AUDIT AND RISK COMMITTEE – 16<sup>th</sup> November 2015

### HEALTH AND SAFETY 6 MONTH REPORT

**Submitted by:** Claire Dodd – Corporate Health & Safety Officer

**Portfolio:** Finance, IT and Customer

**Ward(s) affected:** None

#### **Purpose of the Report**

To inform Members of issues and trends regarding health and safety at the council.

#### **Recommendation**

**That the report be noted.**

#### 1. **Background**

1.1 Attached at Appendix 1 is the health and safety report submitted to the council. It covers the period 1<sup>st</sup> April 2015 to 30<sup>th</sup> September 2015.

#### 2. **Legal and Statutory Implications**

2.1 The council is required to comply with all relevant Health and Safety legislation.

#### 3. **Equality Impact Assessment**

3.1 Our health and safety policy and procedures apply equally to all employees. Training is available to all employees as required.

#### 4. **Financial & Resource Implications**

4.1 The majority of health and safety training courses are carried out in-house. On occasions, external providers are required to conduct specialist training courses i.e. First Aid. The cost of this is met from within the existing Corporate Training budget.

#### 5. **Risks**

5.1 Failure to adopt best practice health and safety standards could result in wastage of council resources and the provision of an inefficient service.

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**Newcastle-under-Lyme Borough Council****HEALTH AND SAFETY 6 MONTHLY REPORT APRIL 2015 – SEPTEMBER 2015.****1. INTRODUCTION**

- 1.1 This report outlines the current state of health and safety matters during the year from 1<sup>st</sup> April 2015 to 30<sup>th</sup> September 2015.
- 1.2 There is considerable progress to report, including the completion of some of the long standing project work that have been undertaken, delivery of training, the successful completion of Fire Evacuation Drills and the development of Target 100, the Councils health and safety management system

**2. POLICIES AND GUIDANCE**

- 2.1 There has been an update to the Corporate Health and Safety Policy and Employees Handbook, which incorporated changes to Health and Safety Legislation and the revision of some internal Health and Safety Policies.

The above documents will be communicated to employees via Core Brief and E-voice.

**3. TARGET 100**

- 3.1 Target 100 is the safety management system which the Council uses to manage and record health and safety policies, procedures, assess risk and organise routine assessments and tasks for the management and control of Health and Safety across the Council. This also provides practical Health and Safety advice and guidance to comply with the law. This was introduced in late 2010 and its use continues to be developed throughout the Council.
- 3.2 Work continues with the use of Target 100, in particular the focus is now to ensure that service areas, continue to review and monitor their risk assessments to ensure that they remain suitable and sufficient.

**4. HEALTH AND SAFETY TRAINING**

- 4.1 The following Health and Safety Training has been completed –
- First Aid at Work Refresher
  - First Aid Renewals
  - First Aid at Work for New First Aiders
  - Fire Marshall Training
  - Evac Chair
  - Apprentice Inductions
  - Health and Safety Training for Porters
  - Dosimeter User Training

**5. ACCIDENT REPORTS**

- 5.1 Please see overleaf for a summary of average days lost per employee to date

Year	Number of Accidents	Number of Reportable	Total days lost	Average days lost per employee
2010/11	31	4	150	0.23
2011/12	35	3	60	0.10
2012/13	36	3	132	0.26
2013/14	43	4	355*	0.77
2014/15	50	4	41	0.09
2015/16 (6 months)	32	2	84	0.18

\* The increase in numbers of days lost and subsequently average days lost per employee is mainly due to four long term lost time accidents where incidents have led to absence periods of 21 days, 26 days, 82 days and one absence of 184 days

## 5.2 All accidents (staff & members of public)

Month	RIDDOR	Non-Reportable	Near Miss	Dangerous Occurrence
January 2015	0	11	1	0
February 2015	1	23	1	0
March 2015	4	23	0	0
April 2015	1	16	1	0
May 2015	0	23	0	0
June 2015	1	30	6	0
July 2015	0	23	0	0
August 2015	0	19	3	0
September 2015	0	18	0	0
<b>TOTAL</b>	<b>7</b>	<b>186</b>	<b>12</b>	<b>0</b>

\* RIDDOR - Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (Accidents which result in over a 7 day absence from work of an employee; a member of the public taken from the premises by ambulance and major injuries (broken bones etc) would all be reportable to the Health & Safety Executive by the Local Authority.)

### 5.3 RIDDOR Summary

Month	Injured Person	Location	Incident Type	Remedial Action
APRIL 2015	Employee	Collection Services	Slip, Trip or Fall	Investigation was undertaken, no faults were found.
June 2015	No Injury	Kidsgrove Sports Centre	Chemical Leak	Chemicals were cleaned up by an external company. Replacement tanks and pipework have been installed by the County Council.

All RIDDOR Accidents have been reported to the HSE and full investigations have been completed by management.

## 6. HEALTH AND SAFETY AUDITS & INSPECTIONS

6.1 The Corporate Health and Safety Committee members undertook inspections of Council premises listed below to identify any Health and Safety issues, in order to remedy or alter the matters identified.

- St Georges Chamber
- Knutton Lane Depot

6.2 Following the above inspections, reports were sent to the premises manager or other responsible officer outlining the findings and advising on any necessary corrective action.

6.3 Action Plans from these reports are reviewed as part of the Corporate Health and Safety Committee Agenda.

## 7. KNUTTON DEPOT

7.1 The Knutton Lane Health and Safety Committee held meetings on

- 10<sup>th</sup> June 2015
- 9<sup>th</sup> September 2015

7.2 Matters arising from the meetings included:-

- Accidents, Incidents and Near Misses
- Target 100
- Training
- Site Rules
- Buildings, Utilities and Infrastructure
- External Yard, Waste Transfer Station, Salt Yard
- Site re-organisation

## 8 CORPORATE HEALTH AND SAFETY COMMITTEE

8.1 The Corporate Health and Safety Committee held the following meetings during the period

- 24<sup>th</sup> June 2015

- 24<sup>th</sup> September 2015

8.2 The committee discussed the following items, over the past six months:

- Lone Working
- Fire Evacuation
- Accidents, Incidents and Near Misses
- Target 100
- Health and Safety Training
- Corporate Health and Safety Policy
- Employee Handbook
- Communication of Health and Safety Procedures

## **9. FIRE**

9.1 A number of evacuations have taken place in the last 6 months including

- 6 month programmed Fire Drills across the majority of sites.
- Evening evacuation for Elected Members and Officers took place on Wednesday 9<sup>th</sup> September.

## **10. EVENT SAFETY**

There have been a number of events over the past 6 months where Corporate Health & Safety Services and partners from Staffordshire Police and Staffordshire Fire and Rescue Service have provided advice and assistance to help event organisers carry out a safe event, including

- Lymelight
- Food, Folk and Real Ale
- Jazz and Blues Festival
- Global Groove
- Midsummer Mayhem
- Homecoming

## **11. Lone Working Review**

A corporate working group has been established to undertake a review of lone working arrangements. The first meeting of this group took place in September attended by staff representatives from all service areas and Trade Unions. As part of this ongoing review, Business Managers will be required to complete a lone working survey which will help us to complete an overarching risk assessment. We will then produce a suite of template risk assessments for the different categories of lone working our staff are involved in. Using these documents Business Managers will then be asked to complete a specific lone working risk assessment which will assess the adequacy of their existing controls and help us to identify if further control measures are needed such as lone working devices.

During this review period, Business Managers have been requested to review their lone working risk assessments to ensure that they reduce the risks associated with lone working

## **12. Climbing Wall Audit**

A Health and Safety Audit of the Climbing Wall was undertaken in June of this year, which led to a temporary closure of the climbing wall whilst some of the recommendations were implemented. A comprehensive action plan was put into place and the majority of the actions have been completed.



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

16 November 2015

### CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD July to September 2015

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

**Portfolio: Policy, People and Partnerships**

**Ward(s) affected: All**

#### **Purpose of the Report**

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period July to September 2015, including progress made in managing 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 point 2.1.1 showing no overdue risks.**
- (c) Note the point 2.2.1 advising of no risk level increases.**
- (d) Note the point 2.2.2 regarding a new risk that has been identified between July to September 2015.**
- (e) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.**

#### **Reasons**

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

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 used to record and manage risks.
- 1.2 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly.
- 1.3 The last review of these risks was reported to the Council's Audit & Risk Committee in September 2015.
- 1.4 Risk owners are challenged by the Council's Risk Champions in respect of the controls, further actions, ratings and emerging risks related to their risks, and are also challenged on the reasons for inclusion or non-inclusion and amendment of these.
- 1.5 Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy (i.e. at least monthly).

2. **Issues**

- 2.1 Further to an Audit Assurance recommendation, your officer has been asked to report on overdue risk reviews that are 6 months out of date.
  - 2.1.1 At the time of the running report, there were NO overdue risks.
- 2.2 Following a previous review a report was produced to show any risks where the risk level has increased.
  - 2.2.1 Your officer can report that there have been no risk level increases during the period July to September 2015.
  - 2.2.2 There has been one (1) new risk added to any profiles during July to September 2015 and this can be seen on Appendix A.
  - 2.2.3 Should there be any increase during October to December 2015 these will be reported to the next Committee meeting.

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

3.1 The Council regularly reviews and refreshes its risk registers in accordance with the Risk Management Strategy.

3.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.

3.3 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
<b>IMPACT</b>				

3.4 During this quarter there has been one additional risk added with a final rating of High Red 9 in relation to the risk of failure of staff to transfer on to revised contract conditions in respect of the Implementation of the new Recycling and Refuse service.

3.5 Appendix A now highlights the risks that fall into the top line of the above risk map.

4. **Issues from last meeting**

4.1 None.

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

5.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of:

- Borough of Opportunity
- A Clean, Safe and Sustainable Borough
- A Healthy and Active Community
- Becoming a Co-operative Council, which delivers high quality, community-driven services

6. **Legal and Statutory Implications**

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

*“The relevant body **is** responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system*

*of internal control, which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk"*

7. **Equality Impact Assessment**

7.1 There are no differential equality impact issues in relation to this report.

8.1 **Financial and Resource Implications**

8.1 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.

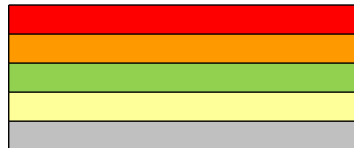
9. **List of Appendices**

Appendix A – Notable High and Medium risks

10. **Background Papers**

None

**Notable High and Medium Risks - Appendix A**



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

<b>Appendix A</b> Risks and Action Plan <b>Risk Identified</b>	<b>Risk Owner</b>	<b>Action Required to Address Risk</b>  in order to reduce the risk	<b>Target Date</b>  for action completion	<b>Risk Category</b>  Strategic, Operational, Project	<b>Current position / progress</b>  as at 02/11/2015	<b>Status</b>  as at March 15	<b>Status</b>  as at June 15	<b>Current Rating</b>  as at Sept 15
1  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	Risks reviewed and noted that this area is of growing significance with the number and value of claims increasing. Further actions reviewed. Consideration was given to potential control measures, but these are addressed by the existing further actions.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9

## Notable High and Medium Risks - Appendix A

Appendix A									
Risks and Action Plan Risk Identified	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status as at March 15	Status as at June 15	Current Rating as at Sept 15	
		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 02/11/2015				
2	Members not adhering to Officers advice	Resources & Support Services	Planning Peer Review Action Plan approved including a timetable for implementation, included training programme for elected members.	Throughout the year	Strategic	The progress on implementing the Action Plan was reported to Cabinet in July 2015, indicating completion of most actions. A report will be considered by Cabinet on 11 November 2015 to demonstrate progress or completion of any outstanding actions.	I = 3 L = 3 High 9	I = 3 L = 3 High 9	I = 3 L = 3 High 9
3	Failure to transfer all staff on to revised contract terms	Waste & Recycling Strategy	Actions required to reduce the risk include: Contracts to be signed and returned Review of TUPE issues Undertake to complete TUPE for all relevant employees.	October 2015 Nov'ber 2015 April 2016	Project	Sub-project HR plans are in place and are being progressed in order to complete the actions required to manage this risk. However, final risk rating has been reduced to a medium amber during this quarter as a result of negotiations with the workforce. This risk will therefore be removed from the next quarter report.			I = 3 L = 3 High 9
4	Failure to engage or consult with key stakeholders	Communication Strategy			Project	Consultation framework and toolkit in place and available for staff on the Intranet to assist with correct approach.	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8

**Notable High and Medium Risks - Appendix A**

Appendix A									
Risks and Action Plan	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating	
Risk Identified		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 02/11/2015	as at March 15	as at June 15	as at Sept 15	
5	Strategic Housing	To support Staffordshire County Council (as lead organisation) and other local partners in responding to the Government's request for support in relocating Syrian Refugees.	Dec-15	Strategic	Government 'Gateway' programme to support refugee resettlement		I = 2 L = 3 Medium 8	I = 2 L = 3 Medium 8	

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# Agenda Item 4

## NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

### EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE AUDIT AND RISK COMMITTEE

16 November 2015

#### 1. TREASURY MANAGEMENT HALF YEARLY REPORT 2015/16

**Submitted by:** Head of Finance

**Portfolio:** Finance, IT and Customer

**Ward(s) affected:** All Indirectly

#### **Purpose of the Report**

To receive the Treasury Management Half Yearly Report for 2015/16 and to review the Treasury Management activity for this period.

#### **Recommendations**

**(a) That the Treasury Management Half Yearly Report for 2015/16 be received.**

#### **Reasons**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised in November 2011) recommends that Members should be informed on Treasury Management activities at least twice a year.

It was resolved that the Audit and Risk Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

#### 1. **Background**

1.1 The CIPFA Code of Practice on Treasury Management (revised in November 2011) recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Risk Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.

1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report approved by Council on 25 February 2015.

#### 2. **Issues**

2.1 The Treasury Management Half Yearly Report for 2015/16 is attached at Appendix 1. The economic background and economic forecast included in the report has been provided by the Council's Treasury Management Advisors, Sector.

2.2 Investments outstanding as at 30<sup>th</sup> September 2015 are detailed in Annex A to the Report.

### 2.3 **Heritable Bank**

The original investment with Heritable Bank was £2.5m. Fifteen dividends have been received so far from administrators Ernst and Young representing a return of 98%, with the most recent payment of £99,932 being made in August 2015.

As a creditor of the Heritable Bank the Council has also been able to submit a claim relating to the outstanding element of its original investment, with Landsbanki (the parent company of the Heritable Bank). Lawyers, Bevan Brittan, have been instructed by the Council to pursue this claim in the instance that no further dividends are paid by the Heritable Bank.

## 3. **Legal and Statutory Implications**

3.1 See Background for details.

## 4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising from the report.

## 5. **Major Risks**

5.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

5.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

5.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

## 6. **List of Appendices**

6.1 Appendix 1, Treasury Management Half Yearly Report 2015/16.

## 7. **Background Papers**

- CIPFA Treasury Management Code of Practice (revised November 2011),
- Council's Treasury Management Policy Statement,
- Council's Treasury Management Strategy,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Department for Communities and Local Government (revised March 2010),
- Bevan Brittan notice to creditors of Heritable Bank (October 2015),
- Ernst and Young creditors of Heritable Bank report (April 2015).

**Treasury Management Half Yearly Report - 2015/16**

**1. Background**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate security and liquidity initially before considering optimising investment return (yield).

The second main function of a treasury management service is the funding of an authority's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasions any debt previously drawn may be restructured to meet Council risk or cost objectives. Currently, however, the Council has not chosen to finance its capital investment by way of borrowing, so these activities are not presently engaged in.

Accordingly Treasury Management is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

**2. Introduction**

The treasury management function is carried out in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) current Code of Practice on Treasury Management (revised November 2011). The original Code was adopted by this Council on 24 February 2010.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, and an Annual Report (stewardship report) covering activities during the previous year.
4. The production of a Mid-Year Review Report for scrutiny by Members. For this Council the delegated body to review treasury management and receive the Mid-Year Review Report is the Audit and Risk Committee.
5. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices. For this Council the delegated body is the Cabinet (for implementing) and the Audit and Risk Committee (for monitoring).
6. Delegation by the Council for the execution and administration of treasury management decisions. For this Council this is delegated to the Executive Director (Resources and Support Services).
7. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Finance, Resources and Partnership Scrutiny Committee.

This Mid-Year Review Report to members is intended to provide an update of the treasury management strategy and performance for the period April to September of this financial year. It has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2015/16 financial year to 30 September 2015
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- A review of the Council's investment portfolio for 2015/16

### **3. Economic Update – as provided by the Council's Treasury Management Advisors, Sector**

#### United Kingdom (UK) economic performance to date and outlook

UK gross domestic product growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any Group of 7 (G7) country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% though there was a rebound in quarter 2 to +0.7%.

Growth was expected to weaken marginally to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. However, the purchasing manager's index for services issued on 5 October would indicate an even lower growth rate of around +0.3%, which would be a three year low.

Despite these headwinds, the Bank of England August Inflation Report included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that consumer price index (CPI) inflation has fallen to, or near to, zero over the last quarter.

Investment expenditure is also expected to support growth. Since then, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would not be a surprise if the next Inflation Report in November were to cut those forecasts.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon re-join the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the United States and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

Sector Interest Rate Forecast (as at 1<sup>st</sup> October 2015)

Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	June 2018
0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%

Sector undertook its last review of interest rate forecasts on 11<sup>th</sup> August shortly after the quarterly Bank of England Inflation Report. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

#### **4. Treasury Management Strategy Statement and Annual Investment Strategy Update**

The Treasury Management Strategy Statement (TMSS) for 2015/16 was approved by Full Council on 25 February 2015. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information where this is available. Currently investments are only being made with U.K. financial institutions.

Investments during the first six months of the 2015/16 financial year have been in line with the strategy, and there have been no deviations from the strategy.

As outlined in Section 3 above, there is considerable uncertainty in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 25 February 2015 is still fit for purpose in the current economic climate.

#### **5. Investment Portfolio 2015/16**

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

The Council held £10.3m of investments as at 30 September 2015 (£8.8m at 31 March 2015). Funds available for investment purposes can vary between £7m and £16m due to the large fluctuations in cash inflows and outflows during each month. Large cash inflows include council tax & business rate direct debits and the Housing Benefit subsidy from the Department for Work and Pensions. Large cash outflows include payment of the precepts to Staffordshire County Council, the Fire Authority and the Police, payment of salaries and payment of business rates to Central Government and the Staffordshire Business Rate pool.

The investment portfolio yield for the first six months of the year is 0.60% against a target of 0.50%. The Council's budgeted investment return for 2015/16 is £25,000 (£12,500 for first 2 quarters). As at the end of the first 2 quarters of 2015/16 £35,330 of interest has been earned.

Interest earned is in excess of the amount budgeted due to:

- The average interest rate yield being in excess of that expected, and;
- Amounts held for investment being in excess of those forecasted (due to asset sales and the profiled expenditure of the Councils capital programme).

A full list of investments held as at 30 September 2015 is shown in Annex A.

## **6. Borrowing Position 2015/16**

It is not currently intended to borrow to finance capital investment in 2015/16. The only borrowing envisaged by the 2015/16 Treasury Management Strategy is temporary borrowing to cover short-term cash flow deficits. In fact no borrowing has taken place for the first half of the financial year.

## **7. Prudential Indicators 2015/16**

Treasury management activity during the first half year has been carried out within the parameters set by the prudential indicators contained in the approved 2015/16 Treasury Management Strategy. Consequently, there is no intention to revise any of the indicators for the remainder of the year.

**Annex A**

<b>INVESTMENTS OUTSTANDING As at 30/09/15</b>						
<b>ACK NO.</b>	<b>BROKER</b>	<b>INT. RATE</b>	<b>DATE INVESTED</b>	<b>NAME OF BORROWER</b>	<b>PRINCIPAL (£)</b>	<b>DATE MATURING</b>
5228	Direct	1.00%	3/12/2014	HALIFAX BANK OF SCOTLAND	2,000,000	2/12/2015
5238	Direct	0.63%	9/4/2015	BARCLAYS BANK	2,000,000	9/10/2015
5239	LCB	0.66%	1/5/2015	NATIONWIDE BUILDING SOCIETY	1,000,000	2/11/2015
5241	RPM	0.66%	3/6/2015	NATIONWIDE BUILDING SOCIETY	2,800,000	3/12/2015
5242	RPM	0.60%	3/6/2015	COVENTRY BUILDING SOCIETY	1,000,000	3/12/2015
					<b>8,800,000</b>	
		0.90%		SANTANDER 95 DAY NOTICE ACCOUNT	1,500,000	
				<b>TOTAL INVESTMENTS</b>	<b>10,300,000</b>	
				<b>HERITABLE BANK INVESTMENT</b>		
5092	TRAD	6.10%	15/09/2008	<b>HERITABLE BANK (<i>Landsbanki</i>)</b>	50,184	14/09/2009
Payments of £403,250, £317,649, £155,396, £157,437, £103,815, £118,358, £156,863, £101,810, £104,919, £83,407, £95,089, £71,528, £68,207, £419,963 and £99,932 were received from the Heritable Bank administrators on 30th July 2009, 18th December 2009, 30th March 2010, 16th July 2010, 18th October 2010, 14th January 2011, 19th April 2011, 15th July 2011, 20th October 2011, 23rd January 2012, 20th April 2012, 20th July 2012, 17th January 2013, 23rd August 2013 and 27 <sup>th</sup> August 2015 respectively.						

**Treasury Management – Glossary of Terms**

- **CDS** – ‘Credit Default Swap’ is an additional assessment of credit worthiness by providing a risk analysis of changes in credit quality as perceived by the market.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- **CPI Inflation** – a measure that examines the weighted average of prices of a basket of consumer goods and services. The CPI is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. The main rating agencies are Fitch, Standard and Poor’s and Moody’s.
- **Gross Domestic Product (GDP)** – is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- **G7** – The Group of 7 (G7) is a group consisting of the finance ministers and central bank governors of seven major advanced economies, as reported by the International Monetary Fund, which meet to discuss primarily economic issues (Canada, France, Germany, Italy, Japan, United Kingdom, United States).
- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.



# The Annual Audit Letter for Newcastle under Lyme Borough Council

Year ended 31 March 2015

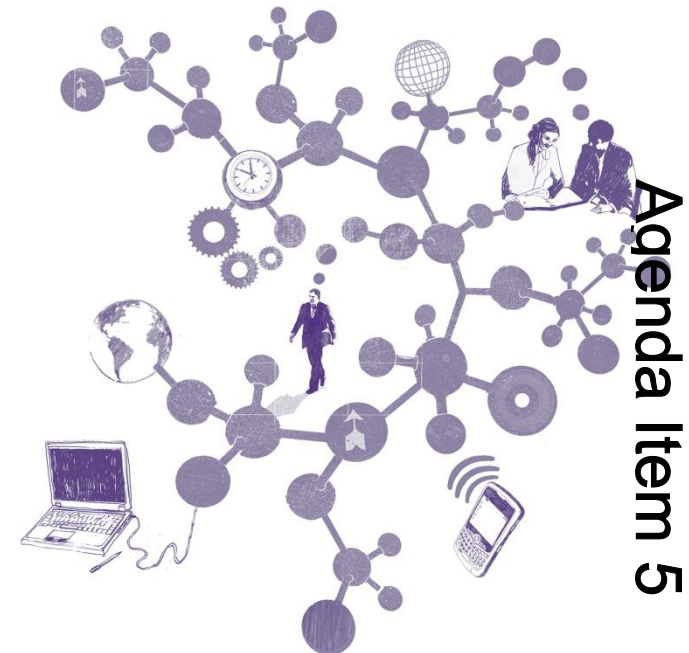
October 2015

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# Contents

Page 26

## Section

## Page

1. Key messages

3

## Appendices

A Key issues and recommendations

B Summary of reports and audit fees

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Newcastle under Lyme Borough Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in April 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

<b>Financial statements audit (including audit opinion)</b>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28<sup>th</sup> September 2015 to the Audit and Risk Committee. We found that the accounts were prepared to a good standard together with appropriate working papers. We did not identify any adjustments affecting the Council's reported financial position. However we did request a number of adjustments to the disclosures within the financial statements, all of which were made.</p> <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 28<sup>th</sup> September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<b>Audit fee</b>	Our fee for 2014/15 was £73,336, excluding VAT, which was in line with our planned fee for the year. Further detail is included within appendix B.

## Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion for 2014/15 on 28<sup>th</sup> September 2015. The focus of our work was on the financial resilience of the Council and we found :

- Expenditure in 2014/15 was £7,000 lower than the budget which indicates strong budgetary control
- Whilst all councils continue to face challenges around their medium term financial resilience, the Council has responded effectively through the development and agreement of its updated Medium Term Financial Strategy. The plan now extends to 2019/20 and has identified savings plans for 2015/16 and the majority of schemes for 2016/17
- The Council is planning to maintain its level of general reserves at the risk assessed level of £1.2m. The council also has £3m of revenue earmarked reserves as at 31/3/15
- Members have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy
- There was no indication that the effectiveness of key services is being significantly impacted by the level of savings so far. The outturn performance report to Cabinet shows that in the main services are performing well.

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

# Appendix A: Key issues and recommendations

This appendix summarises the recommendations identified during the 2014/15 audit. These all arose from our audit of the financial statements and represent areas for further improvement of existing sound processes.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>We identified errors in the testing of manual accruals. Two of the sample of accruals tested (£5,500 and £11,000) had been incorrectly included within the financial statements, as the expenditure did not take place during 2014/15.</p> <p><b>Recommendation:</b> The Council should consider additional quality procedures to ensure there is appropriate support for the expenditure accruals.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Executive Director (Resources and Support Services).</p> <p>Due date: March 2016.</p>
2.	<p>The Code requires that the minimum lease payments be discounted which is not currently the case.</p> <p><b>Recommendation:</b> The Council should ensure it fully complies with the Code requirements for the calculation of the finance lease long term debtors.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Executive Director (Resources and Support Services).</p> <p>Due date: March 2016.</p>
3.	<p>Although the Code does not prescribe a minimum period the last valuation of Heritage Assets was undertaken in 2006.</p> <p><b>Recommendation:</b> The Council should undertake a review of its museum heritage assets to ensure the valuation remains current.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Executive Director (Resources and Support Services).</p> <p>Due date: March 2016.</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees

	Per Audit plan £	Actual fees £
Council audit	73,336	73,336
Grant certification on behalf of Audit Commission	8,280	8,280
<b>Total audit fees</b>	<b>81,616</b>	<b>81,616</b>

The grant certification fee is indicative and may vary dependent upon the final levels of audit required. We are still completing our grant certification work and will report upon the fee once it is completed

## Reports issued

Report	Date issued
Audit Plan	April 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015



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**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**  
**REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO**  
**AUDIT & RISK COMMITTEE**

**Date 16 November 2015**

**HEADING**                    **INTERNAL AUDIT PROGRESS REPORT – Quarter 2 2015/16**

**Submitted by:**            Audit Manager

**Portfolio**                    Finance IT and Customer

**Ward(s) affected**        All

**Purpose of the Report**

To report on the work undertaken by the Internal Audit section during the period 1<sup>st</sup> July to 30<sup>th</sup> September 2015. 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.

**Recommendations**

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

**Reasons**

The role of Internal Audit is 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 2015/16 allows for 500 days of audit work.

1.2 This is the second 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 second 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 does not normally show 50% of the audits completed on a quarterly basis. Past experience has shown this is more likely to be around 25% in the second quarter. Achievement of the 25% is dependent on a full complement of staff from 1st April, fully qualified and trained to complete work with minimum supervision. A full 50% 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 second quarter (September 2015).

### **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 September 2015, 240 recommendations had been made of which 208 have been implemented, 87%, the target for the implementation of all recommendations is 96% by the end of the financial year. With 87% of all recommendations implemented to date this provides a good indication that managers are responding to and implementing the recommendations made. We would not anticipate this to be any higher at this stage in the year due to varying factors one being the fact some of the recommendations will not yet have reached their implementation date.

### **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 2015/16 is 85%.

Two surveys were issued during the second quarter however none of these were returned. This is an issue that we are seeking to address with the implementation of the new audit software system.

#### **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 2 is 50%. This figure is lower than target due to the fact that we are in the process of implementing a new audit system which is having an impact on both the audit plan and audit resources and also due to one member of the audit team currently on secondment to the Finance

Team to cover a period of maternity leave. With effect from 7 September 2015 we have employed an agency worker to backfill this secondment and ensure that the audit plan is completed for the current financial year.

- **Percentage of audits completed compared to the total number of audits planned for completion (percentage):** the annual target for this is 90%. 18 % of the planned audits had been completed by the end of quarter 2.
- **Percentage of the audit plan completed within the year:** the annual target for this is 90%. 20% of the operational audit plan had also been completed against an expectation of 25%.

#### 2.4 Audit reviews completed and final reports issued between 1 July and 30 September 2015

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:

<b>Well Controlled</b>	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)
<b>Adequately controlled</b>	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.
<b>Less than adequately controlled</b>	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.
<b>Poorly controlled</b>	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 the 1<sup>st</sup> July 2015. Appendix A provides fuller details of these audit reviews under each service area.

<b>AUDIT REVIEW</b>	<b>AUDIT OPINION</b>	<b>Risk Category</b>
<b>Resources and Support</b>		
Budget Monitoring	Well Controlled	B
<b>Regeneration and Development</b>		
Markets	Well Controlled	B
Building Control	Adequately Controlled	B
Public Building cleaning	Adequately Controlled	B
Planning & Development Control	Well Controlled	B
<b>Corporate Reviews</b>		
Partnerships	Adequately Controlled	A
Transparency Agenda	Adequately Controlled	B
Strategic Risks	Adequately 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 2 the Audit Manager has been involved in various projects which have resulted in a total of 20 audit days being spent undertaking special projects at the request of other Directorates.

## **2.7 Corporate Fraud**

Since the 1 May 2015 there have been 31 cases investigated in relation to non-benefit fraud which have included Single Person Discount Fraud (SPD) and Council Tax Reduction Fraud, Blue Badge and undeclared residences. Work continues with Stoke on Trent City Council in relation to the North West Staffordshire Corporate Fraud Hub which will see joint working across both the City Council and also Staffordshire County Council and a number of Registered Social Landlords, one of which being Aspire Housing.

## **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 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 2015 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**

- 8.1 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**

- 11.1 Not applicable

## **12 Earlier Cabinet/Committee Resolutions**

- 12.1 Agreement of the Internal Audit Plan for 2015/16 (Audit and Risk Committee 16 February 2015).

## **13 Recommendations**

- 13.1 That Members consider any issues that they may wish to raise with Cabinet and, or Chief Officers.

## **14 List of Appendices**

- 14.1 Internal Audit Plan 2015/16: Progress to the end of Quarter 2 – 2015/16.

## **15 Background Papers**

- 15.1 Internal Audit Plan & PI's Folder
- 15.2 APACE files 2015/16

**16. Management Sign-Off**

Each of the designated boxes need to be signed off and dated before going to Executive Director/Corporate Service Manager for sign off.

	Signed	Dated
<b>Financial Implications Discussed and Agreed</b>		
<b>Risk Implications Discussed and Agreed</b>		
<b>Legal Implications Discussed and Agreed</b>		
<b>H.R. Implications Discussed and Agreed</b>		
<b>ICT Implications Discussed and Agreed</b>		
<b>Report Agreed by: Executive Director/ Head of Service</b>		

## Internal Audit Plan 2015/16

### Progress to the end of Quarter 2 – 2015/16

#### Resources and Support Services Directorate

##### Areas completed in Quarter 2 of the 2015/16 Audit Plan

The following areas have been completed in quarter 2

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Budget Monitoring	B	Well Controlled	0	0	0	0

**Budget Monitoring** the main objectives of this review were to ensure that;

- A comprehensive budget has been set for 2015/16 and has been appropriately approved.
- An appropriate process was used to set the annual budget in compliance with the Council's constitution and Government regulations.
- There is a process in place for reviewing and monitoring the budget.
- Action plans are in place to address budget variances.
- Budget monitoring reports are disseminated in a timely manner to appropriate committees

Overall the findings from this review concluded an overall audit opinion of **well controlled**. This means that 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). No recommendations were made in respect of this review.

#### Regeneration & Development Services

##### Areas completed in Quarter 2 of the 2015/16 Audit Plan

The following areas have been completed in quarter 2

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Markets	B	Well Controlled	0	1	0	1
Public Building Cleaning	B	Adequately Controlled	0	4	0	4
Building Control	B	Adequately Controlled	0	1	1	2
Planning & Development Control	B	Well Controlled	0	0	0	0

**Markets** the main objectives of this review were to ensure that;

- there is documentary evidence to support all market income transactions and that income received is in line with the approved Scale of Fees and charges.
- all money due to the Council is received and correctly recorded and that all money received is banked promptly and intact.
- appropriate monitoring and recovery is undertaken with regards to any arrears incurred by the market traders or operators.
- valid current agreements are in place for the Antiques Market and the Farmers Market and that where necessary the Authority's Financial Regulations and Standing Orders have been followed.
- there is adequate insurance provision relating to the functions carried out.
- arrangements have been implemented to ensure that safeguarding of Council assets.
- risk assessments have been completed and updated on the Target 100 system.
- income and expenditure are recorded in accordance with Financial Regulations.

Overall the findings from this review concluded an overall audit opinion of **well controlled**. This means that 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). There was just one recommendation that arose from this review, this was in relation to updating the risk assessment to cover a recent change in procedures in relation the collection of income.

**Public Building Cleaning;** the main objectives of this review were to ensure that;

- Staffing issues are managed appropriately.
- Staff have received relevant training and use appropriate equipment at designated areas.
- Identify methods for allocating and monitoring work to ensure that required standards are met.
- Stock is procured from a competitive supplier. It is held securely and controlled adequately.
- Health and safety and other risk issues have been identified and are subject to monitoring and regular reviews.

Overall the findings from this review concluded an overall audit opinion of **adequately controlled**. This audit opinion means that 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.

A number of recommendations were made with a view to helping management to further improve/enhance the current procedures that were in place, these can be summarised as follows;

- The HR department should update records of the 2 cleaners ID details in order to comply with regulations and to ensure that they are eligible to work in the UK.
- Consideration should be given to obtain copies of ID documents previously presented.
- The HR department should ensure that the Corporate Health & Safety Officer is notified of new starters in order to enter their details on to Target 100.
- The Public Buildings Officer should ensure that all cleaning staff have received training in cleaning up to the same industry standard and their records updated accordingly.



- The Property Maintenance Department should complete and record cleaning risk assessments for the 3 outstanding locations or use a generic assessment for all 6 locations. Furthermore the assessments should be monitored on the Target 100 system.
- The Property Maintenance Department should ensure that the 6 cleaners are made aware of the Council's H&S policy and their records updated accordingly.

**Building Control;** the main objectives of this review were to ensure that;

- a formal partnership agreement is in place clearly detailing roles and responsibilities, objectives and quality standards, and is regularly updated.
- formal monitoring arrangements are in place for the partnership.
- risks associated with the partnership have been identified and are managed accordingly.
- the service is adequately promoted and meets the needs of stakeholders.

Overall the findings from this review concluded an overall audit opinion of **adequately controlled**. This audit opinion means that 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.

A number of recommendations were made with a view to helping management to further improve/enhance the current procedures that were in place, these can be summarised as follows;

- A new Building Control Partnership agreement in collaboration with other interested Local Authorities should continue to be explored and the preferred solution implemented at the earliest opportunity.
- Efforts should be made to ensure that Partnership Board meetings take place at the agreed frequency, currently twice yearly.

**Planning & Development Control** the main objectives of this review were to ensure that;

- there is adequate documentation to support all planning applications and appeals.
- all planning applications and appeals records are updated appropriately and all relevant parties are notified.
- all applications are dealt with promptly and in line with statutory requirements at all stages.
- planning application procedures, including those in respect of fees and collection of income, are in accordance with statute, and the organisation's Standing Orders and Financial Regulations.
- the scale of fees and charges in respect of other income is in accordance with the organisation's Scale of Fees.
- changes to fees are notified to the relevant employees and all the appropriate literature is updated promptly.
- all applications and appeals are appropriate, bona fide and treated consistently.

Overall the findings from this review concluded an overall audit opinion of **well controlled**. This means that 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). There were no formal recommendations made following this review, however there were a couple of points to note which related to information being updated on the Uniform Planning System.

## 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.

### Areas completed in Quarter 2 of the 2015/16 Audit Plan

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Partnerships	A	Adequately Controlled	0	2	0	2
Transparency Agenda	A	Adequately Controlled	2	2	0	4
Strategic Risks	A	Adequately Controlled	0	2	0	2

**Partnerships**, the main objectives of this review were to ensure that;

- Partnerships are adequately managed.
- all partnerships entered into, have been done so in accordance with the Council's Financial Regulations.

Overall the findings from this review concluded an overall audit opinion of **adequately controlled**. This audit opinion means that 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. There were just two recommendations that arose from this review these are summarised below;

- The Partnerships Register should be circulated to all directorates and be updated to ensure that the register only includes current, formal partnerships.
- The partnership agreement for the Shropshire and Staffordshire Homeless Prevention Partnership should be signed by NULBC.

**Transparency Agenda**; the main objectives of this review were to ensure that;

- the information which must be published is recorded and monitored by the relevant service area.
- the information which must be published is done so via the Council's internet site in a single location.
- the information published is complete and the latest information available.
- the necessary information is published at the prescribed frequency.

Overall the findings from this review concluded an overall audit opinion of **adequately controlled**. This audit opinion means that 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. A number of recommendations were made in relation to this review, these have been summarised below;

- Heads of Service should ensure that systems are in place to accurately record and report the information required under the Local Government Transparency Code 2015.

- Heads of Service should ensure that all necessary information for publication pertinent to their Service area is maintained in line with statutory guidance and submitted for publication to the website by agreed deadlines.
- A single page of the Council’s website should display all information published in compliance with the Local Government Transparency Code 2015.
- A designated Officer should be allocated the responsibility of managing Transparency data published on the website.

**Strategic Risks** – the main objectives in relation to this review were to ensure that;

- strategic risks have been identified across the Council and that these risks are reviewed on a regular basis.
- where strategic risks have been identified, that control measures are in place and that where further actions have been identified, that these have been implemented, or are in progress

Overall the findings from this review concluded an overall audit opinion of **adequately controlled**. This audit opinion means that 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. There were just two recommendations that arose from this review these are summarised below;

- All outstanding risk reviews should be completed as soon as possible.
- Details of progress should be recorded against the overdue planned action.

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**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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# Agenda Item 7

## HEADING

### QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 JULY TO 30 SEPTEMBER 2015

**Submitted by:** Audit Manager

**Portfolio** Finance IT and Customer

**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.

#### **Recommendations**

**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 controls.

1.4 Assurance is provided on an annual basis as part of the Annual Report on the Internal Audit Service. It is 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 quarter two there were 4 outstanding high risk recommendations. All of which were at their first review date and therefore do not need to be reported to the committee.
- 2.2 A summary of the assurance levels for each of the 4 directorates during quarter 2 can be found at Appendix A.
- 2.3 Given these results at the end of the second quarter there are no issues or concerns in relation to any outstanding recommendations within any of the Directorates.

## 3. **Reasons for Preferred Solution**

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

## 4. **Outcomes Linked to 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 2015 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**

- 6.1 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**

- 9.1 Not applicable

## 10. **Earlier Cabinet/Committee Resolutions**

- 10.1 Where fundamental 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**

Audit Recommendations Summary of Assurance for September 2015

**12. Background Papers**

Internal Audit PI and Assurances file

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**Summary of Outstanding Audit Recommendations and Levels of Assurance – Quarter 2 (2015-16)**

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
	July	Aug	Sept	July	Aug	Sept	July	Aug	Sept	July	Aug	Sept
Total number of Recommendations	32	32	34	43	47	54	38	38	33	70	70	45
Number of Recommendations Outstanding as at the end of the month	1	2	8	5	9	15	5	5	7	5	1	3
% Implemented as at the end of the month	92	85	58	81	71	59	82	82	75	91	98	91
% Overdue for implementation as at the end of the month	8	15	42	18	29	41	18	18	25	9	2	9
No of recommendations with target date changed > 2	0	2	2	0	0	1	3	1	0	0	0	0
High Risk recommendations with target date changed > 2	0	0	0	0	0	0	0	0	0	0	0	0
Medium Risk recommendations with target date changed > 2	0	1	1	0	0	1	1	1	0	0	0	0

Classification: NULBC **UNCLASSIFIED**

	Chief Executives			Resources & Support Services			Regeneration & Development Services			Operational Services		
Low Risk recommendations with target date changed > 2	0	1	1	0	0	1	2	0	0	0	0	0
<b>Overall Assurance Level</b>	<b>Sub</b>	<b>Sub</b>	<b>Ltd</b>	<b>Sub</b>	<b>Sub</b>	<b>Ltd</b>	<b>Sub</b>	<b>Sub</b>	<b>Sub</b>	<b>Sub</b>	<b>Full</b>	<b>Sub</b>
<b>Annual Audit Days for Directorate*</b>	<b>50</b>			<b>168</b>			<b>115</b>			<b>77</b>		
<b>Total number of audit reviews for the Directorate*</b>	<b>5</b>			<b>24</b>			<b>13</b>			<b>7</b>		

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 2015-16.

Classification: NULBC **UNCLASSIFIED**

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.

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