

Public Document Pack

Date of meeting Monday, 16th April, 2018
Time 7.00 pm
Venue Reception Room 6 - Civic Offices, Merrial Street, Newcastle-under-Lyme, Staffordshire, ST5 2AG
Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Civic Offices
Merrial Street
Newcastle-under-Lyme
Staffordshire
ST5 2AG

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 APOLOGIES**
- 2 MINUTES OF PREVIOUS MEETINGS** (Pages 3 - 6)
To consider the minutes of the previous meeting(s).
- 3 DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 4 CORPORATE RISK MANAGEMENT REPORT** (Pages 7 - 60)
- 5 EXTERNAL AUDIT PLAN** (Pages 61 - 76)
- 6 INFORMING THE AUDIT RISK ASSESSMENT** (Pages 77 - 100)
- 7 GRANT CLAIMS CERTIFICATION WORK 2016/17**
Report to follow.
- 8 INTERNAL AUDIT UPDATE**
A verbal report will be given.
- 9 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors Dymond (Vice-Chair), Pickup (Chair), P Waring, Cooper, S White, S Hambleton and Wing

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.

NOTE: THERE ARE NO FIRE DRILLS PLANNED FOR THIS EVENING SO IF THE FIRE ALARM DOES SOUND, PLEASE LEAVE THE BUILDING IMMEDIATELY FOLLOWING THE FIRE EXIT SIGNS. PLEASE **DO NOT** USE THE LIFTS.

COUNCIL CHAMBER: FIRE EXITS ARE AT THE REAR OF THE CHAMBER AT BOTH SIDES AND THIS IS THE SAME FOR OCCUPANTS OF THE PUBLIC GALLERY.

COMMITTEE ROOMS: EXIT VIA THE WAY YOU ARRIVED AT THE MEETING OR AT THE FAR END OF THE COUNCIL CHAMBER.

ON EXITING THE BUILDING, PLEASE ASSEMBLE AT THE REAR OF THE ASPIRE HOUSING OFFICE OPPOSITE THE CIVIC OFFICES. DO NOT RE-ENTER THE BUILDING UNTIL ADVISED TO DO SO.

AUDIT AND STANDARDS COMMITTEE

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

Present:- Councillor Ms Sarah Pickup – in the Chair

Councillors Dymond, Waring, Cooper, S Hambleton and Wing

Officers Executive Director (Resources and Support Services) - Kelvin Turner,
Liz Dodd - Head of Audit and Elections (and Monitoring Officer),
Annette Vacquier- Business Improvement Officer (Risk and Insurance),
Nesta Barker - Head of Environmental Health Services and
Geoff Durham - Member Training and Development Officer

Also in Attendance: John Gregory – Grant Thornton
Paul Harvey – Grant Thornton

1. APOLOGIES

There were no apologies.

2. DECLARATIONS OF INTEREST

There were no declarations of interest stated.

3. MINUTES OF PREVIOUS MEETINGS

Resolved: That the minutes of the meeting held on 25 September, 2017 be agreed as a correct record.

4. HEALTH AND SAFETY SIX MONTH REPORT

Consideration was given to a report informing members of issues and trends regarding health and safety at the Council.

A copy of the health and safety report was attached to the agenda.

Members had been informed about a fire at the Council's depot in Knutton Lane that had been caused by batteries still retaining some charge being put with paper. Officers were looking to make changes in order to separate the two items by educating the public to take them back to the place of purchase for recycling.

Members were advised that upon occupation of Castle House everyone would have an induction which would include fire evacuation procedures and fire drills would also be arranged.

Resolved: That the report be noted.

5. CORPORATE RISK MANAGEMENT REPORT

Consideration was given to a report informing Members of the progress made by the Council in enhancing and embedding risk management for the period July to September, 2017.

Members' attention was drawn to the risk shown at number four of Appendix A. Councillor Hambleton, the Chair of the Public Protection Committee advised Members that this had been considered at the previous meeting of Public Protection and it would be taken back to the meeting in December prior to a consultation period and reported back to Public Protection early in the new year.

- Resolved:**
- (i) That the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers, be noted.
 - (ii) That point 2.1.1 showing the number of overdue risks be noted.
 - (iii) That point 2.2.1 advising of the risk level increases be noted.
 - (iv) That point 2.2.2 regarding the new risks identified between July to September, 2017 be noted.

6. TREASURY MANAGEMENT HALF YEARLY REPORT

Consideration was given to a report regarding the Treasury Management Half Yearly report for 2017-18.

Members attention was drawn to Appendix 1. Point six indicated that the Council held no investments at 30 September, 2017. In addition, point seven stated that the only envisaged borrowing may be temporary borrowing to cover short term cash flow deficits.

- Resolved:** That the Treasury Management Half-Yearly report for 2017-18 be received.

7. ANNUAL AUDIT LETTER

Consideration was given to the Annual Audit Letter that had been received from Grant Thornton.

Members' attention was brought to the Executive summary on page 33 of the agenda.

Members were advised that the Value for Money Audit had looked at a risk regarding the Council's Medium Term Financial Strategy which indicated a shortfall of £2.278m for 2017/18.

- Resolved:** That the Annual Audit Letter be received.

8. INTERNAL AUDIT PROGRESS REPORT QUARTER TWO

Consideration was given to a report updating members on the work undertaken by the Internal Audit section during July to September, 2017.

Members were advised that the Pentana system was slowly starting to embed itself. Councillor Wing suggested that it would be useful for Members to have a demonstration of the system – possibly at the next meeting.

Resolved: That the information be received.

9. QUARTERLY REPORT ADOPTION OF INTERNAL AUDIT HIGH RISK REPORT

Consideration was given to a report regarding any outstanding high risk recommendations for Quarter 2 – July to September, 2017 and requesting approval to requested actions and target dates. Also to provide Members with an assurance opinion on internal controls.

Resolved: That the actions of officers and levels of assurance be noted.

10. AUDIT AND STANDARDS TRAINING

Following a comment made at a previous meeting Members were asked to consider what training they would like to receive in the short term.

An overview of the Pentana system was mentioned and Members agreed that the Council's Head of Audit and Elections put together sessions on what she felt was appropriate.

Resolved: That the comments be noted and training session(s) be arranged.

11. URGENT BUSINESS

There was no Urgent Business.

COUNCILLOR MS SARAH PICKUP
Chair

Meeting concluded at 7.30 pm

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**REPORT OF THE EXECUTIVE MANAGEMENT TEAM
TO THE AUDIT AND STANDARDS COMMITTEE**

April 2018

**CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD October to
December 2017 (Quarter 3) and Agreement to Risk Management Strategy and
Policy for 2018/19**

Submitted by: Simon Sowerby - Business Improvement Manager

Portfolio: Corporate and Service Improvement, 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 October - December 2017 (Q3), 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 the number of overdue risks.**
- (c) Note the point 2.2.1 advising of the risk level increases.**
- (d) Note the point 2.2.2 regarding the new risks identified between October to December 2017.**
- (e) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.**
- (f) Agree minor changes made in the Risk Management Strategy and Policy documents, and associated Appendices.**

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 (Q2 2017) was reported to the Council's Audit & Standards Committee in November 2017.
- 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 running the report, there were 2 overdue reviews. These are in the Strategic Housing profile in respect of failing to achieve statutory reductions in carbon emissions, and failing to achieve statutory duties and obligations (including performance targets).
- 2.2 Following a previous meeting a brief point is now produced to show any risks where the risk level has increased to a Medium 7, 8 or High 9.
 - 2.2.1 Your officer can report that there have been 2 risk level increases. These have been included in Appendix A.
 - 2.2.2 There have been no new risks added to profiles during October to December 2017.
 - 2.2.3 Should there be any increase during January to March 2018 these will be reported to the next relevant meeting of the Committee.

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	7 Amber	8 Amber	9 High Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
IMPACT				

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

4. Risk Management Strategy and Policy

4.1 Attached at Appendix B is the annually reviewed Strategy and Policy and associated Appendices which are for agreement. The only changes are the dates associated with the documents.

5. Issues from last meeting

5.1 None.

6. Outcomes Linked to Corporate and Sustainable Community Priorities

6.1 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

7. Legal and Statutory Implications

7.1 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”

8. Equality Impact Assessment

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

9. Financial and Resource Implications

- 9.1 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.

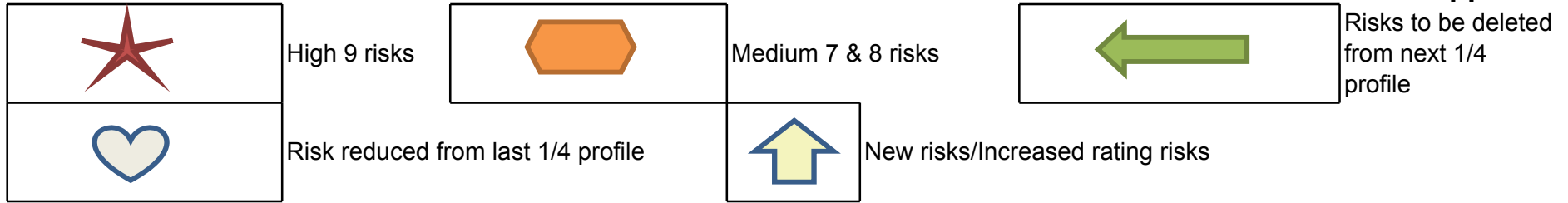
10. List of Appendices


Appendix A – Notable High and Medium risks



Appendix B – The updated Risk Management Strategy and Policy documents, and associated Appendices.





11. Background Papers

None



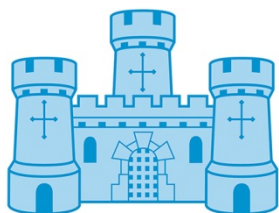
Appendix A								
Risks and Action Plan	Risk Owner	Action Required to Address Risk	Target Date	Risk Category	Current position / progress	Status	Status	Current Rating
Risk Identified		in order to reduce the risk	for action completion	Strategic, Operational, Project	as at 23/01/2018	as at June 17	as at Sept 17	as at Dec 17
 1 Page 11 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 = H L = H High 9	I = H L = H High 9	I = H L = H High 9

Appendix A Risks and Action Plan								
Risk Identified	Risk Owner	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 23/01/2018	as at June 17	as at Sept 17	as at Dec 17
 2 Financial consequences of adverse planning decisions	Regeneration and Development	Production of Emerging Joint Local Plan – completion of Preferred Options stage	Dec-17	Strategic	The emerging Joint Local Plan will provide a more robust framework against which future planning applications will be determined. It will take several years to complete but it will gather greater weight as it proceeds through the various stages of the overall process. The Preferred options document is the next stage and will be reported to Cabinet in December 2017	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9
 3 Fire risk occurrence	Corporate Health and Safety	1. Removal of the battery collection from the council's recycling system. 2. Specific extinguisher training being procured for staff at the site. 3. Amendment to fire evacuation plan once training received.	Mar-18	Operational	Current battery collection and recycling is undertaken at the council however this is not a requirement - the requirement lies with the businesses that sell batteries to provide a recycling point - this will allow the council to cease the collection practice and reduce the likelihood of fires occurring	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9

Risks and Action Plan Risk Identified	Risk Owner	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 23/01/2018	as at June 17	as at Sept 17	as at Dec 17
 4 	Regeneration and Development and Chief Executive	Specific Health and Safety training for Exec Directors and Officers as a refresher on responsibilities organised. Corporate mandate for scheduled diary dates to update Target100 (Health and Safety system)	Feb-18 Ongoing	Strategic	There have been RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1995 as amended) reportable incidents over the past six months. Further training of senior managers along with a focussed effort upon reviewing risk assessments is expected to improve the Council resilience.	I = 3 L = 1 Medium 3	I = 3 L = 1 Medium 3	I = H L = H High 9
 5 	Recycling and Waste	Continue to monitor the current global downturn in recycled material values Feasibility study to look to install a second bailer to increase security of productivity	Ongoing	Operational	The potential market changes mean that the income derived from this is reducing significantly and is primarily outside of the Council's control. Although the production may be secured if another bailer was installed, the end product is being affected by outside sources who are re-thinking their acceptance of recyclable waste from Great Britain.	I = H L = M Medium 6	I = H L = M Medium 6	I = M L = H Medium 8



Risks and Action Plan Risk Identified	Risk Owner	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 23/01/2018	as at June 17	as at Sept 17	as at Dec 17
Failure to deliver Local Air Quality Management action plans	Environmental Protection	Deliver Air Quality Action Plan to DEFRA. Failure to manage air quality in accordance with statutory requirements and not addressing risks to residents health in affected areas. The minister has reserve power functions and judicial review of the council function /decision making may be called. Development and delivery of measures requires buy in from key stakeholders.	Nov-17	Operational	The action plan should have been delivered during 2016/17, however it was revised to be delivered during Q2 of 2017/18. The draft report was sent to the consultants for comments during September and will be sent to DEFRA during Q1 2018	I = M L = H Medium 8	I = M L = H Medium 8	I = M L = H Medium 8



RISK MANAGEMENT POLICY STATEMENT **2018/2019**

Date of Approval:	2018
Approved by:	Audit & Standards Committee
Next Review due:	April 2019
Version:	9.0
Changes:	See below

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

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

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

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

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

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

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

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

Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee
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Changes	08/06/2012	1. Page 1 – Title date changed to 2012/13
		2. Page 2 para 2.2 – changed transformation to change
		3. Page 3 para 3 – full stop inserted after third bullet point
		4. Page 4 para 6 – full stop inserted at end of list

Changes	12/06/2013	1. Page 1 – Title date changed to 2013/14
		2. Page 5 para 3d – amended corporate priority
		3. Page 7 para 7 – amended wording in 6th bullet point

Changes	30/06/2014	1. Page 1 – Title date changed to 2014/15
		2. Page 5 – Corporate priorities amended
		3. Page 7 – Leader of the Council details amended

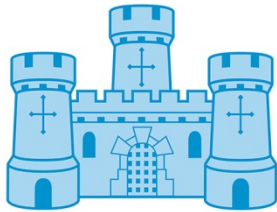
Changes	25/03/2015	No changes made except dates
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Changes	14/03/2016	No changes made except for dates
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Changes	20/03/2017	1. Page 1 – Title date changed to 2017/18
		2. Page 5 – Para 3 (a) wording amended
		3. Page 5 – Para 3 (d) wording amended

Changes	05/02/2018	1. Date changes (2017/18 to 2018/19)
		2. Page 4 – Para 2.1 wording amended

		3. Page 6 – Para 3 Corporate Priority wording in (d) amended
		4. Page 7 – Para 7 first bullet point Committee name amended



RISK MANAGEMENT POLICY STATEMENT 2018/19

1. Purpose

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

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

2. Commitment to Risk Management

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

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

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

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

- 2.3 The council's risk management objectives are an important part of good management and effective governance practices. These objectives need the full and continuing support of elected Members and the active participation of Executive Directors and Heads of Service in ensuring that they are realised and actioned where possible.

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

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

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

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

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

- 2.7 Newcastle-under-Lyme Borough Council is committed to genuinely embedding risk management and all its elected Members, employees, service providers, partners and stakeholders are encouraged and

expected to commit to developing the culture, ethos and practice of risk management in every activity they undertake. The overall risk management approach for the organisation will therefore focus on pragmatic, meaningful assessment and treatment of risks and will discourage the capturing of generic, intangible corporate risks or non-relevant information where possible.

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

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

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

- Recognises that good risk management practice is an integral part of management responsibilities if the highest quality services are to be delivered to the community in the most cost effective way;
- Recognises that risk management can be used as a valuable tool at a corporate level as well as at operational/service/functional level;
- Is committed to manage all of its activities in a way which minimises risks to people, property, services and its finances and to protect its assets through effective and efficient risk management; and
- Recognises that effective risk management is an integral part of robust performance management and good governance within the Council, as managing identified risks and controlling the potential negative consequences, whilst identifying opportunities, helps to ensure the delivery of objectives and priorities.

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

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

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

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

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

4. In order to manage risks the council has adopted an approach that is used across all services. The Council acknowledges that risks occur in the day to day delivery of services, the delivery of individual projects and initiatives, and in relation to any important decisions facing the council and its key partners. We should do what is reasonable to prevent or minimise the impact of these risks and to maximise opportunities when they arise.
5. The rationale behind the risk management process is that the predictable risks are identified and managed, allowing the greatest level of control possible to be put in place. In this sense the risk management process then allows managers to free up capacity to deal with any as-yet unidentified risks as they emerge.
6. To meet the responsibilities above, the council will: -
 - Ensure that risk management retains a high profile in the culture of the council;
 - Ensure clarity as to what needs to be done to achieve objectives;
 - Manage risk in accordance with best practice in line with ALARM & CiPFA guidance and advice;
 - Anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive and citizen requirements;
 - Prevent injury, damage and losses and reduce the cost of risk where possible;
 - Protect the council's assets;
 - Provide the best possible service to customers;
 - Maintain the reputation of the council;
 - Realise opportunities;
 - Promote innovation to achieve objectives; and
 - Ensure that risk management arrangements with our partners are robust.
7. The above will be achieved by:-
 - Reporting risk to individual Executive Directors and Heads of Service; Departmental Management Teams (DMTs), Wider Management Team (WMT), EMT and the council's Audit & Standards Committee;
 - Implementing a Risk Management Strategy that establishes clear roles, responsibilities, escalation and reporting lines within the council for risk management;

- Providing opportunities for shared learning around risk management across the council;
 - Offering a platform for identifying and prioritising risk areas;
 - Reinforcing the importance of effective risk management as part of everyday work of employees;
 - Incorporating risk management considerations into all aspects of the council's work including risk management capabilities in to policy and strategy making, service plans and performance challenge of Heads of Service;
 - Monitoring arrangements on an ongoing basis;
 - Regularly reviewing its arrangements to ensure it is following best practice and will consult with stakeholders; and
 - Engaging with stakeholders, including key partners and contractors, to develop their understanding of risk management and to ensure that they are engaged in effective risk management themselves.
8. The Chief Executive and Leader of the Council will be asked to sign off the policy and strategy as part of displaying both their commitment to risk management and also the organisation's commitment to these processes.

Signed:

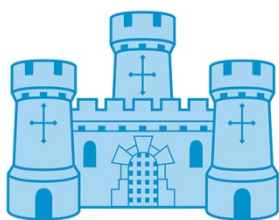
Date:

Leader of the Council

Signed:

Date:

Chief Executive



RISK MANAGEMENT STRATEGY 2018/19

1. Purpose

The purpose of this strategy is to: -

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

2. Objectives of the Risk Management Strategy

The objectives of the strategy are:-

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

3. Achievement of objectives

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

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

The roles and responsibilities are outlined at appendix A.

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

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

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

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

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

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

With responsibility for achieving objectives sits identifying risks, assessing them, developing controls and warning mechanisms, reviewing and reporting on progress by key individuals within the organisation.

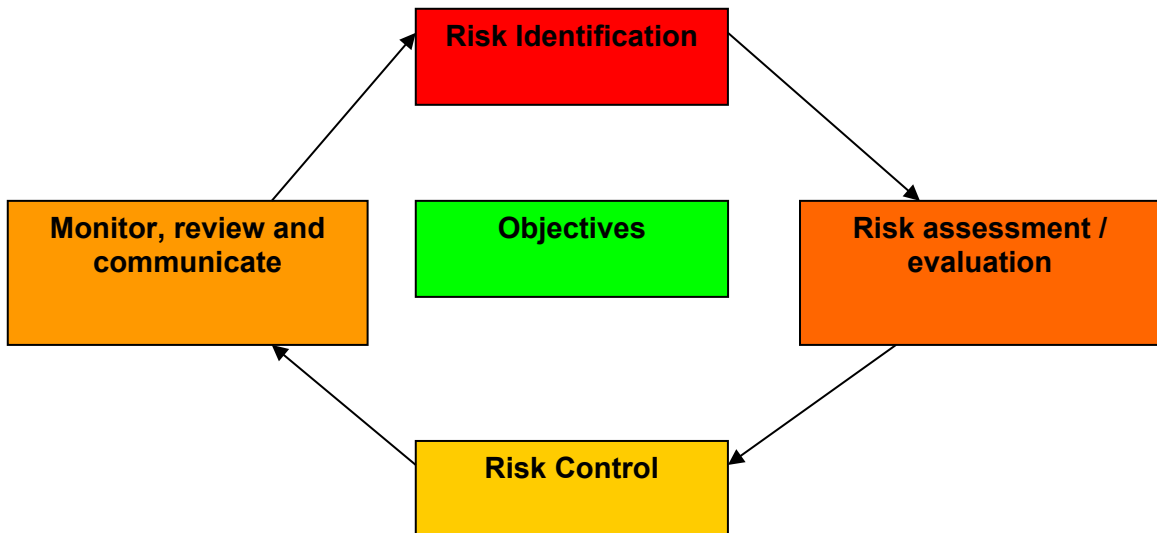
Some objectives, however, are reliant on external organisations with which the council works e.g. key partners and contractors. Working with external organisations could affect the achievement of objectives and this also must be taken into account when delivering the key elements of this strategy.

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

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

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

Summary Guide



3.2.1 Objectives

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

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

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

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

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

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

3.2.2 Risk identification

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

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

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

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

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

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

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

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

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

3.2.3 Risk assessment/Evaluation

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

<p>What would be the impact on the council if the risk actually happened?</p> <p>How likely is it to happen?</p> <p>Based on the answers above, plot the rating on the table opposite</p> <p>The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))</p>	LIKELIHOOD	HIGH	Amber 7	Amber 8	RED 9
		MEDIUM	Green 4	Amber 5	Amber 6
		LOW	Green 1	Green 2	Amber 3
					Low
IMPACT					

3.2.4 Risk Control

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

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

3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

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

Key to what prompts what kind of action: -

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

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

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

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

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

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

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

To achieve this: -

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

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

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

3.5 *To manage risk in accordance with best practice*

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

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

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

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

- 3.5.2** Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.
- 3.5.3** Performance monitoring ensures the treatment of risk remains effective and the benefit of implementing risk control measures outweighs the costs of doing so. It is a continual review not only of the whole process but also of individual risks or projects and of the benefits gained from implementing risk control measures.
- 3.5.4** Data quality needs to ensure that the data used for performance monitoring and to inform decision making is accurate, reliable, timely and fit for purpose. If data is misleading, it could lead to flawed decision making, wasted resources, services that may not improve and the development of ill-founded policy.
- 3.5.5** The business continuity process is a form of risk management applied to the whole council and its ability to continue with its service provision in the event something occurring which potentially affects that ability. The council must ensure risk management processes are applied throughout the business continuity lifecycle.
- 3.5.6** The achievement of effective Health and Safety policies, processes and procedures has been committed to by the council with the development of policy and guidance specifically addressing the management of health and safety risks.

4. Conclusion

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

Date of Approval:	2018
Approved by:	Audit & Standards Committee
Next review due:	April 2019
Version:	9.0
Changes:	See below

Date of Approval:	April 2017
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Next review due:	April 2017
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Changes:	See below

Date of Approval:	April 2016
Approved by:	Audit & Risk Committee
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Changes:	See below

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Approved by:	Audit & Risk Committee
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Changes:	See below

Date of Approval:	July 2014
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Date of Approval:	July 2013
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Version:	3.0
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Date of Approval:	June 2011
Approved by:	Audit & Risk Committee
Next review due:	June 2012
Version:	2.1
Changes:	Compare with previous version 1.0 April 2010

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

Changes	07/07/2011	1. Pg 6 – rating on matrix changed from Green 3 to Amber 3 – this is followed through on the Appendices as requested by Audit & Risk Committee
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Changes	04/07/2012	1. Pg 1 – Year amended from 2011/12 to 2012/13
		2. Pg 2 – para 3.2 comma removed
		3. Pg 4 – para 3.2.2 “At Operation Level” – removed ‘and financial’
		4. Appendix A – Portfolio Holder title amended to read Communications, Transformation and Partnerships Portfolio Holder, and grammer change in role description
		5. Appendix B – step 5 – grammatical changes to the fourth bullet point and a space removed from last para.

Changes	11/06/2013	1. Pg 1 – Year amended from 2012/13 to 2013/14
		2. Corporate Plan amended to Council Plan throughout document
		3. Pg 8 – para 3.3 – additions made to list of documents
		4. Appendix B(ii) – Cost impact levels reduced in response to the current financial situation imposed by the budget cuts

Changes	30/06/2014	1. Pg 1 – Year amended from 2013/14 to 2014/15
		2. Pg 5 – wording amended to Partnership level to reflect that the council follows the Lead Partner’s risk management framework.
		3. Foot amended to show author, page number and date of changes

Changes	25/03/2015	No changes made except dates
Changes	14/03/2016	No changes made except for dates
Changes	22/03/2017	No changes made except for dates
Changes	05/02/2018	1. Date changes made
		2. Audit & Risk amended to Audit & Standards Committee

APPENDIX A

Group/Individual	Roles and Responsibility
Leader of the Council	<ul style="list-style-type: none"> Promotes the concept and practice of risk management across the organisation and amongst all elected Members
Corporate and Service Improvement, People and Partnerships Portfolio Holder	<ul style="list-style-type: none"> Member risk champion Promotes the concept and practice of risk management across the organisation and amongst all elected Members To receive quarterly updates on risk from the Business Improvement Manager for inclusion in Informal Cabinet meetings where appropriate
Audit & Standards Committee	<ul style="list-style-type: none"> Approves and agrees changes to the risk management policy and strategy. Monitors the council's risk management arrangements Monitors the council's high level risks as and when they occur Provides independent assurance that the risk management framework and associated control environment is being managed effectively and the statement of internal control correctly reflects the risk environment
All elected Members	<ul style="list-style-type: none"> Advocate good risk management processes Ensure that risks have been robustly assessed in reports presented to elected Members
Chief Executive	<ul style="list-style-type: none"> Ultimate responsibility for strategic and operational risk management across the council Ensures that all strategies and policies contain risk management as an inherent part of their structure which helps drive the organisational change leading to excellence Ensures that risk management practices across the council reflect best practice. Ensures that risk management issues are fully considered in the decision making process. Drives excellence through the council with strong support and well managed risk taking. Ensures that the council manages its risks effectively through the development and monitoring of its risk management strategy.
Executive Director (Resources & Support Services) - Chair of Corporate Governance Working Group (CGWG)	<ul style="list-style-type: none"> Ensures that Executive Management Team (EMT) are aware of any issues that have been escalated by the CGWG and cannot be resolved and ensures that these are noted in minutes of EMT and actioned accordingly either by or on behalf of EMT Provides assurance to the Audit & Standards Committee as appropriate that the risks are being

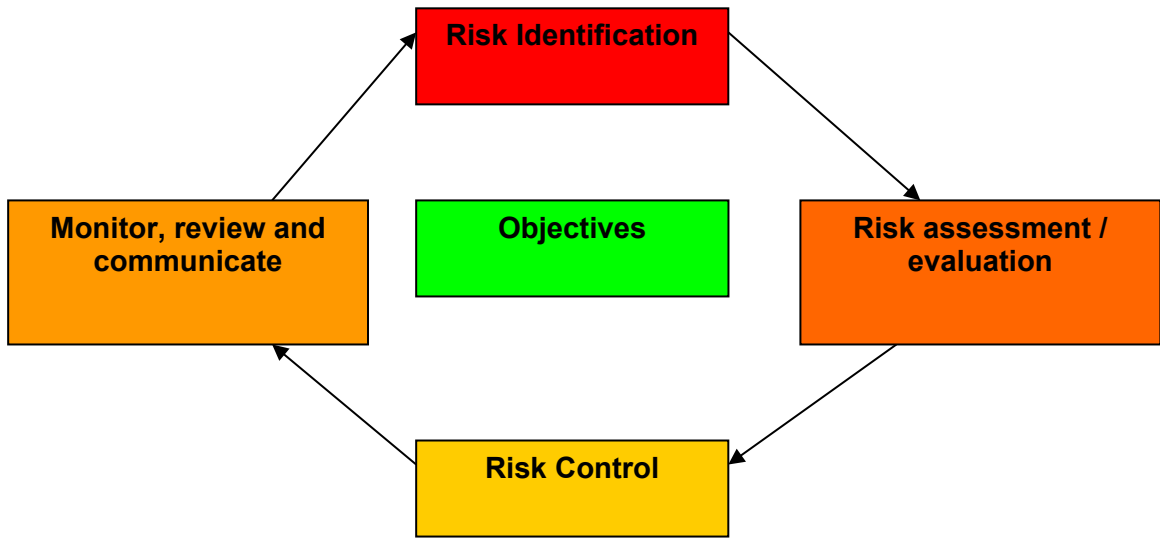
	<p>managed in accordance with the Risk Management Strategy</p>
<p>Executive Directors (EMT)</p>	<ul style="list-style-type: none"> • Ensure that the risk management process is promoted, developed, managed and implemented effectively in their service areas. • Make decisions with their heads of service as to which service risks may warrant inclusion on their strategic risk register • Take ownership of strategic risks in their directorates and include them in the strategic risk register • Disseminate relevant information to service managers and employees • Escalate where necessary any issues that cannot be resolved to the Audit & Standards Committee for advice on decisions • Establish and monitor a rolling programme of operational risk reviews • Promote good risk management practice throughout the council in conjunction with CGWG • Ensuring that when Cabinet reports are written by their officers, that a relevant up to date risk assessment is provided where applicable, before being signed off for submission to Cabinet • Ensure that the appropriate portfolio holder is aware of detailed risk assessments when discussions begin on any proposal
<p>Corporate Governance Working Group (CGWG)</p>	<ul style="list-style-type: none"> • Promote good risk management practice throughout the council in conjunction with EMT • Support the development of the risk management process, share experience on risk and aid/advise in the review of risk management reviews • To review the risk management policy and strategy where necessary • To identify trends and priorities across the council • Liaise with specialist risk groups in order to inform the strategic risk registers • Ensure processes are in place to report any new/perceived (key) risks or failures of existing control measures • Report on key performance results to EMT and Audit & Standards Committee • To accept and make decisions on the course of action of any issues brought to them by DMT or the strategic risk champion • To escalate any issues to EMT brought to the group by DMT or the strategic risk champion, where a stronger decision is needed and cannot be resolved at this level
<p>Directorate Management</p>	<ul style="list-style-type: none"> • Ensure the completion of project risk registers where

<p>Teams (DMTs)</p> <p>Wider Management Team (WMT)</p>	<p>appropriate (DMT)</p> <ul style="list-style-type: none"> • Liaise with specialist risk groups in order to inform the any relevant strategic and operational risk profiles (e.g. Health & Safety, legal, environmental) (DMT/WMT) • To accept and make decisions on any issues escalated to them by the risk champions (DMT) • To escalate, where necessary, any risks, overdue actions and reasons for such, overdue risk reviews to the CGWG, where a higher decision is needed and cannot be resolved at this level (DMT) • Monitor the implementation of action plans and control assurance programmes (DMT/WMT) • Report key performance results (DMT) • Promote and share best practice across the directorate (DMT) • Monitor (and share with the director) situations where: - <ul style="list-style-type: none"> - risks are rising in the level of security; - circumstances where managers have been unable to implement the agreed mitigating actions; - risks could potentially have an impact on other services (DMT) • To understand the escalation process of risks, action plans and issues (DMT/WMT) • To accept the notification of any incidents or near-misses reported to them by employees or risk champions, and record them appropriately (DMT)
<p>Business Improvement Manager (BIM)</p> <p>Business Improvement Officer (Risk) (BIO)</p>	<ul style="list-style-type: none"> • Develop and maintain a risk management process reflecting established best practice (BIM/BIO) • Lead on the annual review of the risk management policy, strategy and methodology, helping to ensure all aspects of the process remain robust. (BIM/BIO) • Ensure risks are reviewed and reported to management in line with the timelines in the risk management framework (BIM/BIO) • Collate and administer the strategic risk registers (BIO) • Prepare annual and quarterly risk management reports for the Audit & Standards Committee (BIM/BIO) • Identify and communicate risk management issues to DMT/EMT for dissemination to services and assist in undertaking risk management activity through guidance, training or direct support. (BIM/BIO) • Promote risk management process throughout the council with both members and officers ensuring the process is embedded, effective and reflects best practice. (BIM/BIO)

	<ul style="list-style-type: none"> • Consult with Executive Directors concerning risk issues (BIO) • Act as a lead support officer for the CGWG (BIO) • Manage the insurance fund and external insurance contract (BIO) • Liaise with external insurers to ensure that future premiums reflect all risk management activities being undertaken (BIO) • Administer the designated risk management system for managing and controlling risks (BIO) • Monitor and report to the CGWG any issues that arise either from strategic risk reviews, overdue risk review reports, non-compliance with guidelines laid out in the risk management framework/approach by employees of the council, reported to them by the operational risk champions (BIM/BIO) • Identify any emerging risks and incorporate into the relevant risk registers (BIO) • Report to the CGWG any further support required (BIO)
Operational Risk Champions	<ul style="list-style-type: none"> • Create and maintain operational risk registers in conjunction with heads of service. • Monitor and report to their respective DMTs any high risks and any issues that may arise in respect of overdue actions/overdue reviews and other problems they encounter for them to either deal with or to escalate to the CGWG via the strategic risk champion. • Update the operational risk profiles on the designated risk management system. • Report to the BIO any further support required. • Ensure that incidents occurring or near-misses are reported to DMT.
Employees	<ul style="list-style-type: none"> • Manage risks effectively in their jobs. • Raise any perceived/new risks for their service area with the appropriate line manager/business manager/head of service or risk champion for inclusion in the risk register. • Report any incidents or near-misses to their risk champion or head of service.

APPENDIX B

Risk Management Process



Step	Title	Description
1	Objectives	<p>Start of the process – concerned with achievement of objectives – the clearer the objectives then more chance there is of achieving them.</p> <p>Objectives must be <u>SMART</u> – <u>S</u>pecific, <u>M</u>easurable, <u>A</u>greed, <u>R</u>ealistic, <u>T</u>ime-bound.</p> <p><i>Strategic:</i> the council has four priorities to which strategic risks are linked</p> <p><i>Operational:</i> each service has a number of business objectives contained within the Service Plan to which operational risks are linked</p> <p><i>Project:</i> each project document details the aims and objectives of the project</p> <p><i>Partnership:</i> the partnership agreement or formally agreed arrangements will details the aims and objectives of the partnership</p>
2	Risk identification	<p>Risk identification tries to identify the council’s exposure to uncertainty. You need to use your imagination, creativity, involvement and experience in this part of the process. Identify the risks that <i>may</i> stop you from meeting your objectives – it may be useful to use the list of risk categories as a guide: political; e-government; regulatory; financial/fraud; opportunities; reputation; management; assets; new partnerships/projects;</p>

		<p>customers/clients/citizens/children; environmental (a description of these can be found at appendix B(i).</p> <p>Strategic risks are those that</p> <ul style="list-style-type: none"> • Could impact significantly on the achievement of the council’s four priorities • Are recorded in the executive director’s strategic risk assessment • Used to inform policy decisions <p>Operational risks are those that</p> <ul style="list-style-type: none"> • Impact significantly on the business objectives • Are recorded in the individual service risk registers • Are used to inform the Heads of Service <p>Project risks are those that</p> <ul style="list-style-type: none"> • Could impact significantly on the achievement of the project • Are recorded in the project risk register • Are used to inform both strategic and operational risk identification <p>Partnership risks are those that</p> <ul style="list-style-type: none"> • Could significantly impact on the achievement of the partnerships aims and objectives • Are recorded in the partnership risk registers • Are used to inform both strategic and operational risk identification <p>There are three elements to any risk scenario</p> <ul style="list-style-type: none"> • The vulnerability describes the situation (that may be perceived) that exposes the council to risk • The trigger is an event or change in situation that has a negative/positive result • The consequences are the events that follow should the risk occur
3	Risk assessment/ evaluation	<p>Areas of potential risk need to be systematically and accurately assessed. The process requires an assessment of: -</p> <ul style="list-style-type: none"> • The <i>impact</i> it would have if a risk event occurs • The <i>likelihood</i> of the risk event occurring • Possible resources needed and other implications • The priority of the risk for action in relation to the

		<p>council’s risk tolerance level (amber and green areas on the table/matrix of risk ratings)</p> <p>Once threats and opportunities have been identified their potential “inherent” risk is evaluated – i.e. with no controls in place and using the matrix found in appendix B (ii).</p> <p>The risk is then re-evaluated taking into account the effectiveness of the controls in place. This result is the “residual” risk rating, or – put another way – the final risk rating.</p>
4	Risk control	<p>Some risks cannot be eliminated completely. Risk management is the process of taking action to minimise the likelihood of the risk occurring and/or to reduce the impact if it does happen.</p> <p>To control the possibility of the event occurring, you need to determine a course of action to try to reduce the risk. Such actions are likely to include the following: tolerate (live with the risk), treat (deal with the risk), transfer (move the risk onto another organisation) or terminate (stop doing whatever it is that is creating the risk) – those actions can be determined by the further action plans you put in place to control the risk further (if any). A description of the action categories can be found at appendix B(iii).</p> <p>Clear responsibility for managing the risk to an appropriate ‘risk owner’ must be assigned. The risk owner can then give responsibility of further action to designated officers that enable them to still influence the risk.</p> <p>The further actions must be <u>SMART</u> and must be developed appropriate to the risk identified.</p> <p>Any such actions are entered into the risk register and monitored.</p>
5	Monitor, review and communicate	<p>There must be monitoring and review of:</p> <ul style="list-style-type: none"> • The risk itself • The implementation of the <i>agreed</i> control measures • The effectiveness (or otherwise) of any further actions • Were an incident to occur, it is recorded and used to inform a lessons-learnt report <p>As part of the review cycle, risks and actions will be re-analysed and the cycle will continue as shown in the</p>

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

Check List for Risk Identification – Categories (not exhaustive)

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

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

IMPACT MEASURES AND CLASSIFICATION

APPENDIX B(ii)

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

Likelihood Measures

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

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

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ACTION CATEGORIES

APPENDIX B(iii)

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

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RISK MANAGEMENT REVIEWING & REPORTING, COMMUNICATING FRAMEWORK

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

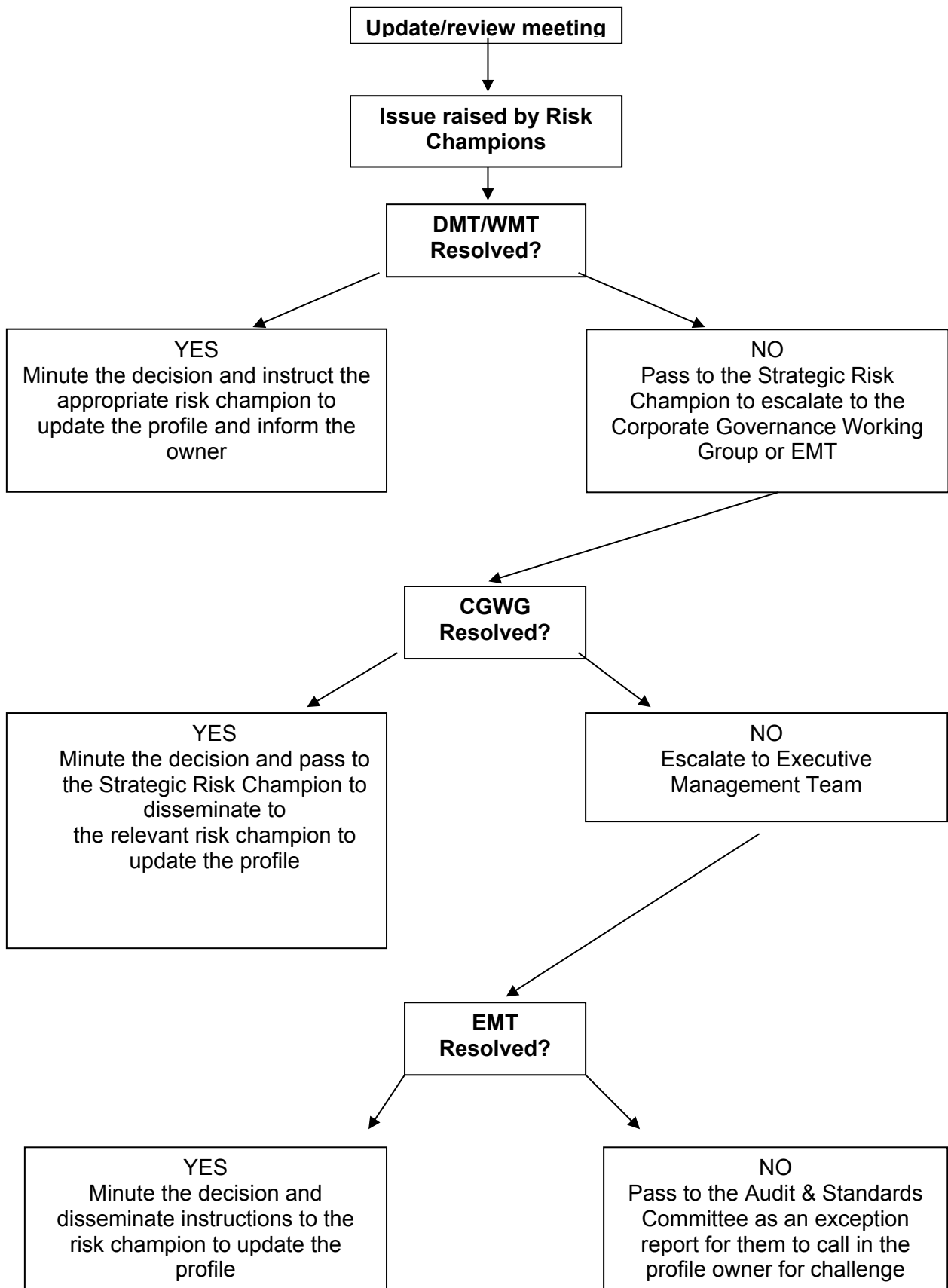
Page 47

Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), CGWG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.

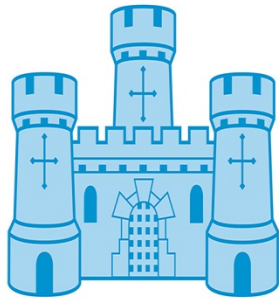
If wider support is required to control this risk, it must be escalated to the Departmental Management Team.

Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.

ESCALATION PROCESS



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NEWCASTLE·UNDER·LYME

BOROUGH COUNCIL

A QUICK GUIDE TO THE COUNCIL'S
RISK MANAGEMENT PROCESS

Review date:	2018
Version:	9
Reviewed by:	Audit and Standards Committee
Next review date:	April 2019
Changes:	See below

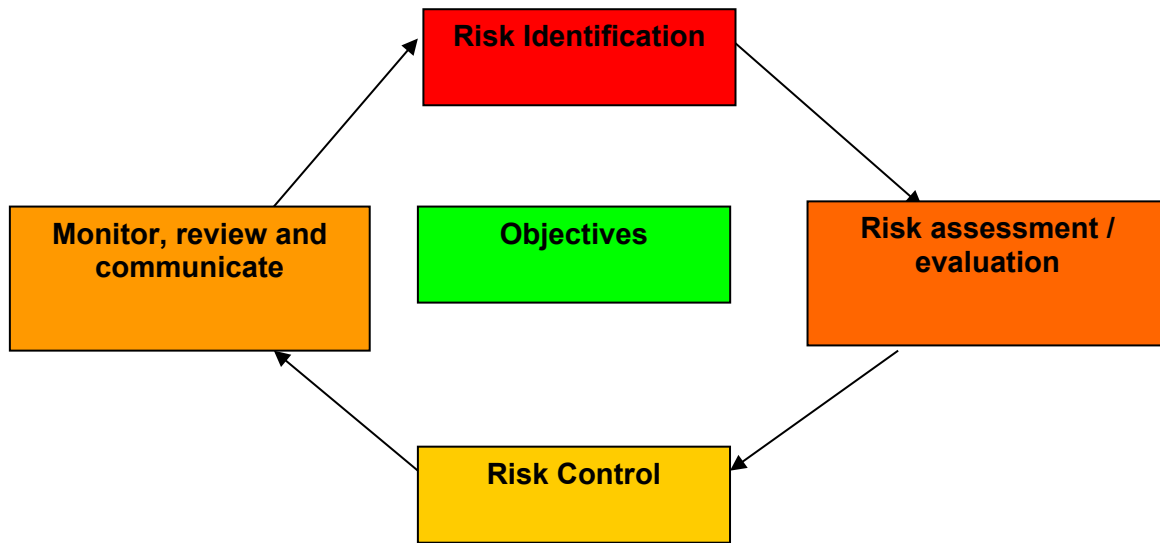
Review date:	April 2017
Version:	8
Reviewed by:	Audit and Risk Committee
Next review date:	April 2018
Changes:	See below

Changes Made

22/03/2017	None
05/02/2018	Audit & Risk Committee changed to Audit & Standards Committee

Page No.

Risk Management Process	3
Impact & Likelihood Measures	6
Reviewing, Reporting & Communicating Framework	7
Escalation Process	8



Objectives

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

Risk identification

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

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

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

What would be the impact on the council if the risk actually happened?

How likely is it to happen?

Based on the answers above, plot the rating on the table opposite

The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))

Risk Control

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

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

Monitor, Review and Communicate

Key questions to consider as part of this process: -

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

Classification: NULBC **UNCLASSIFIED**

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

Key to what prompts what kind of action: -

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

Classification: NULBC **UNCLASSIFIED**
RISK ASSESSMENT IMPACT MEASURES AND CLASSIFICATION

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

ALWAYS TAKE THE WORST CASE SCENARIO AS YOUR IMPACT LEVEL

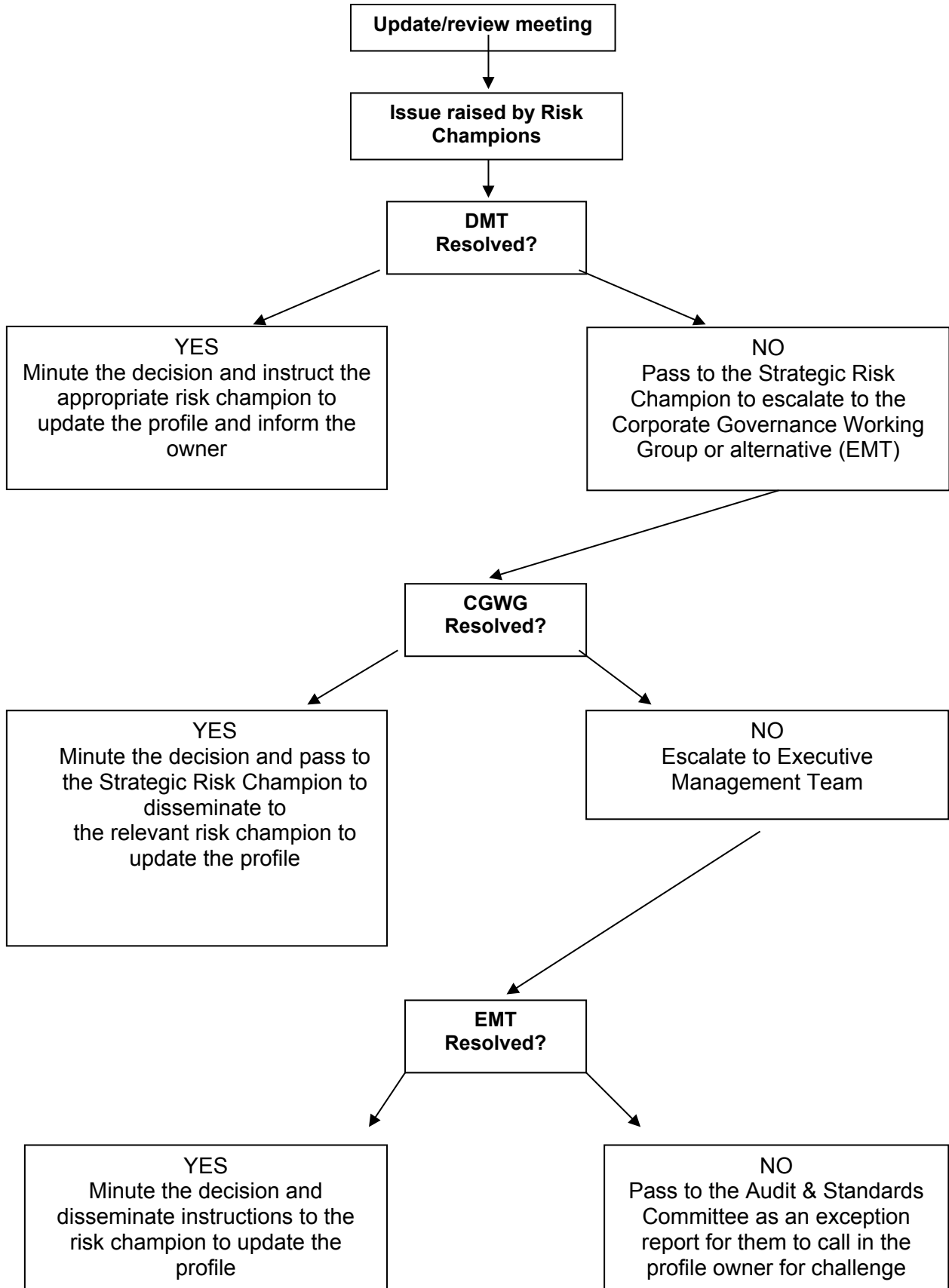
Likelihood Measures

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

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

Classification: NULBC UNCLASSIFIED
RISK MANAGEMENT REVIEWING, REPORTING & COMMUNICATING FRAMEWORK

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

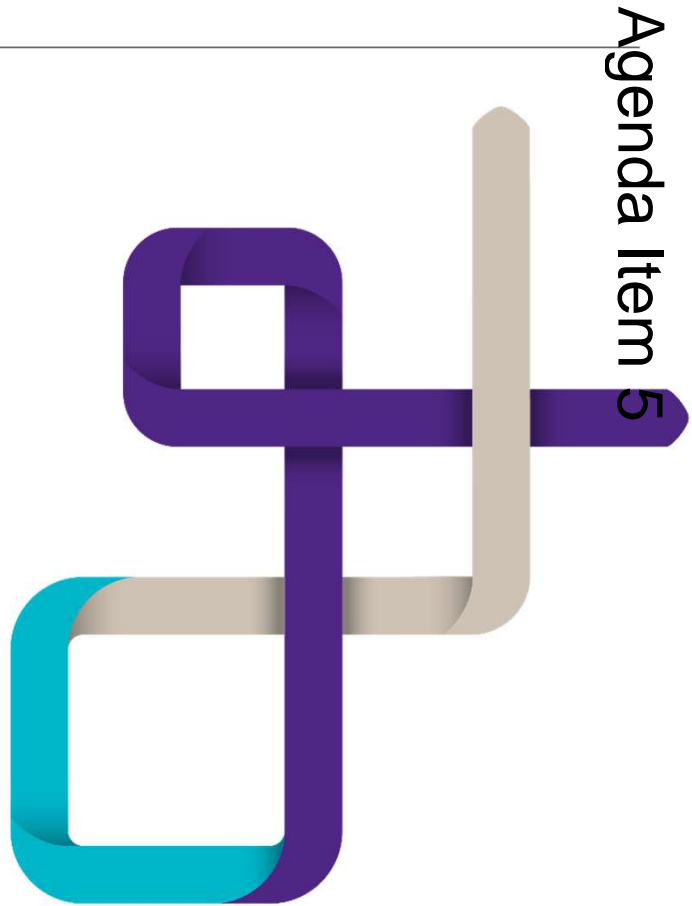


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External Audit Plan

Year ending 31 March 2018

Newcastle under Lyme Borough Council
16 April 2018





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Section

1. Introduction & headlines
2. Deep business understanding
3. Significant risks identified
4. Reasonably possible risks identified
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics, team & audit fees
9. Early close
10. Independence & non-audit services

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Appendices

- A. Revised ISAs

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Newcastle under Lyme Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Newcastle under Lyme Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control (presumed risk under ISA 240)
- Under ISA 540 Pension Liability estimation has a high degree of estimation uncertainty and has therefore been flagged as a significant risk
- Valuation of property, plant and equipment. The Council revalues its land and buildings using a rolling programme, and this represents a significant estimate by management in the financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.243m (PY £xm), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £62k (PY £xm).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial sustainability
- Arrangements for voting at the last general election

Audit logistics

Our interim visits will take place in February/March and our final visit will take place in July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £55,002 (PY: £55,002) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges	
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.</p>	<p>Asset Management Strategy</p> <p>As part of the approved Asset Management Strategy officers are in the process of reviewing the commercial estate with the aim of ensuring the Council is achieving value for money.</p> <p>This piece of work will provide clear evidence about the performance of the commercial portfolio and may identify parts of the commercial portfolio where disposal would be the best option for the Council.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>Changes to the prudential code coming into force in 2018/19</p> <p>Following consultation it is likely that there will be changes to the Local authorities Investment code. The changes are aimed at providing more transparency and openness in Investment activity. There are also changes proposed to the determination of the minimum revenue provision (MRP).</p> <p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>	<p>Financial pressures</p> <p>The Council presented the updated MTFS 18/19 to 22/23 to Cabinet in October 2017. This indicates a forecast budget shortfall of £1.535m for 2018/19, with additional shortfalls across 2019/20 to 2022/23 totalling £3.43m.</p> <p>Officers have been identifying and considering ways of eliminating the shortfall, building upon the work which has already been done to identify savings opportunities as part of the 2020 project.</p> <p>New Headquarters</p> <p>The Council's move to a new headquarters (Civic Hub) has been delayed because of damage to cladding on the back wall. Staff will have to vacate the civic offices in May 2018 due to an agreement with developer HDD which is set to regenerate the wider Ryecroft site.</p> <p>Contingency plans have been drawn up should the building still not be ready in May 2018.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources, as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Newcastle under Lyme Borough Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Page 69 Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on a rolling basis over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2018.

Reasonably possible risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage (28%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • Perform a trend analysis and detailed analytical procedures of monthly pay costs to ensure employee remuneration costs are materially complete • Obtain year-end payroll reconciliation and ensure amount in the accounts can be reconciled to the ledger and through to payroll reports
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • Obtain an understanding of the accruals process and test accruals • Obtain a listing from the cash book of non-pay payments made in April and test a sample to ensure that they have been charged to the correct financial period • Review GRNI report for evidence of expenditure not accrued

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

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

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

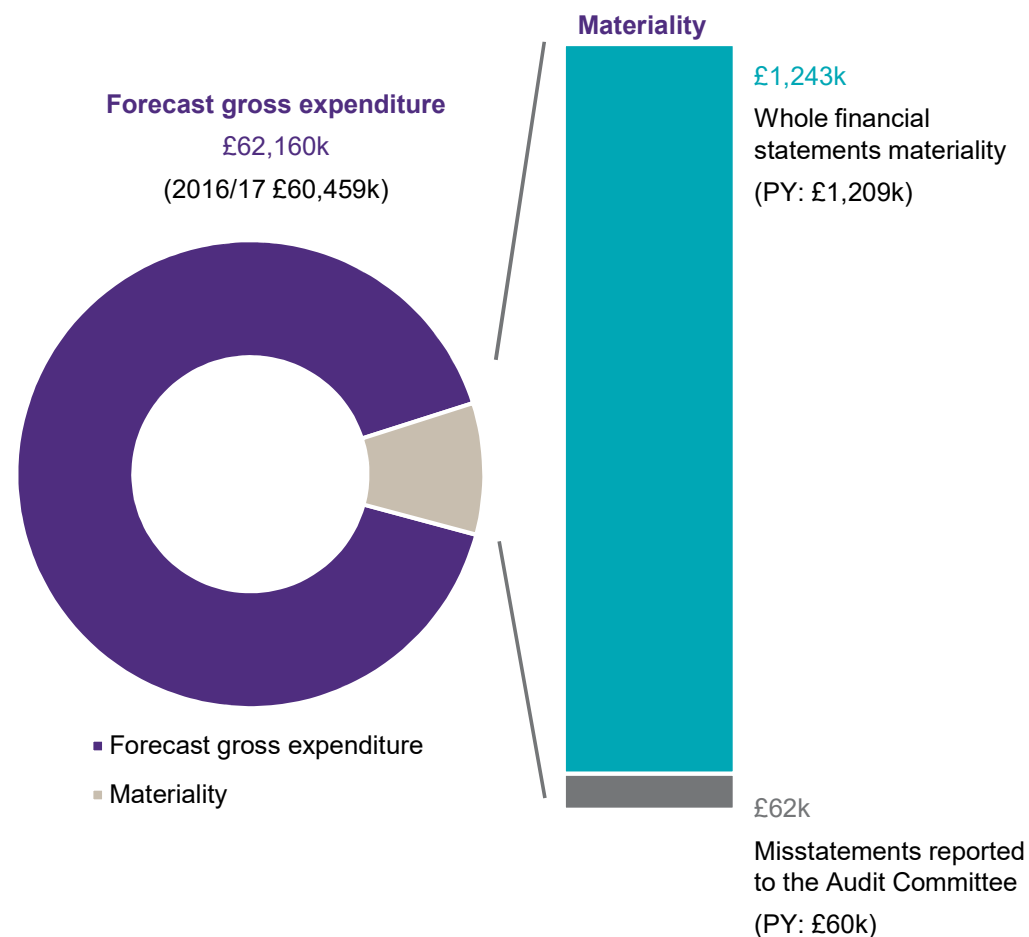
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1,243k (PY £1,209k), which equates to 2% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £62k (PY £60k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



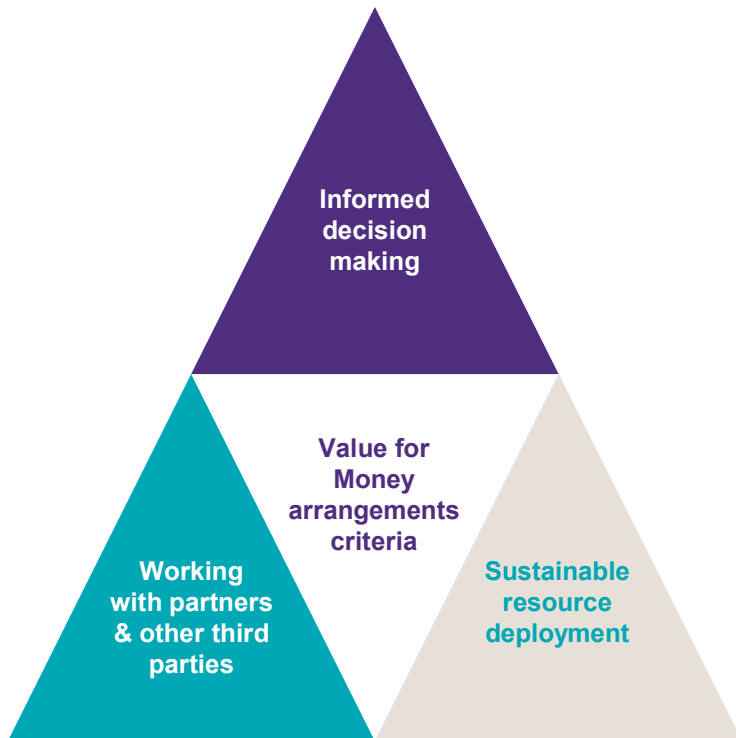
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Financial sustainability

The medium term financial strategy (MTFS) 2018/19 to 2022/23 indicates a forecast budget shortfall of £1.535m for 2018/19, with additional shortfalls across 2019/20 to 2022/23 totalling £3.43m.

We will review the MTFS, assess the realism of savings/income generation plans, reviewing the outturn for 2017/18 and the Council’s track record of addressing budget shortfalls.



Arrangements for voting at the last general election

There has been an independent investigation into arrangements at the last general election. The council has now set up a cross-party investigation and disciplinary panel to look into arrangements.

We will monitor the investigation and the Council response to determine whether there are any implications for our VFM conclusion.

Audit logistics, team & audit fees



Phil Jones, Engagement Lead

Phil's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Paul Harvey, Audit Manager

Paul's role will be to be a key contact with the Executive Director (Resources and Support Services) – and the Audit Committee



Matthew Berrisford, Audit Incharge

Matthew's role will be to be the day to day contact for Council finance staff. He will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements.

Audit fees

The planned audit fees are no less than £55,002 (PY: £55,002) for the financial statements audit and £7,552 for grant certification. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

No non-audit services were identified.

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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Informing the audit risk assessment for Newcastle Under Lyme Borough Council

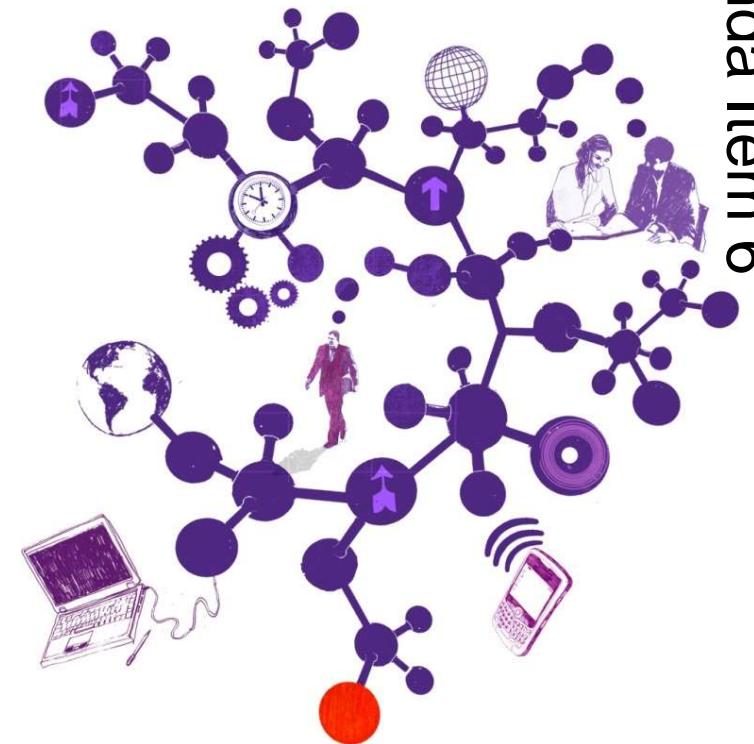
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31 March 2018

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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The purpose of this report is to contribute towards the effective two-way communication between external auditors and Newcastle under Lyme Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:

- Fraud
- Laws and regulations
- Going concern.
- Related Parties
- Accounting estimates

This report includes a series of questions on each of these areas and the responses we have received from the Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management.

Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

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Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud or error? What are the results of this process?</p>	<p>Yes. Risks assessments are in place.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud</p>	<p>There is a Fraud Awareness guide for managers that is issued annually which requires managers to complete an assessment for their service area – these are then taken into consideration when formulating the audit plan.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>No specific high risks have been identified. Cyber Security Risks have been identified, bi-annual mandatory Information Security briefing sessions have been presented to all staff which covered the issue of Cyber Security to raise awareness amongst staff. Phishing emails are forwarded to Action Fraud and Sophos</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>All internal controls and segregation of duties are in place and operating effectively.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>No areas have been identified where there is a potential override of controls or inappropriate influence over the financial reporting process.</p>
<p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>Quarterly reports are presented to the Audit and Risk Committee in relation to outstanding high risk recommendations and progress against the Audit Plan. These reports provide details of issues identified as part of the audits. Fraud issues and risks are also reported to the committee, the Fraud policies are presented annually to the committee for review.</p>

Fraud risk assessment (continued)

Question	Management response
How does the Council communicate and encourage appropriate business practice and ethical behaviour of its employees and contractors?	CIPFA's Whistleblowing e-learning package has been delivered to all staff. In addition CIPFA's Bribery & Corruption package has been purchased and will be rolled out during 2017/18. Reminders are also issued through monthly Core Briefs
How do you encourage employees to report their concerns about fraud? Have any significant issues been reported?	A whistleblowing policy is in place, we also subscribe to Public Concern at Work and have posters displayed around our buildings to raise awareness.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	We are not aware of any related party relationships or transactions that could give rise to instances of fraud. Board members are required to declare relevant interests at Board and Audit Committee meetings.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2017? If so how does the Audit Committee respond to these	No
Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2017? If so how does the Audit Committee respond to these	No

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of Laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	<p>A range of policies exist which include the Code of Corporate Governance, Employee Code of Conduct, Anti Fraud & Corruption, Anti Money Laundering , Whistle Blowing. Also Registers of Outside Interests, Gifts & Hospitality.</p> <p>In addition the Council's Constitution incorporates Contract Procedures and Financial Regulations together with a Members Code of Conduct.</p> <p>We have risk registers in place for both operational and health and safety risk.</p>
How does management gain assurance that all relevant laws and regulations have been complied with?	<p>Risk based audit plan</p> <p>Corporate Governance Working Group</p> <p>Annual Assurance Statements completed by Heads of Service and Executive Directors</p> <p>Statutory Officers Group – bi monthly meeting of the CEO, Section 151 Officer and Monitoring Officer</p>
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>Regular audit reports</p>
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017 with an on-going impact on the 2017/18 financial statements?	<p>No</p>
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	<p>Statutory Officers Group – bi monthly meeting of the CEO, Section 151 Officer and Monitoring Officer.</p>
Are there any actual or potential litigation or claims that would affect the 2017/18 financial statements?	<p>No</p>
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>HMRC carried out an audit of payments to individuals, the final report has still not yet been received. (January 2015)</p>

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements for the Council. The accounting concept of going concern refers to the basis of measurement of an organisation's assets and liabilities in its accounts (that is the basis on which those assets and liabilities are recorded and included in the accounts)

Entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. If the entity could not continue as a going concern, assets and liabilities would need to be recorded in the accounts on a different basis, reflecting their value on the winding up of the entity. Consequently, assets would be likely to be recorded at a much lower break-up value and medium – and long- term liabilities would become short-term liabilities.

The Council is not subject to the same future trading uncertainties as private sector entities. However, consideration of the key features of the going concern provides an indication of the Council's financial resilience. It may indicate that some classes of assets or liabilities should not be valued on an on going basis.

Going concern considerations have been set out below and management has provided its response.

Going Concern Considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes.
Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No
Are arrangements in place to report the going concern assessment to the Audit Committee?	No
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	Not applicable

Going Concern Considerations (continued)

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts?	Yes.
Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes

Accounting Estimates

Issue

Matters in relation to Accounting Estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. This objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identified the transactions, events and conditions that may give rise to the need to an accounting estimate

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council are using as part of their accounts preparation: these are detailed in appendix 1 to this report.

The audit procedures we conduct on the accounting estimate will demonstrate that:

- The estimate is reasonable
- Estimates have been calculated consistently with other accounting estimates within the financial statements.

Question	Management response
Are the management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgment?	Yes
Are the management arrangements for the accounting estimates as detailed in Appendix 1 reasonable?	Yes
How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	Via statement of accounts

Related Parties

Issue

Matters in relation to Related Parties

For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS 24:Related Party disclosures. The Code identified the following as related parties to local government bodies:

- Entities that directly, or indirectly through one or more intermediaries, control or are controlled by the authority (i.e. subsidiaries)
- Associates
- Joint Ventures in which the authority is a venturer
- An entity that has an interest in the authority that gives it significant influence over the authority
- Key management personnel, and close members of the family of key management personnel
- Post-employment benefit plan (Pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

The Code notes that, in considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged from the viewpoint of both the authority and the related party.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Question	Management response
<p>What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Monitoring of a Register of Interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</p> <ul style="list-style-type: none"> • Annual return of any known related party interests completed by members and senior officers • Review if in-year income and expenditure transactions with known identified related parties from prior year of known history. • Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisations.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, plant and equipment valuations	Valuations are made by senior valuation staff (RICS Members) inline with RICS guidance on the basis of 5 year valuations with interim reviews	Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	In-house valuer RICS Member	Valuations are made inline with RICS guidance – reliance on expert	
Estimated remaining useful lives of PPE	Other land & buildings – 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset concerned. Vehicles, Plant, Furniture & Equipment – 5 years for most items, 15 years to wheeled bins Infrastructure – no specific life. Depreciation is based on historical composite calculation Community Assets – 20 years	Consistent asset lives applied to each asset category	In-house valuer RICS Member	This life would be recorded in accordance with the qualified RICS Members valuation and this would be cross checked to ensure this accords with the accounting policy for the Council	No

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Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and amortisation	<p>The following asset categories have general asset lives: Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer.</p> <p>Vehicles, Plant and Equipment – straight line allocation over estimated life of asset.</p> <p>Infrastructure Assets – straight line allocation over estimated life of asset.</p>	Charged in the year that the Council becomes aware of the obligation	No	<p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <p>Assets acquired in the financial year are not depreciated until the following financial year.</p> <p>Assets that are not fully constructed are not depreciated until they are brought into use.</p>	No
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Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired	Use the in-house valuers, RICS Members	Valuations are made in line with RICS guidance – reliance on experts	No

Estimate Page 96	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non adjusting events – events after the BS date	<p>S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event.</p> <p>For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.</p>	Heads of Service notify the S151 Officer	This would be considered in individual circumstances	This would be considered in individual circumstances	No
Overhead allocation	The total absorption costing principal is used – full cost of overheads and support services are shared between users in proportion to the benefits received. With the exception of Corporate and Democratic Core and Non-Distributed Costs	All support service cost centres are allocated according to agreed allocations	No	Apportionment bases are reviewed each year to ensure equitable.	No

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Council Values financial instruments at fair value based on the advice of their external treasury consultants and other financial professionals	Take advice from finance professionals	Yes	Take advice from finance professionals	No
Bad debt provision	A provision is estimated using a proportion basis of an aged debt listing	Revenues provide the aged debt listing and Finance calculate the provision	No	Consistent proportion used across aged debt as per the SORP	No

Estimate Page 98	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provision for liabilities	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Council becomes aware of the obligation	No Reference is made to the Insurance Brokers Report for Insurance Provision.	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No
Accruals	Finance collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest information has been used.	No

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