

Public Document Pack

Date of meeting Monday, 24th September, 2018
Time 7.00 pm
Venue Astley Room - Castle House
Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Castle House
Barracks Road
Newcastle-under-Lyme
Staffordshire
ST5 1BL

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETINGS** (Pages 3 - 4)
To consider the minutes of the previous meeting(s).
- 4 LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2017/18** (Pages 5 - 16)
- 5 CORPORATE RISK MANAGEMENT REPORT - APRIL -JUNE, 2018** (Pages 17 - 26)
- 6 ANNUAL AUDIT LETTER** (Pages 27 - 40)
- 7 INTERNAL AUDIT PROGRESS REPORT - QUARTER ONE - 2018/19** (Pages 41 - 46)
- 8 QUARTERLY REPORT: ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE - APRIL TO JUNE, 2018 kt** (Pages 47 - 52)
- 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 P Waring (Chair), Dymond (Vice-Chair), Pickup, Burgess, Stubbs, Burnett and Panter

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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 THROUGH THE FIRE EXIT DOORS.

ON EXITING THE BUILDING, PLEASE ASSEMBLE AT THE FRONT OF THE BUILDING BY THE STATUE OF QUEEN VICTORIA. DO NOT RE-ENTER THE BUILDING UNTIL ADVISED TO DO SO.

AUDIT AND STANDARDS COMMITTEE

Monday, 30th July, 2018

Time of Commencement: 7.00 pm

Present:-	Councillor Paul Waring – in the Chair
Councillors	Dymond, Thornton), Burgess, Burnett and Panter
Officers	Executive Director (Resources and Support Services) - Kelvin Turner, Geoff Durham - Mayor's Secretary / Member Support Officer and Dave Roberts - Head of Finance
Also in Attendance	Paul Harvey (Grant Thornton) Councillor Sweeney – Portfolio Holder – Finance & Efficiency

1. APOLOGIES

Apologies were received from Phil Butters – Keele University and Phil Jones – Grant Thornton.

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 June, 2018 be agreed as a correct record.

4. STATEMENT OF ACCOUNTS 2017/18 AND EXTERNAL AUDITOR'S AUDIT FINDINGS REPORT

Consideration was given to a report seeking Member's approval of the statement of accounts, to agree the external auditor's Audit Findings Report for 2017/18 and to agree the Letter of Representation to the Auditor.

Members were handed an amendment to the report at the meeting.

Paul Harvey of Grant Thornton summarised the Audit Findings report - year ending 31 March, 2018, for Members.

The Auditors were happy with the report – subject to the amendments presented by the Council's Head of Finance and informed Members that no issues had been identified.

Members' attention was brought to two recommendations (page 111 of the report) and the Council's responses. In addition, on page 112 two recommendations from last year were in the process of being implemented.

Paul Harvey circulated a sheet with 'Audit Adjustments' for members' consideration.

Members also considered a copy of the proposed Audit Report that would be issued tomorrow.

The Council's Executive Director – Resource and Support Services, Kelvin Turner thanked the Head of Finance, Dave Roberts and his team for completing the accounts on time and also Paul Harvey and the Auditors for their work bearing in mind that they had to now complete their work two months sooner than in previous years. The Chair also passed on his thanks to all concerned.

- Resolved:**
- (i) That the Statement of Accounts 2017/18 be approved and signed by the Chair and the Executive Director – Resource and Support Services.
 - (ii) That the audit findings Report for 2017/18 be received.
 - (iii) That the Letter of Representation be approved for signature by the Council's Section 151 Officer.

5. INTERNAL AUDIT SECTION ANNUAL REPORT 2017/18

Consideration was given to a report outlining the annual report of the Internal Audit Section for the financial year 2017-18.

Members' attention was brought to paragraph 3.2 of the report showing the nine review areas categorised as High Risk Business Critical Systems. All of the reviews had been completed with very few recommendations given.

- Resolved:** That the Internal Audit Section Annual Report for 2017-18 be received.

6. URGENT BUSINESS

There was no Urgent Business.

COUNCILLOR PAUL WARING
Chair

Meeting concluded at 7.21 pm

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
REPORT TO AUDIT AND STANDARDS COMMITTEE

24th September 2018

1. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2017/18

Submitted by: Ombudsman Link Officer

Ward(s) affected: All

Purpose of the Report

To inform the Members of the Committee of the Council's performance in relation to complaints made to the Local Government Ombudsman (LGO) for the year ended 31st March 2018.

RECOMMENDATION:

That the report be received.

Reasons

The aim of the Annual Review Letter is to provide councils with information which will help them assess their performance in handling complaints.

Background

- 1.1 The LGO provides an annual summary of complaints they have received against the Council. This annual letter is distributed to councils in July and covers the 12 month period from April to March. It includes statistics on the number of enquiries and complaints received by the LGO Advice Team.
- 1.2 Decision statements are published on the LGO website no earlier than three months after the date of the final decision. The information published does not name the complainant or any individual involved with the complaint.
- 1.3 Part of being an open and accountable Ombudsman service is having transparent decision making processes. The LGO publishes its decisions so that the public and bodies within its jurisdiction see the full range of decisions and can feel reassured that they are fair, thorough and impartial.
- 1.4 Publishing decisions also recognises the key role the LGO plays in helping to ensure that public services are accountable to the public, who use and fund those services. Greater transparency of the LGO's decisions means greater transparency of public services.
- 1.5 The LGO does however retain discretion not to publish a decision, for example where it would not be in the interests of the person complaining to publish or where there is a reason in law not to.

Issues

- 2.1 Last year, the total number of complaints and enquiries received was 30. This year the total number is 17. These statistics comprise the data held by the LGO and do not necessarily align with the data held by the Borough Council. For example, some complainants may be signposted back to the Borough Council by the LGO, but may not choose to do so. In addition, some complaints may have been dealt with by the Borough Council in one financial year, but received by the LGO in the following financial year.
- 2.2 Last year, the total number of decisions made was 28, of which 2 were upheld and 3 were not upheld. This year, the total number of decisions made has decreased to 18, of which 4 were upheld and one was not upheld. No reports have been issued against the Borough Council because in each case where there was a finding of fault against the Council, the LGO suggested a remedy which was acceptable to the complainant and which the Council was in agreement with.
- 2.3 It is considered that overall the Council is performing very well in its response to complaints made to the LGO. The expectation of customers regarding service delivery does not reduce in line with the challenges currently faced by councils, and customers are prepared to elevate their dissatisfaction beyond the Council's own complaints procedure. Complaints to the LGO do not always involve the Council having done anything wrong. Such complaints may come from persons who would have liked something more, or better, or a different outcome. Officers will continue to learn from complaints and use this learning to improve and maintain the quality of the services the Council provides.
3. Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

The LGO service contributes to the Council's priority of delivering high quality community driven services.
4. Legal and Statutory Implications

There are no new legal or statutory implications. The Local Government Ombudsman's powers are defined by the Local Government Act 1974 as amended by the Local Government and Public Involvement in Health Act 2007.
5. Equality Impact Assessment

No differential equality impact issues have been identified.
6. Major Risks

There are no specific risk issues.
7. Financial Implications

There are no financial implications flowing from this report but the Council does face the risk of financial penalty in cases where there has been a finding of fault causing injustice.
8. List of appendices
 1. 2017/18 Annual review letter
 2. Spreadsheet providing additional information on the complaints and enquiries received within the period
 3. Spreadsheet providing additional information on the decisions made within the period

18 July 2018

By email

John Tradewell
Acting Chief Executive
Newcastle-under-Lyme Borough Council

Dear John Tradewell,

Annual Review letter 2018

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) about your authority for the year ended 31 March 2018. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

Complaint statistics

In providing these statistics, I would stress that the volume of complaints does not, in itself, indicate the quality of the council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. So, I would encourage you to use these figures as the start of a conversation, rather than an absolute measure of corporate health. One of the most significant statistics attached is the number of upheld complaints. This shows how frequently we find fault with the council when we investigate. Equally importantly, we also give a figure for the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. Both figures provide important insights.

I want to emphasise the statistics in this letter reflect the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

Future development of annual review letters

Last year, we highlighted our plans to move away from a simplistic focus on complaint volumes and instead turn focus onto the lessons that can be learned and the wider improvements we can achieve through our recommendations to improve services for the many. We have produced a new corporate strategy for 2018-21 which commits us to more comprehensively publish information about the outcomes of our investigations and the occasions our recommendations result in improvements to local services.

We will be providing this broader range of data for the first time in next year's letters, as well as creating an interactive map of local authority performance on our website. We believe this will lead to improved transparency of our work, as well as providing increased recognition to the improvements councils have agreed to make following our interventions. We will therefore be seeking views from councils on the future format of our annual letters early next year.

Supporting local scrutiny

One of the purposes of our annual letters to councils is to help ensure learning from complaints informs scrutiny at the local level. Sharing the learning from our investigations and supporting the democratic scrutiny of public services continues to be one of our key priorities. We have created a dedicated section of our website which contains a host of information to help scrutiny committees and councillors to hold their authority to account – complaints data, decision statements, public interest reports, focus reports and scrutiny questions. This can be found at www.lgo.org.uk/scrutiny I would be grateful if you could encourage your elected members and scrutiny committees to make use of these resources.

Learning from complaints to improve services

We share the issues we see in our investigations to help councils learn from the issues others have experienced and avoid making the same mistakes. We do this through the reports and other resources we publish. Over the last year, we have seen examples of councils adopting a positive attitude towards complaints and working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

Complaint handling training

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2017-18 we delivered 58 courses, training more than 800 people. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Local Authority Report: Newcastle-under-Lyme Borough Council
For the Period Ending: 31/03/2018

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	5	3	0	8	0	0	1	0	17

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	0	9	4	1	4	80%	18

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.
 The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
3	0

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Reference	Authority
16006896	Newcastle-under-Lyme Borough Council
17000065	Newcastle-under-Lyme Borough Council
17000543	Newcastle-under-Lyme Borough Council
17001708	Newcastle-under-Lyme Borough Council
17004380	Newcastle-under-Lyme Borough Council
17004553	Newcastle-under-Lyme Borough Council
17009202	Newcastle-under-Lyme Borough Council
17009993	Newcastle-under-Lyme Borough Council
17010758	Newcastle-under-Lyme Borough Council
17011208	Newcastle-under-Lyme Borough Council
17011863	Newcastle-under-Lyme Borough Council
17012132	Newcastle-under-Lyme Borough Council
17012497	Newcastle-under-Lyme Borough Council
17013009	Newcastle-under-Lyme Borough Council
17017169	Newcastle-under-Lyme Borough Council
17018913	Newcastle-under-Lyme Borough Council
17019206	Newcastle-under-Lyme Borough Council

Category	Received
Environmental Services & Public Protection & Regulation	19/04/2017
Environmental Services & Public Protection & Regulation	03/05/2017
Environmental Services & Public Protection & Regulation	11/04/2017
Corporate & Other Services	03/05/2017
Corporate & Other Services	16/06/2017
Benefits & Tax	20/06/2017
Corporate & Other Services	06/09/2017
Benefits & Tax	19/09/2017
Benefits & Tax	02/10/2017
Benefits & Tax	10/10/2017
Environmental Services & Public Protection & Regulation	20/10/2017
Environmental Services & Public Protection & Regulation	25/10/2017
Environmental Services & Public Protection & Regulation	11/12/2017
Planning & Development	10/11/2017
Benefits & Tax	27/02/2018
Environmental Services & Public Protection & Regulation	05/03/2018
Environmental Services & Public Protection & Regulation	09/03/2018

Reference	Authority
16006896	Newcastle-under-Lyme Borough Council
16013839	Newcastle-under-Lyme Borough Council
16014789	Newcastle-under-Lyme Borough Council
17000065	Newcastle-under-Lyme Borough Council
17000543	Newcastle-under-Lyme Borough Council
17001708	Newcastle-under-Lyme Borough Council
17004380	Newcastle-under-Lyme Borough Council
17004553	Newcastle-under-Lyme Borough Council
17009202	Newcastle-under-Lyme Borough Council
17009993	Newcastle-under-Lyme Borough Council
17010758	Newcastle-under-Lyme Borough Council
17011208	Newcastle-under-Lyme Borough Council
17011863	Newcastle-under-Lyme Borough Council
17012132	Newcastle-under-Lyme Borough Council
17012497	Newcastle-under-Lyme Borough Council
17013009	Newcastle-under-Lyme Borough Council
17018913	Newcastle-under-Lyme Borough Council
17019206	Newcastle-under-Lyme Borough Council

Category	Decided
Environmental Services & Public Protection & Regulation	02/08/2017
Planning & Development	13/07/2017
Environmental Services & Public Protection & Regulation	29/01/2018
Environmental Services & Public Protection & Regulation	22/05/2017
Environmental Services & Public Protection & Regulation	27/09/2017
Corporate & Other Services	03/05/2017
Corporate & Other Services	16/06/2017
Benefits & Tax	15/02/2018
Corporate & Other Services	06/09/2017
Benefits & Tax	19/09/2017
Benefits & Tax	02/10/2017
Benefits & Tax	10/10/2017
Environmental Services & Public Protection & Regulation	27/11/2017
Environmental Services & Public Protection & Regulation	25/10/2017
Environmental Services & Public Protection & Regulation	23/01/2018
Planning & Development	07/12/2017
Environmental Services & Public Protection & Regulation	05/03/2018
Environmental Services & Public Protection & Regulation	09/03/2018

Decision
Upheld
Upheld
Not Upheld
Closed after initial enquiries
Upheld
Referred back for local resolution
Referred back for local resolution
Upheld
Referred back for local resolution
Referred back for local resolution
Referred back for local resolution
Referred back for local resolution
Closed after initial enquiries
Referred back for local resolution
Closed after initial enquiries
Closed after initial enquiries
Referred back for local resolution
Referred back for local resolution

Remedy

Apology, New appeal/review

Apology, Financial Redress, Other Remedy, Procedure Change

Null

Null

Apology, Provide information/advice

Null

Null

Null

Null

Null

Null

Null

Null

Null

Null

Null

Null

Null

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

24 September 2018

**CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD April to June
2018 (Quarter 1)**

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 April - June 2018 (Q1), including progress made in managing identified corporate risks.

Recommendations

The Committee is asked to:-

- (a) Note the point 2.1.1 showing the number of overdue risk reviews.**
- (b) Note the point 2.2.1 advising of the risk level increases.**
- (c) Note the point 2.2.2 regarding the new risks identified between April to June 2018.**
- (d) Note point 4.**
- (e) Note Appendix A and scrutinise the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers, where applicable.**
- (f) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.**

Reasons

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

1. **Background**

- 1.1 The Council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council's software used to record and manage risks.
- 1.2 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly.
- 1.3 The last review of these risks (Q4 2018) was reported to the Council's Audit & Standards Committee in June 2018.
- 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 no overdue reviews.
- 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 33 risk level changes – these are risks that have resulted with control measures in place, to be rated between Low 1 and Medium 6.
 - 2.2.2 There have been 2 new risks added to profiles during April to June 2018, relating to service level GDPR compliance in Dog and Pest Control (final rating Medium 3) and a risk of Water Ingress at Castle House Comms Room (final rating Low 1).
 - 2.2.3 Should there be any increase during July to September 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 B now highlights the risks that fall into the top line of the above risk map.

4. Issues from last meeting

4.1 A member of the committee raised a query regarding the dry recyclable issue should be recorded as high risk – As per the previous report which was for the timeline January to March 2018 (Q4), the risk had already been reviewed during April to June 2018 and the rating increased – this can be seen as part of Appendix A.

4.2 A member raised a query regarding the air quality after the Business Improvement Manager had left - it was explained by Head of Environmental Health Services that Newcastle Council was not able to make any physical changes to the traffic management as they are not the Highway Authority, and that the action plan currently in place for Newcastle’s actions may actually result in the rating decreasing as the risk and control was only about submitting our report to DEFRA.

4.3 A member questioned the ratings on a number of high 9 risks on previous Appendix B – please see Appendix B of this report for the explanation.

5. Outcomes Linked to Corporate and Sustainable Community Priorities

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

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

6. Legal and Statutory Implications

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

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

7. **Equality Impact Assessment**

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

8.1 **Financial and Resource Implications**

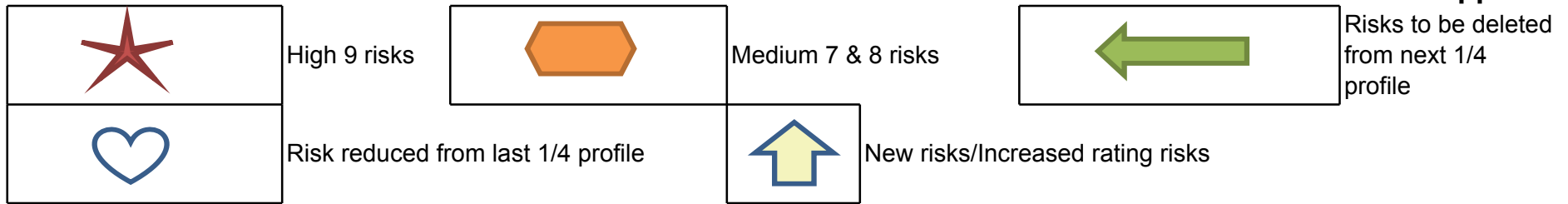
8.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members.


9. **List of Appendices**



Appendix A – Notable High and Medium risks
Appendix B - Note regarding high 9 risk ratings

10. **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 30/08/2018	as at Dec 17	as at Mar 18	as at June 18
 1 Potential Claims growth	Chief Executive	The Council has robust systems in place both to deal with claims when they happen and also to prevent, where possible, the circumstances where claims could arise. In doing so, the Council has in place policies and procedures designed to enhance safety at work and also to advise staff and others when driving or operating machinery. The Council checks, on a regular basis, that it is up to date on best practice in this area and that systems reflect changes in the local, national or international environments		Strategic	Risks reviewed and noted that this area is of growing significance with the number and value of claims increasing. Further actions reviewed. Consideration was given to potential control measures, but these are addressed by the existing further actions.	I = 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 in order to reduce the risk	Target Date for action completion	Risk Category Strategic, Operational, Project	Current position / progress as at 30/08/2018	Status as at Dec 17	Status as at Mar 18	Current Rating as at June 18
 <p>2</p> <p>Financial consequences of adverse planning decisions</p>	Regeneration and Development	Production of Emerging Joint Local Plan – completion of Preferred Options stage	Oct-18	Strategic	The failure of the council to determine planning applications in accordance with material planning considerations may lead to the Council incurring costs in both defending appeals and Inspectors awarding costs against it on the grounds of unreasonable behaviour. Report approved for consultation by Cabinet on 4 January 2018; next stage is Draft Joint Local Plan for consideration by Cabinet in autumn 2018.	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9
 <p>3</p> <p>Fire risk occurrence</p>	Corporate Health and Safety			Operational	All previous actions completed. Risk will remain high due to 2 occurrences in the past 12 months.	I = H L = H High 9	I = H L = H High 9	I = H L = H High 9

**Notable High and Medium Risks -
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 30/08/2018	as at Dec 17	as at Mar 18	as at June 18
 4 Failure to comply with relevant health and safety legislation	Regeneration and Development and Chief Executive	Corporate mandate for scheduled diary dates to update Target100 (Health and Safety system)	Ongoing	Strategic	There have been RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1995 as amended) reportable incidents over the past six months. 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  Failure to achieve income targets	Recycling and Waste	Continue to monitor the current global downturn in recycled material values	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, however markets are constantly reviewed	I = H L = M Medium 6	I = M L = H Medium 8	I = H L = H High 9



6

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 30/08/2018	as at Dec 17	as at Mar 18	as at June 18
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.	Dec-18	Operational	First consultation went to Public Protection meeting in June 2018. Further consultation taking place August to October 2018 and new report to Public protection during November 2018. The rating has since reduced and may not appear on the next report.	I = M L = H Medium 8	I = M L = H Medium 8	I = H L = H High 9

Circulation note regarding query raised by member: Issue from Last Meeting – point 4.3 of meeting 24 September 2018.

The items that are highlighted as being high risk, and have been for over 12 months are rated as a High x High, due to either being highly likely to occur; an incident has occurred in the past 12 months or is highly likely to occur in the next 12 months.

The reason for this is due to final likelihood measures which can be found in Appendix B(ii) of the Risk Management Strategy, which are:

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

Item 1 on the report Appendix B from report 25/06/2018 regarding claims:- there is always a 90% chance of occurrence of an accident, but there is no controlling claims made against the council.

Item 2 Financial Planning decisions – there have been Ombudsman decisions made against the council within the past 12 months.

Item 3 Fire risk occurrence – 2 incidents occurred in the past 12 months.

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Annual Audit Letter

Year ending 31 March 2018

Newcastle-under-Lyme Borough Council

August 2018





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Section

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2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees
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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Newcastle-under-Lyme Borough Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Standards Committee as those charged with governance in our Audit Findings Report on 30 July 2018.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,243,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 31 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

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Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit and Standards Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Newcastle-under-Lyme Borough Council in accordance with the requirements of the Code of Audit Practice.

Working with the Council

- An efficient audit – we delivered an efficient audit with you in July, delivering the accounts before the deadline, releasing your finance team for other work.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's accounts to be £1,243,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration.

We set a lower threshold of £62,000, above which we reported errors to the Audit and Standards Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition Under ISA 240 (UK) there is a 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>We did not consider this to be a significant risk for Newcastle-Under-Lyme Borough Council. Whilst not a significant risk as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate that the rebuttal was incorrect.</p>
<p>Management override of controls 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. We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness. • reviewed the journal entry process and the control environment around journal entries. • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness. • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. The journals testing that we have performed has identified that journals posted by authorised users are reviewed by another person, including those posted by the Financial Services Manager.</p>

Audit of the Accounts

Significant Audit Risks (Continued)

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment The Council revalues its land and buildings on a rolling five year basis 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>As part of our audit work we have;</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Consideration of the competence, expertise and objectivity of any management experts used. • 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. 	<p>Our work identified that 1 asset (value £8.936m) has not been revalued within the last 5 years as required by the CIPFA Code of Practice. The internal valuer has undertaken an impairment review of all properties at the year end to identify any significant variations in carrying value between the date that they were valued and the year end and concluded that there was no material movements in value between these dates. Based on our work there is no indication that the value of these assets is materially misstated.</p>

Audit of the Accounts

Significant Audit Risks (Continued)

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation was carried out. Undertook procedures to confirm the reasonableness of the actuarial assumptions made. Tested accuracy of data provided to the actuary. Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our work has not identified any significant issues in respect of this risk.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2018, in advance of the national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit and Standards Committee on 30 July 2018.

In addition to the key audit risks reported above, we identified the one issue that we have asked management to address for the next financial year. Details of this recommendation and management response can be found in Appendix B.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We did not identify any matters which required us to exercise our additional statutory powers.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Newcastle-under-Lyme Borough Council in accordance with the requirements of the Code of Audit Practice.

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in July 2018, we agreed recommendations to address our findings. Details of these recommendations and management responses can be found in Appendix B.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	Findings	Conclusions
<p>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.</p>	<p>We have reviewed the MTFS, assessed the realism of savings/income generation plans, reviewed the outturn for 2017/18 and the Council's track record of addressing budget shortfalls.</p>	<p>Overall our work concluded that the Council has appropriate arrangements for delivering economy, efficiency and effectiveness.</p> <p>The Council has continued to deliver services broadly in line with its budget plan for 2017-18, in line with its past record of sound financial control.</p> <p>The Council has set a balanced budget for 2018/19 and has identified funding gaps to 2022/23 in its medium term financial strategy. The Council has already identified actions to address around 50% of these funding gaps and has an efficiency and savings programme in place to identify further savings.</p>
<p>Arrangements for voting at the last general election</p> <p>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.</p>	<p>We have monitored the investigation and the Council response to determine whether there are any implications for our VFM conclusion.</p>	<p>As the Council's cross-party investigation and disciplinary panel process are still underway we do not consider there to be any implications for our 2017/18 Vfm conclusion.</p> <p>However we have the following recommendations:</p> <p>The Council needs to ensure that the momentum of investigation is maintained and is concluded in a timely manner.</p> <p>The Council also needs to ensure that sufficient management capacity is maintained within the Council during the investigation and disciplinary panel to ensure effective and appropriate governance is maintained.</p>

Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	February 2018
Audit Findings Report	30 July 2018
Annual Audit Letter	August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	55,002	55,002	55,002
Housing Benefit Grant Certification	7,552	TBC	6,210
Total fees	62,554	55,002	61,212

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Fees for non-audit services

Service	Fees £
Audit related services	
- None	Nil
Non-Audit related services	
- None	Nil



Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

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

B. Recommendations and action plan

We have identified 2 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	 <p>The Council is currently undertaking a cross-party investigation and disciplinary panel in relation to the issues arising from the Council's delivery of the voting for the General Election in June 2017.</p>	<ul style="list-style-type: none"> The Council needs to ensure that the momentum of investigation is maintained and is concluded in a timely manner. The Council also needs to ensure that the sufficient capacity is maintained within the Council during the investigation and disciplinary panel to ensure effective and appropriate governance is maintained. <p>Management response</p> <ul style="list-style-type: none"> The Council understands the importance of concluding things in a timely manner but also needs to ensure that a thorough and proper investigation has been undertaken. The investigation is reaching a conclusion and reports are currently being prepared for the investigation and disciplinary panel. It is envisaged that a meeting of the panel will be held in August / September 2018.
2	 <p>Our work identified that 1 asset (value £8.936m) that has not been revalued within the last 5 years as required by the CIPFA Code of Practice.</p>	<ul style="list-style-type: none"> The Council should ensure that all PPE assets are revalued on a five year rolling basis to comply with the requirements of the CIPFA Code of Practice. <p>Management response</p> <ul style="list-style-type: none"> The Council will ensure that the requirements of the CIPFA Code of Practice are adhered to for 2018/19.



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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT & STANDARDS COMMITTEE

Date 24 September 2018

HEADING INTERNAL AUDIT PROGRESS REPORT – Quarter 1 2018/19

Submitted by: Executive Director – Resources & Support Services

Portfolio Finance and Efficiency

Ward(s) affected All

Purpose of the Report

To report on the work undertaken by the Internal Audit section during the period 1st April to 30th June 2018. This report identifies the key issues raised. The full individual reports issued to Officers contain the key issues plus a variety of minor issues and recommendations.

Recommendations

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

Reasons

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

1 Background

1.1 The Internal Audit Plan for 2018/19 allows for 435 days of audit work.

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

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

1.3 The delivery of an audit plan does not normally show 25% of the audits completed on a quarterly basis. Past experience has shown this is more likely to be around 10% in the first quarter. Achievement of the 10% is dependent on a full complement of staff from 1st April, fully qualified and trained to complete work with minimum supervision. A full 25% of the plan is not normally achieved due to slippage of the previous year's plan, and other factors such as special investigations. The audit plan is a guide to what may be achieved given optimum resources and no external influences; as such it is normal to revise the plan throughout the year to reflect unforeseen issues. Emphasis during such a revision, if required, will be on achieving the high risk audit reviews first, followed by medium and low. Variations to the plan will affect the assurance that Internal Audit can give as to the effectiveness of the internal controls and systems.

2 Issues

2.1 Performance Indicators

The indicators reported below relate to the end of the first quarter (June 2018).

2.2 Number of Recommendations Implemented

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

Up to the end of June 2018, 143 recommendations had been made of which 107 have been implemented, 75%; the target for the implementation of all recommendations is 96% by the end of the financial year.

Progress made against the plan.

Percentage of audits completed compared to the total number of audits planned for completion (percentage): the annual target for this is 90%. 9% of the planned audits for 2018/19 had been completed by the end of quarter 1 - this is due to a number of the audits from 2017/18 being carried over to 2018/19.

2.3 Audit reviews completed and final reports issued between 1 April and 30 June 2018

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

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

2.4 The table below shows the overall audit opinion and the number and types of recommendations agreed to improve existing controls, or introduce new controls on the audit reviews completed since the 1st April 2018.

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Resources & Support Services						
Housing Benefits Q3 & Q4 testing 2017/18	A	Well controlled	0	0	1	1
Treasury Management	A	Well controlled	0	0	0	0
Corporate Reviews						
Gifts & Hospitality	A	Well controlled	0	0	0	0
Regeneration & Development						
Asset Disposals	A	Well controlled	0	0	1	1
Operational Services						
Bereavement Services	B	Adequately controlled	1	1	0	2
Final accounts	A	Adequately controlled	0	0	0	0

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

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

3 Options Considered

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

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

4 Proposal

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

5 Reasons for Preferred Solution

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

6 Outcomes Linked to Corporate Priorities

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

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

7 Legal and Statutory Implications

7.1 The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

8 Equality Impact Assessment

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

9 Financial and Resource Implications

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

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

10 Major Risks

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

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

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

11 Key Decision Information

11.1 Not applicable

12 Earlier Cabinet/Committee Resolutions

12.1 Agreement of the Internal Audit Plan for 2018/19 (Audit and Standards Committee 25 June 2018).

13 Recommendations

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

14 Background Papers

14.1 Internal Audit Plan & PI's Folder
14.2 Pentana

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT & STANDARDS COMMITTEE

Date 24 September 2018

HEADING **QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE APRIL TO JUNE 2018**

Submitted by: Executive Director – Resources & Support Services

Portfolio Finance and Efficiency

Ward(s) affected All

Purpose of the Report

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

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

Recommendations

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

Reasons

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

1. Background

1.1 High risk recommendations are those where action is considered imperative to ensure that the authority is not exposed to high risks and to do this it needs to be implemented within 1 month of the recommendation being agreed with managers.

1.2 Recommendations are reported to committee on an exception basis, i.e. reports where high risk recommendations have been followed up with Managers on more than two occasions are brought to the attention of Members. In addition the Chair and Vice Chair receive exception reports quarterly where high risk recommendations have been followed up with Managers after the initial implementation date has expired.

1.3 With the production of the Annual Governance Statement in conjunction with the Statement of Accounts the follow up and implementation of recommendations is increasingly important, since they provide both officers and Members with assurance as to the effectiveness of key internal controls.

1.4 Assurance is provided on an annual basis as part of the Annual Report on the Internal Audit Service. It is also provided to each Executive Director on a monthly basis, based on the number of recommendations that have been implemented, and where the target date has been changed more than twice on either medium or high risk recommendations.

2. **Issues**

2.1 At the end of quarter one there was 1 outstanding high risk recommendation. This is at its second review date and therefore does not need to be reported to committee.

2.2 A summary of the number of outstanding recommendations and assurance levels for each of the 4 directorates during quarter 1 can be found at Appendix A.

2.3 Given these results at the end of the first quarter there are no issues or concerns in relation to any outstanding recommendations within any of the Directorates.

3. **Reasons for Preferred Solution**

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

4. **Outcomes Linked to Corporate Priorities**

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

5. **Legal and Statutory Implications**

5.1 The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

6. **Equality Impact Assessment**

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

7. **Financial and Resource Implications**

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

8. **Major Risks**

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

9. **Key Decision Information**

9.1 Not applicable

10. Earlier Cabinet/Committee Resolutions

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

11. List of Appendices

Summary of Outstanding Audit Recommendations and level of Assurance for quarter 1

12. Background Papers

Pentana Audit Management system.

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Summary of Outstanding Audit Recommendations and Level of Assurance – Quarter 1 2018-19

Directorate	Total Number of Recommendations	Number of Recommendations completed	Number of outstanding recommendations				Assurance level
			High	Medium	Low	Total	
Chief Executives	54	36	1	12	5	18	Adequately controlled
Resources & Support Services	29	22	0	4	3	7	Well controlled
Regeneration & Development Services	11	6	0	3	2	5	Well Controlled
Operational Services	30	26	0	2	2	4	Well controlled
Corporate Reviews	19	17	0	2	0	2	Well controlled
Total	143	107	1	23	12	36	

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