

Public Document Pack

Date of meeting Monday, 12th November, 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 **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 FOR THE PERIOD JULY TO SEPTEMBER, 2018 (QUARTER 2)** (Pages 7 - 16)
- 5 **HEALTH AND SAFETY SIX MONTH REPORT, 2018-19** (Pages 17 - 22)
- 6 **TREASURY MANAGEMENT HALF YEARLY REPORT 2018/19** (Pages 23 - 30)
- 7 **ANNUAL AUDIT INSPECTION LETTER** (Pages 31 - 44)
- 8 **QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 JULY TO 30 SEPTEMBER 2018** (Pages 45 - 80)
- 9 **INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 2018/19** (Pages 81 - 84)
- 10 **URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors P Waring (Chair), S. Dymond (Vice-Chair), S. Pickup, S. Burgess, M. Stubbs, G. Burnett and B. Panter

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.

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, 24th September, 2018
Time of Commencement: 7.00 pm

Present:- Councillor Paul Waring – in the Chair

Councillors Dymond, Butters, Burgess, Stubbs, Burnett and Panter

Officers Executive Director (Resources and Support Services) - Kelvin Turner, Annette Vacquier- Business Improvement Officer (Risk and Insurance) and Geoff Durham - Mayor's Secretary / Member Support Officer

Also in Attendance P. Butters – University of Keele

1. **APOLOGIES**

Apologies were received from Councillor Pickup.

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 30 July, 2018 be agreed as a correct record.

4. **LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2017/18**

Consideration was given to a report informing Members of the Council's performance in relation to complaints made to the Local Government Ombudsman.

Reference was made to paragraphs 2.1 and 2.2 of the report.

Councillor Stubbs asked which budget the 'financial redress/other remedy' came from, as referred to in the appendices.

The Council's Executive Director – Resources and Support Services, Kelvin Turner advised that there was no specific budget for this and it would therefore come from The Planning Department's budget. Members requested further information on this and it was agreed that a paragraph would be put together and forwarded to members of the committee.

This was an information item and Members attention was brought to the three appendices attached to the report.

Resolved: That the report be received.

5. CORPORATE RISK MANAGEMENT REPORT - APRIL -JUNE, 2018

Consideration was given to a report informing Members of the progress made by the Council in enhancing and embedding risk management for the period April to June, 2018.

Members were advised that there were no overdue risks and there had been no 'significant' risk level increases. Overall there had been thirty three risk level changes.

There had been two new risks at service level.

Members' attention was drawn to the risks outlined at Appendix A.

Councillor Stubbs asked if the Council's Head of Environmental Health Services, Nesta Barker could come to a future meeting to give an explanation on the pollution risk. The Chair explained that the risk refers to not submitting a report on pollution and not the pollution itself – which the council does not have control over.

Councillor Stubbs also stated that having Planning decisions down as a red risk put a lot of pressure onto members of the Planning Committee when it should be above reproach.

- Resolved:**
- (i) That point 2.1.1 showing the number of overdue risks be noted.
 - (ii) That point 2.2.1 advising of the risk level increases be noted.
 - (iii) That point 2.2.2 regarding the new risks identified between April to June 2017 be noted.
 - (iv) That point 4 be noted.
 - (v) That Appendix A be noted and the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers, be noted

6. ANNUAL AUDIT LETTER

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

Members were advised that there was nothing new in the Annual Audit Letter as it was almost a repeat of the previously received Audit Findings report.

Members' attention was brought to the Executive summary on page 29 of the agenda.

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

7. INTERNAL AUDIT PROGRESS REPORT - QUARTER ONE - 2018/19

Consideration was given to a report updating members on the work undertaken by the Internal Audit section during April to June, 2018.

Members were advised that the Audit and Elections Manager who had been on suspension would not be returning to the Authority and various options would now be considered on the way forward.

A new Elections Manager had commenced work with the Council this week and therefore a 'Head of Audit' role needed addressing.

Resolved: That the information be received.

8. **QUARTERLY REPORT: ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE - APRIL TO JUNE, 2018 KT**

Consideration was given to a report regarding any outstanding high risk recommendations for Quarter 1 – April to June, 2018 and requesting approval to requested actions and target dates. Also to provide Members with an assurance opinion on internal controls.

Members attention was drawn to page 51 of the agenda which outlined where the thirty six outstanding recommendations were – although some of the recommendations may not be outstanding at this point in time.

Councillor Panter and Stubbs queried the high level of recommendations in the chief Executive's directorate and Mr Turner was asked to circulate this information to Members.

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

9. **URGENT BUSINESS**

There was no Urgent Business.

COUNCILLOR PAUL WARING
Chair

Meeting concluded at 7.28 pm

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

12 November 2018

**CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD July to
September 2018 (Quarter 2)**

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 July - September 2018 (Q2), 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 July to September 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 (Q1 2018) was reported to the Council's Audit & Standards Committee in September 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 3 risk level changes. These are shown on Appendix A as new risks/increased risk ratings.
 - 2.2.2 There have been no new risks added to profiles during July to September 2018.
 - 2.2.3 Should there be any changes or increases during October to December 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	High	7 Amber	8 Amber	9 High Red
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K E L I H O O D				
	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. Issues from last meeting

4.1 None.

5. Outcomes Linked to Corporate and Sustainable Community Priorities

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

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

6. Legal and Statutory Implications

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

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

7. Equality Impact Assessment

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

8.1 Financial and Resource Implications

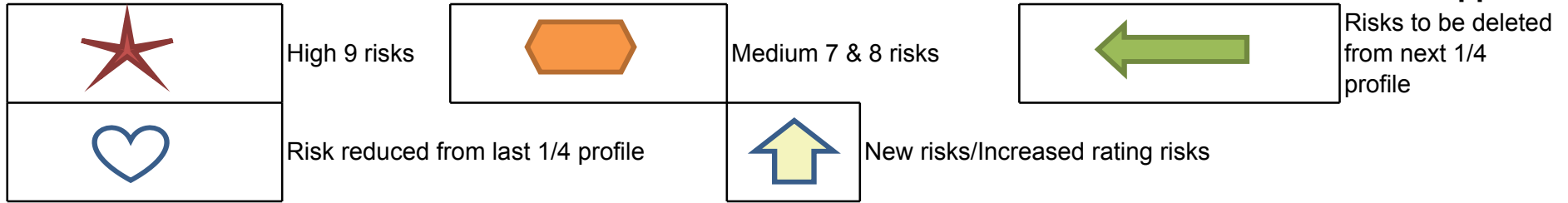
8.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members.


9. List of Appendices

Appendix A – Notable High and Medium risks

10. **Background Papers**

None



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 02/11/2018	as at Mar 18	as at June 18	as at Sept 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





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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 02/11/2018	Status as at Mar 18	Status as at June 18	Current Rating as at Sept 18
Financial consequences of adverse planning decisions	Regeneration and Development	Production of Emerging Joint Local Plan – completion of Preferred Options stage	Jul-19	Strategic	The action required is still ongoing. The likelihood of an adverse challenge occurring due to progress made and any occurrence in the past 12 months, with any future challenges has allowed the final rating to be reduced.	I = H L = H High 9	I = H L = H High 9	I = H L = M Medium 6
Fire risk occurrence	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

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 02/11/2018	as at Mar 18	as at June 18	as at Sept 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 = H L = H High 9	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 = 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 02/11/2018	as at Mar 18	as at June 18	as at Sept 18
6	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	New report to go to Public protection by July 2019. Further submission to DEFRA in April 2019. The rating has since reduced and will appear on the next report.	I = M L = H Medium 8	I = H L = H High 9	I = H L = H High 9
7	Recycling and Waste	Budget recovery plan developed to ensure elements of the operation can be effectively controlled and spend minimised.	Nov-18	Operational		I = H L = M Medium 6	I = H L = M Medium 6	I = H L = H High 9



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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 02/11/2018	as at Mar 18	as at June 18	as at Sept 18
8 Loss of Mobile phones and mobile phone network	ICT Business Impact Assessment			Operational	The final risk rating has been increased due to the service disruption on the EE network	I = L L = L Low 1	I = L L = L Low 1	I = L L = H Medium 7
9 Work priorities take over completion of the audit plan	Audit			Operational	The final risk rating was increased due to the absence of the Audit Manager	I = M L = M Medium 5	I = M L = M Medium 5	I = M L = H Medium 8

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AUDIT AND STANDARDS COMMITTEE – 12th November 2018

HEALTH AND SAFETY 6 MONTH REPORT 2018-19

Submitted by: Head of Environmental Health Services

Portfolio: Finance & Efficiency

Ward(s) affected: None

Purpose of the Report

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

Recommendation

That the report be noted.

1. **Background**

1.1 Attached as an Appendix is the health and safety report submitted to the council. It covers the period 1st April 2018 to 30th September 2018.

2. **Issues**

2.1 The updated version of Target 100 has now been fully implemented and work continues to support employees on using the system.

2.2 Updates to the Corporate Health and Safety Policy, Drug, Alcohol and Substance Misuse Policy and Lone Worker Policy have been undertaken and approved.

2.3 The Health and Safety arrangements for Castle House have been developed and implemented.

2.4 Accident data and trends are provided within the report.

2.5 Lone worker protection devices have been issued to employees.

3. **Recommendation**

3.1 That the report be noted.

4. **Legal and Statutory Implications**

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

4.2 Failure in ensuring suitable and sufficient arrangements for health and safety may lead to investigation and/or enforcement action by the Health and Safety Executive as the enforcing authority for the council's activities.

5. **Equality Impact Assessment**

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

6. **Financial & Resource Implications**

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

7. **Risks**

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

8. **Outcomes Linked to Corporate Priorities**

8.1 In line with the Council's corporate priorities –

- Local services that work for local people.
- A healthy, active and safe borough.
- A town centre for all.

9. **Earlier Cabinet/Committee Resolutions**

H&S Annual Report 2017/18

Audit and Standards Committee

Health and Safety 6 Monthly Report (April 2018 to September 2018).

1. INTRODUCTION

- 1.1 This report outlines the current state of health and safety matters during the year from 1st April 2018 to 30th September 2018.
- 1.2 There is considerable progress to report, including the delivery of training, fire evacuation drills, the revision of health and safety policies and health and safety handbooks for employees.

2. POLICIES AND GUIDANCE

- 2.1 A significant amount of work has been undertaken to assist the Facilities Management team to prepare fire evacuation and first aid policies and procedures for Castle House. These documents have been prepared to align so far as possible with Staffordshire County Council requirements as the building landlord. However, implementation of these will form part of the Facilities Management agreement being undertaken by NULBC.
- 2.2 The Corporate Health and Safety policy has been reviewed and approved, the policy sets out the Councils commitment to health and safety and sets out responsibility at different levels.
- 2.3 The Drug, Alcohol and Substance Misuse policy has been reviewed, updated and approved, the policy now includes arrangements for alcohol and drug testing of employees.
- 2.4 The Lone Worker policy has been reviewed and approved, the policy review reflects changes to procedures following the implementation of new lone worker devices.

3. TARGET 100

- 3.1 The council continues to use the Target 100 system to record all risk assessments, accidents and incidents. It is also used to record risk assessment monitoring and review activity. A number of refresher training sessions have been provided throughout the year to ensure that users remain familiar with use of the system.
- 3.2 A number of report templates have been developed to assist in monitoring trends and to allow reporting to Corporate Health & Safety Committee and Directorate Management Team's.

4. HEALTH AND SAFETY TRAINING

- 4.1 The following Health and Safety Training has been completed –
 - Target 100 Version 6 User and Administrator
 - Castle House Inductions
 - Elected Members General Health & Safety Awareness

5. ACCIDENT REPORTS

5.1 Please see below for a summary of average days lost per employee for complete financial years.

Year	Number of Accidents	Number of Reportable	Total days lost	Average days lost per employee
2010/11	31	4	150	0.23
2011/12	35	3	60	0.10
2012/13	36	3	132	0.26
2013/14	43	4	355*	0.77
2014/15	50	4	41	0.09
2015/16	36	5	160	0.34
2016/17	34	7	105	0.17
2017/18	56	2	344**	0.58
2018/19 6 months	33	2	185	0.31

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

** This is mainly due to 2 incidents, one period of 118 days and one period of 78 days.

5.2 All accidents (staff & members of public)

Month	RIDDOR*	Non-Reportable	Near Miss	Dangerous Occurrence
April 2018	0	9	1	0
May 2018	1	10	9	0
June 2018	0	14	2	0
July 2018	0	19	4	0
August 2018	2	24	1	0
September 2018	0	19	3	0
TOTAL	3	95	20	0

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

5.3 RIDDOR Summary

Month	Injured Person	Location	Incident Type	Remedial Action
May	Employee	Waste & Recycling	Handling Injury	Investigation and refresher training
August	Employee	Garage	Slip/Trip	None required
August	Public	Park	Slip/Trip/Fall	Investigation, inspection and remedial works undertaken.

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

6. **HEALTH AND SAFETY AUDITS & INSPECTIONS**

6.1 As a result of the reduction in the number of premises now used and/or occupied by the Council, there has been a review of the way in which health and safety audits will be conducted. The new programme will include a mix of physical premises inspections and also reviews or audits of the health and safety management within services or teams.

Following the above inspections and audits reports will be sent to the premises manager or other responsible officer outlining the findings and advising on any necessary corrective actions.

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

7. **KNUTTON DEPOT**

7.1 The Knutton Lane Health and Safety Committee held meetings on:

- 14th June 2018
- 13th September 2018

Matters arising from the meetings included:

- Accidents, Incidents and Near Misses
- Target 100
- Training
- Buildings, Utilities and Infrastructure
- External Yard, Waste Transfer Station, Salt Yard
- Feedback from depot walk around inspection
- Yard operations reorganisation

8 LEISURE (SHE) Safety, Health and Environment Meetings

These meetings continue to be held, during which the following points (regarding health and safety) are discussed:

- Accident Statistics
- Accident / Incident Investigations
- Risk Assessments
- COSHH

The Corporate Safety Officer attends the meetings if requested.

9. CORPORATE HEALTH AND SAFETY COMMITTEE

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

- 28th June 2018
- 27th September 2018

The committee discussed the following items during this period:

- Health and safety arrangements for Castle House
- Fire – Risk Assessments, Evacuation, Training
- Lone Working
- Noise and Vibration
- Accidents, Incidents and Near Misses
- Accident and incident guidance and reporting procedures
- Accident & Insurance claims
- Target 100
- Health and Safety Training & record management

10. LONE WORKING REVIEW

10.1 Following completion of the procurement exercise, Skyguard MySOS lone worker devices have been purchased and rolled out to those staff identified as lone workers across the Council. Training in the use of the devices has been provided in-house.

Additional Lone working training is being provided to officers via an e-learning package.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE AUDIT AND STANDARDS COMMITTEE

12 November 2018

1. TREASURY MANAGEMENT HALF YEARLY REPORT 2018/19

Submitted by: Head of Finance

Portfolio: Finance and Efficiency

Ward(s) affected: All indirectly

Purpose of the Report

To receive the Treasury Management Half Yearly Report for 2018/19 and to review the Treasury Management activity for this period.

Recommendations

(a) That the Treasury Management Half Yearly Report for 2018/19 be received.

Reasons

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

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

1. **Background**

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

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

1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report approved by Council on 21 February 2018.

2. **Issues**

2.1 The Treasury Management Half Yearly Report for 2018/19 is attached at Appendix 1. The economic background included in the report has been provided by the Council's Treasury Management Advisors, Arlingclose.

2.3 **Heritable Bank**

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

The bank's administrators have confirmed the execution of a settled de-minimis payment from the parent company of Heritable Bank which will be paid to the Council in the event that the remaining 2% of the original investment is no longer contingent.

The de-minimis payment would be the equivalent amount EUR 11,913.10, which as at 8 February 2016 (the date of the published selling rate of the EUR as registered by the Central Bank of Iceland) equates to £9,411.35.

The Council will be notified by the bank's administrators of the timescale for the payment following the conclusion of the administration (timescale not currently known).

3. **Legal and Statutory Implications**

3.1 See Background for details.

4. **Financial and Resource Implications**

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

5. **Major Risks**

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

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

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

6. **List of Appendices**

6.1 Appendix 1, Treasury Management Half Yearly Report 2018/19.

7. **Background Papers**

- CIPFA Treasury Management Code of Practice (revised December 2017),
- Council's Treasury Management Policy Statement,
- Council's Treasury Management Strategy,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government (revised April 2018),
- Bevan Brittan notice to creditors of Heritable Bank (October 2015),
- Ernst and Young creditors of Heritable Bank report (April 2015),
- Ernst and Young creditors of Heritable Bank report (March 2016).

Treasury Management Half Yearly Report – 2018/19

1. Background

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

Accordingly Treasury Management is defined as:

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

The second main function of a treasury management service is the funding of an authority’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasions any debt previously drawn may be restructured to meet Council risk or cost objectives.

2. Introduction

The treasury management function is carried out in accordance with the Chartered Institute of Public Finance and Accountancy’s (CIPFA) current Code of Practice on Treasury Management (revised December 2017). The original Code was adopted by this Council on 24 February 2010. The Code requires the Council to approve treasury management semi-annual and annual reports.

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

- An economic update for the 2018/19 financial year to 30 September 2018
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- A review of the Council’s investment portfolio for 2018/19

3. Economic Update – as provided by the Council’s Treasury Management Advisors, Arlingclose

UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England’s in its August Inflation Report, as the effects of sterling’s large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages.

However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly Gross Domestic Product (GDP) growth in quarter 2 to 0.4% appeared to overturn the weakness in quarter 1 which was largely due to weather-related factors. However, the detail showed much of quarter 2 GDP growth was attributed to an increase in inventories. Year on year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking the Bank Rate to 0.75%.

The escalating trade war between the United States and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The European Union (EU) Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven United Kingdom, German and United States government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher money market rates. 1-month, 3-month and 12-month rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and Royal Bank of Scotland/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ring-fencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by Standard and Poor's and to Aa3 from A1 by Moody's.

Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in.

4. Regulatory Updates – as provided by the Council’s Treasury Management Advisors, Arlingclose

CIPFA Updates

Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter. In England the Ministry of Housing, Communities and Local Government (MHCLG) published its revised Investment Guidance which came into effect from April 2018.

The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority will be producing its Capital Strategy later in 2018/19 for approval by full Council.

5. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by Full Council on 21 February 2018. The Council’s Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council’s investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Arlingclose suggested creditworthiness matrices. Currently investments are only being made with UK financial institutions.

Investments during the first six months of the 2018/19 financial year have been in line with the strategy, and there have been no deviations from the strategy.

As outlined in Section 3 above, there is considerable uncertainty in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 21 February 2018 is still fit for purpose in the current economic climate.

6. Investment Portfolio 2018/19

In accordance with the Code, it is the Council’s priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council’s risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.75% Bank Rate. Given this environment, investment returns are likely to remain low.

The Council held investments of £3.45m as at 30 September 2018; £2.75m was held in the Council’s notice account with Santander, while the remaining £0.7m was held in the

Lloyds Current Account. In comparison only £0.5m was held as at 31 March 2018, entirely within the Council's Lloyds Current Account. These investments are in line with Arlingclose's recommended maximum deposit duration (6 months each).

Funds available for investment purposes can vary between nothing and around £7million due to fluctuations in cash inflows and outflows during each month. Large cash inflows include council tax & business rate direct debits and the Housing Benefit subsidy from the Department for Work and Pensions. Large cash outflows include payment of the precepts to Staffordshire County Council, the Fire Authority and the Police, payment of salaries and payment of business rates to Central Government and the Staffordshire Business Rate pool.

The investment portfolio yield for the first six months of the year is 0.44%, in line with the target of 0.40%. The Council's budgeted investment return for 2018/19 is £49,000 (£24,500 for first 2 quarters). As at the end of the first 2 quarters of 2018/19 £9,950 of interest has been earned. Despite a slightly greater return in terms of interest rates, fewer funds have been available for investment during this period; this is expected to be the case during the rest of 2018/19.

7. Borrowing Position 2018/19

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The only borrowing envisaged by the 2018/19 Treasury Management Strategy is temporary borrowing to cover short-term cash flow deficits. As at 31st March 2018 the Council had temporary borrowing of £2.5m, this covered the final two weeks of 2017/18 and was repaid on the first working day of 2018/19. During the first six months of 2018/19 no borrowing has taken place.

However, it was resolved at the meeting of the Council that took place on 7 September 2016, due to the delay in capital receipts; prudential borrowing will most likely be required towards the end of the 2016/17 financial year. However, this is almost certainly expected to happen towards the back end of 2018/19.

8. Prudential Indicators 2018/19

Treasury management activity during the first half year has been carried out within the parameters set by the prudential indicators contained in the approved 2018/19 Treasury Management Strategy. Consequently, there is no intention to revise any of the indicators for the remainder of the year.

Annex A

Treasury Management – Glossary of Terms

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.
- **CPI** – a measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- **GDP** – Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **MHCLG** – the Ministry of Housing, Communities and Local Government is the UK Government department for housing, communities and local government in England. Known previously as Department for Communities and Local Government (DCLG), it was renamed to add Housing to its title and changed to a ministry in January 2018.
- **Bail-in** – This is an alternative to the bail-out of a failing bank where investors take a loss rather than governments and taxpayers.

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Annual Audit Letter

Year ending 31 March 2018

Newcastle-under-Lyme Borough Council

August 2018



Agenda Item 7



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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees
- B Recommendations

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.

1	Assessment	Issue and risk	Recommendations
	●	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.	<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.
	●	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.	<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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QUARTERLY REPORT : ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 JULY TO 30 SEPTEMBER 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 two 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 2 can be found at Appendix A.
- 2.3 Given these results at the end of the second quarter there are no issues or concerns in relation to any outstanding recommendations within any of the Directorates.

3. Reasons for Preferred Solution

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

4. Outcomes Linked to Corporate Priorities

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

5. Legal and Statutory Implications

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

6. Equality Impact Assessment

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

7. Financial and Resource Implications

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

8. Major Risks

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

9. Key Decision Information

- 9.1 Not applicable

10. Earlier Cabinet/Committee Resolutions

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

11. List of Appendices

Summary of Outstanding Audit Recommendations and level of Assurance for quarter
2

12. Background Papers

Pentana Audit Management system.

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Summary of Outstanding Audit Recommendations and Level of Assurance – Quarter 2 2018-19

Directorate	Total Number of Recommendations	Number of Recommendations completed	Number of outstanding recommendations				Assurance level
			High	Medium	Low	Total	
Chief Executives	71	47	1	19	4	24	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	160	118	1	30	11	42	

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Audit	Action
2017-18-16 - Payroll - Resources & Support Services	01.1 - Procedures to be updated
2017-18-16 - Payroll - Resources & Support Services	05.1 - Documentation to be scanned
2017-18-16 - Payroll - Resources & Support Services	17.1 - Unison payment for Jeanette Hollins
2017-18-16 - Payroll - Resources & Support Services	24.1 - Job titles to be updated
2018-19-09 - Time Management	08.1 - Staff reminder
2018-19-09 - Time Management	16.1 - Reminder to Managers/Supervisors
2018-19-09 - Time Management	20.1 - Leave to be allocated

2018-19-01 - Safeguarding - Chief Executives	06.1 - Consideration to develop more Champions
2018-19-09 - Time Management	06.1 - Staff reminder
2018-19-01 - Safeguarding - Chief Executives	06.2 - Focused training
2018-19-01 - Safeguarding - Chief Executives	10.1 - Service plan reviews
2018-19-09 - Time Management	14.1 - Reminder to Managers/Supervisors
2018-19-09 - Time Management	07.1 - Staff reminder
2018-19-09 - Time Management	15.1 - Reminder to Managers/Supervisors

2018-19-09 - Time Management	09.1 - Staff reminder
2018-19-09 - Time Management	17.1 - Reminder to Managers/Supervisors
2017-18-12 - Licensing Administration - Regeneration & Development	12.1 - Reference checks
2018-19-01 - Safeguarding - Chief Executives	05.1 - Risk profile in GRACE
2018-19-01 - Safeguarding - Chief Executives	26.1 - Promote CSE and PREVENT awareness
2017-18-14 - New Refuse Service - Operational Services	03.1 - Sick management procedure
2018-19-01 - Safeguarding - Chief Executives	09.1 - Training records

2018-19-01 - Safeguarding - Chief Executives	22.1 - List of DBS checked posts update
2018-19-09 - Time Management	28.1 - Investigate System Discrepancies
326 - 2015-16 - Human Resources	68 - Full Roll Out

Description
Payroll procedures should be updated to ensure that they are current.
All outstanding documentation should be scanned onto Information@work.
The monthly Unison payments made by Jeanette Hollins should be increased from £17.25 to £20.30, as per Unison fee rates for salaries between £30,001 & £35,000).
The DBS list should be updated to ensure that all job titles requiring checks are accurate.
Staff should be reminded of the following: Ø All staff who record their time on Mitrefinch should be reminded of the need to clock in and out at the start and end of each day. Ø Wherever possible, staff should clock in and out to record their lunch break. (It is acknowledged that in some jobs, especially jobs which are not office based, that this is not always possible). Ø Unless there is a valid reason, no more than 5 days annual leave should be carried
All managers & supervisors should be reminded of the following: Ø Wherever possible, any anomalies on Mitrefinch should be reviewed and approved/corrected as necessary before the end of each 4 week flexi period. Ø Compensatory leave should only be approved where there has been a genuine business need for the hours to be worked. The approval of compensatory leave should not happen on a regular basis.
The sections which have staff with no leave allocated (Recycling, Neighbourhood Management, Streetscene & Waste Management) should liaise with HR/Payroll to ensure that the correct leave allocations are put onto the Mitrefinch system.

Consideration should be given to increasing the number of safeguarding champions within the Council to promote confidence in the necessary actions required by the workforce when identifying potential cases to be reported.

Staff should be reminded of the following:

Ø All staff who record their time on Mitrefinch should be reminded of the need to clock in and out at the start and end of each day.

Ø Wherever possible, staff should clock in and out to record their lunch break. (It is acknowledged that in some jobs, especially jobs which are not office based, that this is not always possible).

Ø Unless there is a valid reason, no more than 5 days annual leave should be carried

Safeguarding training should be reviewed on a rolling 3 year basis to ensure that it captures all staff and members. Where possible, face to face training should be provided to staff and members in a designated period each year to minimise disruption. The estimated 90% of members yet to be trained should be identified and provided with relevant training at the earliest opportunity.

Heads of service should be reminded that service plans across the Council, (particularly of those services where contact with members of the public is commonplace) should include a reference to tasks/ actions/milestones to be managed in respect of safeguarding issues

All managers & supervisors should be reminded of the following:

Ø Wherever possible, any anomalies on Mitrefinch should be reviewed and approved/corrected as necessary before the end of each 4 week flexi period.

Ø Compensatory leave should only be approved where there has been a genuine business need for the hours to be worked. The approval of compensatory leave should not happen on a regular basis.

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<p>All managers & supervisors should be reminded of the following:</p> <ul style="list-style-type: none">Ø Wherever possible, any anomalies on Mitrefinch should be reviewed and approved/corrected as necessary before the end of each 4 week flexi period.Ø Compensatory leave should only be approved where there has been a genuine business need for the hours to be worked. The approval of compensatory leave should not happen on a regular basis.
<p>References produced by new drivers are not currently verified. A small sample of the names and addresses produced in support of new drivers should be checked for authenticity.</p>
<p>A risk profile specific to safeguarding issues should be developed in the Council's risk management system GRACE and be monitored in line with the Council's risk management policy.</p>
<p>Further promotion of the PREVENT strategy, CSE issues, general safeguarding and modern slavery should be undertaken to raise further awareness of responsibilities and reporting procedures. Consideration should be given to including these issues periodically in team talks, on intranet notices, appraisals etc. A targeted focus on those staff members out and about in the Community should be adopted in order that they are proactive in spreading awareness.</p>
<p>The Council should review the point at which the various stages of the sick management disciplinary procedure commence and review the Bradford Scores applicable to each, in order that they are set at an appropriate level. Further, attendance management policy should include distinct disciplinary procedures for sporadic and regular unpaid leave occurrences.</p>
<p>Training records held by the Human Resources section should be updated to include training undertaken by 4 champions identified as not currently present in the log.</p>

Appendix B of the Recruitment, Selection and Induction policy available on the intranet should be updated to reflect the latest review of posts requiring DBS checks.

58 members of staff within the Operational Services Directorate had instances where they had no clockings on at least 1 day. These omissions did not show up as anomalies on Mitrefinch. These system discrepancies should be investigated.

Those departments where employees are not fully utilising the Mitrefinch system should be identified and subsequent actions taken to ensure that this is possible. Where shifts are worked then these should be entered within the system. This will ensure that the reasoning for purchasing an electronic time management system shows the required efficiencies that the previous paper based method lacked.

Resolution Comments	Sign Off State
	Open
	Open
	Open
	Open
	Open
	Open
	Open

	Open
	Open
	Open
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	Open

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	Open
	Open

	Open
	Open
Leisure is the only service area that does not have the shifts set up, this is due to the service commencing the consultation process to change the staffs hours of work and should be completed by the end of Dec 2017.	Open

Priority	Original Due Date	Current Due Date	Current Due Date State
Medium	11/09/2018	31/12/2018	Not Due/Early
Low	12/03/2019	12/03/2019	Not Due/Early
Low	12/03/2019	12/03/2019	Not Due/Early
Medium	12/09/2018	31/12/2018	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early

Medium	30/11/2018	31/12/2018	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early
Medium	30/11/2018	31/12/2018	Not Due/Early
Medium	31/01/2019	31/01/2019	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early

Medium	24/12/2018	24/12/2018	Not Due/Early
Medium			Unknown
Low	31/12/2017	31/10/2018	Not Due/Early
Medium	31/12/2018	31/12/2018	Not Due/Early
Medium	30/11/2018	31/12/2018	Not Due/Early
High	31/03/2018	30/09/2018	Overdue/Late
Low	30/11/2018	31/12/2018	Not Due/Early

Medium	30/11/2018	30/11/2018	Not Due/Early
Medium	24/12/2018	24/12/2018	Not Due/Early
Medium	02/05/2017	30/09/2018	Overdue/Late

Original Due Date Variance	Updates	Action Update State	Attachments
-21	1	Accepted	0
161	0		0
161	0		0
-20	1	Accepted	0
83	0		0
83	0		0
83	0		0

59	0		0
83	0		0
59	0		0
121	0		0
83	0		0
83	0		0
83	0		0

83	0		0
0	1	Pending	0
-275	2	Pending	0
90	0		0
59	0		0
-185	2	Pending	0
59	0		0

59	0		0
83	0		0
-518	4 Pending		0

Category	Owner
Written Procedures and Standards	Barbara Yates
Written Procedures and Standards	Barbara Yates
Information Correction	Barbara Yates
Written Procedures and Standards	Barbara Yates
Written Procedures and Standards	Dave Adams
Written Procedures and Standards	Dave Adams
Written Procedures and Standards	Dave Adams

Process Improvement	John Tradewell
Written Procedures and Standards	John Tradewell
Training	John Tradewell
Written Procedures and Standards	John Tradewell
Written Procedures and Standards	John Tradewell
Written Procedures and Standards	Kelvin Turner
Written Procedures and Standards	Kelvin Turner

Written Procedures and Standards	Neale Clifton
Written Procedures and Standards	Neale Clifton
Process Improvement	Nesta Barker
Risk Management	Sarah Moore
Process Improvement	Sarah Moore
Written Procedures and Standards	Sarah Taylor
Written Procedures and Standards	Sarah Taylor

Written Procedures and Standards	Sarah Taylor
Written Procedures and Standards	Sarah Taylor
	Sarah Taylor

Audit	Action
504 - 2015-16 - Information at Work	83 - System ownership
504 - 2015-16 - Information at Work	84 - Amendments documented
504 - 2015-16 - Information at Work	86 - Consistent application of document security levels
504 - 2015-16 - Information at Work	89 - Full recovery test
504 - 2015-16 - Information at Work	90 - Audit monitoring
300 - 2015-16 - Sundry Debtors	59 - Procedure notes to be completed
402 - 2015-16 - Bailiff Contract	73 - Recovery procedures compliance checked

Description
<p>System ownership and associated data responsibilities should be formally agreed and documented with the primary users responsible for system functions and data to be documented and agreed by all services using the system. This should include a clear definition of data ownership to ensure all data within the system is properly included and risk assessed within the Council's Information Asset Register as may be necessary.</p>
<p>Any amendments to the base set of functionality associated with the four pre-set user profiles which are applied to a user at a local level by a file system administrator should be documented in an access control document. This should be documented as a responsibility within the System Ownership documents.</p>
<p>A process for the consistent application of document security levels within the system should be considered.</p>
<p>ICT should undertake a full recovery test of the Information@Work system within an IT disaster recovery testing schedule.</p>
<p>Audit monitoring should be addressed as a responsibility of the file system owner within the systems ownership document recommended at 1.1.</p>
<p>The main day to day procedures within the Debtors section should be documented to ensure the uninterrupted operation of the service should key members of staff become unavailable</p>
<p>The Council Tax and Business Rates Recovery Procedure should be checked to ensure it is up to date and compliant with the latest legislation (Taking Control of Goods Act 2013).</p>
<p>It should be dated, show the next review date and be made available on the Councils intranet.</p>

Resolution Comments	Sign Off State
ICT do have some system ownership information but it does require updating. I have moved this on because: a. its quite a substantial piece of work which will require support from all areas of the council to complete. b timetable for migration to Castle House	Open
	Open
	Open
Will be planned to take place after Year End & moves to Castle House	Open
To be put in place once GRPR processes in place and move to Castle house complete	Open
unable to complete at present due to resource pressure	Open
contract discussions for bailiff contract ongoing between Simon Sowerby and Stoke CC still ongoing	Open

Priority	Original Due Date	Current Due Date	Current Due Date State
Medium	02/05/2017	31/07/2018	Overdue/Late
Medium	02/05/2017	30/04/2018	Overdue/Late
Low	02/05/2017	31/05/2018	Overdue/Late
Low	02/05/2017	30/06/2018	Overdue/Late
Low	02/05/2017	30/06/2018	Overdue/Late
Medium	02/05/2017	31/12/2018	Not Due/Early
Medium	02/05/2017	30/09/2019	Not Due/Early

al Due Date Va	Updates	Action Update State	Attachments
-518	4	Pending	0
-518	3	Pending	0
-518	3	Pending	0
-518	3	Pending	0
-518	3	Pending	0
-518	2	Accepted	0
-518	4	Accepted	0

Category	Owner
Written Procedures and Standards	David Elkington
Written Procedures and Standards	David Elkington
Information Security/Assurance	David Elkington
Business Continuity	David Elkington
Written Procedures and Standards	David Elkington
Written Procedures and Standards	Karen Hollinshead
Written Procedures and Standards	Karen Hollinshead

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT OF THE EXECUTIVE MANAGEMENT TEAM TO AUDIT & STANDARDS COMMITTEE

Date 12 November 2018

HEADING **INTERNAL AUDIT PROGRESS REPORT – Quarter 2 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 July to 30th September 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 second progress report of the current financial year presented to the Committee and the areas that it will cover are as follows;

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

1.3 The delivery of an audit plan does not normally show 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 years 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 second quarter (September 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 September 2018, 160 recommendations had been made, of which 118 have been implemented, 74%; the target for the implementation of all recommendations is 96% by the end of the financial year.

2.3 Audit reviews completed and final reports issued between 1 July and 30 September 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 July 2018.

Audit Area	Risk Category	Level of Assurance	Number of Recommendations and Classification			Total
			High	Medium	Low	
Chief Executive						
Safeguarding	A	Adequately controlled	0	6	1	7
Corporate Reviews						
Time Management	B	Poorly controlled	0	10	0	10
Resources and Support Services						
Asset Management - Capital	A	Well 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