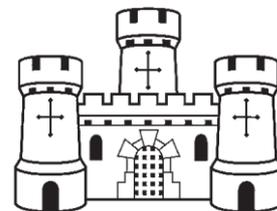


Public Document Pack

Date of meeting Monday, 28th September, 2020
Time 7.00 pm
Venue Audit and Standards - Hybrid Meeting - Conference
Contact democraticservices@newcastle-staffs.gov.uk



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

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

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 8)
To consider the minutes of the previous meeting held on 27th July 2020.
- 4 **INTERNAL AUDIT ANNUAL REPORT 2019/20** (Pages 9 - 24)
- 5 **INTERNAL AUDIT UPDATE QUARTER 1** (Pages 25 - 30)
- 6 **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL LETTER 2019/20** (Pages 31 - 38)
- 7 **COVID-19 UPDATE** (Pages 39 - 48)
- 8 **COMMITTEE WORK PLAN** (Pages 49 - 50)
- 9 **URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors Paul Waring (Chair), Kenneth Owen (Vice-Chair), Sylvia Dymond, Sarah Pickup, Mike Stubbs, Gillian Burnett and Barry 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.

SUBSTITUTE MEMBER SCHEME (Appendix 9, Section 4 of Constitution)

The Constitution provides for the appointment of Substitute members to attend Committees. The named Substitutes for this meeting are listed below:-

| | | |
|---------------------|---------------|------------------|
| Substitute Members: | Mark Holland | Kyle Robinson |
| | Graham Hutton | Gillian Williams |
| | Andrew Parker | Bert Proctor |

If you are unable to attend this meeting and wish to appoint a Substitute to attend in your place you need go:

- Identify a Substitute member from the list above who is able to attend on your behalf
- Notify the Chairman of the Committee (at least 24 hours before the meeting is due to take place) NB Only 2 Substitutes per political group are allowed for each meeting and your Chairman will advise you on whether that number has been reached

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, 27th July, 2020
Time of Commencement: 7.00 pm

| | | | |
|---------------------|--|--|------------------------------|
| Present: | Councillor Paul Waring (Chair) | | |
| Councillors: | Kenneth Owen Ms Sylvia Dymond | Ms Sarah Pickup Mike Stubbs | Barry Panter Mark Holland |
| Officers: | Jan Willis | Interim Executive Director - Resources and Support Services and Section 151 Officer | |
| | Daniel Dickinson | Head of Legal & Governance /Monitoring Officer | |
| | Mrs Sarah Wilkes Martin Hamilton Denise French | Head of Finance Chief Executive Democratic Services Team Leader | |
| | Nesta Barker | Head of Environmental Health Services | |

Also in attendance:

10. **APOLOGIES**

An apology for absence was received from Councillor Burnett and Councillor Holland attended as substitute.

11. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

12. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 1st May 2020 be approved as a correct record.

13. **DRAFT STATEMENT OF ACCOUNTS 2019/20**

The Committee considered the Draft Statement of Accounts 2019/20. The Head of Finance explained that the statutory deadline for sign off of the audited accounts had been extended from 30 September to 30 November 2020 in light of the Covid-19 pandemic.

The Statement of Accounts was governed by the Accounts and Audit Regulations 2015 and detailed the financial transactions for the year and the financial position at year end; they were presented in a standardised format based on guidelines from the Chartered Institute of Public Finance and Accountancy. The Regulations required the draft Statement of Accounts to be certified by the Responsible Financial Officer as presenting a true and fair view of the Council's financial position and this had been

done on 17 July 2020. A period of public inspection then followed. The Accounts would be subject to external audit prior to formal approval by the Committee on 9 November 2020.

The Head of Finance outlined the key points in the Statement of Accounts. The Council had been anticipating a balanced budget but due to the impact of Covid-19 there was an adverse variance of £0.207m. The report outlined the reasons for this including shortfall in income and increased costs arising from investment in ICT equipment to support homeworking. These variances were largely offset by favourable variances including additional income from the Business Rates pilot and staffing efficiencies. The sum of £207k had been transferred from the General Fund Reserve in respect of the adverse variance.

The Collection Fund was a separate account which referred to the collection of Council Tax and Business Rates. The detail was presented which showed an accumulated surplus of £3.977m at year end. This would be transferred to the Business Reserve to help cushion the impact of Covid-19.

The main features of the Balance Sheet were presented. The Reserves were also shown and the level of reserves would be considered as part of the budget preparation process for 2021/22.

Capital expenditure totalled £2.923m in 2019/20 and the main projects were listed. The Capital Programme was funded by capital receipts, Government grants and Section 106 monies.

Members thanked officers for the clear presentation of the Statement of Accounts. They asked whether there were any specific concerns around the future financial position. The Executive Director (Resources and Support Services) explained that work was underway around financial resilience including scenario planning. There were sufficient reserves to cover income losses during the current year. Government grants had been received and the Council had been allocated additional financial support. Any losses from the Collection Fund could be recovered over 3 years rather than one year although enforcement activity had been suspended at present. The Government had announced that there would be a mechanism for sharing irrecoverable Collection Fund losses but details of this were still awaited. The Medium Term Financial Strategy would be brought to Members in October and would reflect the longer term financial issues. There was still a lot of uncertainty around the financial position and Members noted that this affected all Local Authorities.

Members congratulated the officers involved for the work carried out to produce the Statement of Accounts and the additional factors arising from home working.

RESOLVED: That the provisional General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2020 be noted.

14. **TREASURY MANAGEMENT ANNUAL REPORT 2019/20**

The Committee considered the Treasury Management Report for 2019/20. This was in accordance with the Council resolution that the Committee would monitor and oversee the Treasury Management Strategy at a half yearly and year end point. Advisory services were provided by Arlingclose Ltd and their advice had been followed. The Executive Director (Resources and Support Services) confirmed that there were no significant matters to report. There had been no need for the Council to undertake any borrowing throughout the year and no cash investments made.

RESOLVED: That the Treasury Management Report for 2019/20 be received and reported to full Council on 23rd September 2020.

15. **ANNUAL GOVERNANCE STATEMENT 2019/20**

The Committee considered the Annual Governance Statement for 2019/20. The Executive Director (Resources and Support Services) confirmed that the Statement was required to be brought to the Committee on an annual basis to demonstrate the effectiveness of the Council's governance arrangements. An additional section had been added to reflect the challenges and impact arising from the Coronavirus.

RESOLVED: That the Annual Governance Statement for 2019/20 be approved.

16. **CORPORATE RISK MANAGEMENT REPORT**

The Committee considered the Risk Management report for the period January to March 2020 and April to June 2020 including progress made in managing identified corporate risks.

There were no overdue risk reviews and there were 8 risk level increases as presented. There had been one new risk identified which was specific to the Covid-19 pandemic. The actions taken were listed in the report. A financial recovery strategy was being developed as part of the overall Recovery Plan and this would be part of the Medium Term Financial Strategy presented to the Committee in October.

There had been some minor amendments to the Risk Management Policy and the Risk Management Strategy as presented.

Members referred to the Action Plan relating to Financial Risk and asked how lobbying of the Government was undertaken. The Executive Director explained that lobbying was carried out collectively through the Local Government Association; via local MPs and through direct discussion with Government. Members asked about whether there was a role for them in lobbying and the Chair suggested a letter on behalf of the whole Council would be most effective. Members supported the revised format of the report. It was suggested that for many risks, although the likelihood could be mitigated the impact could not and this should be included as part of the introduction.

RESOLVED: That

- (a) The Committee notes that there are no overdue risk reviews;
- (b) The Committee notes that there were 8 risk level increases;
- (c) The Committee notes that there was one new identified risk;
- (d) Appendix A which outlines the progress made in managing risks within the Corporate Risk Register be noted and approved;
- (e) Appendix B, the Risk Management Policy Statement be approved and signed by the Chief Executive and Leader of the Council;
- (f) Appendix C, the Risk Management Strategy documents be approved;
- (g) The Chair liaise with the Leader and Chief Executive to send a letter on behalf of the Council to the Government regarding the financial risks as discussed at the meeting; and
- (h) An introductory sentence be included to recognise that risk likelihood can be mitigated but the risk impact cannot.

17. COUNTER FRAUD ARRANGEMENTS

The Committee considered a report on the Council's counter fraud arrangements. The Council was committed to providing an effective Counter Fraud function which was supported by an effective policy framework. This framework was supported by 4 policies which were regularly reviewed. The Head of Finance advised that the latest review had introduced minor changes to job titles and referenced the appointment of the Monitoring Officer.

RESOLVED: That the following policies be noted:

- (a) Anti-Fraud and Anti-Corruption Framework;
- (b) Fraud Response Plan;
- (c) Whistleblowing Policy; and
- (d) Anti-Money Laundering Policy.

18. ANNUAL HEALTH AND SAFETY REPORT 2019 - 2020

The Committee considered the annual Health and Safety report for 2019 – 20. The Head of Environmental Health explained that the report showed accident data and trends which showed an increased number of accidents. However, there were no trends around specific types of accidents and there had been an emphasis on accident reporting. The report gave details of all accidents which were reportable under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 – which resulted in over a 7 day absence from work of an employee).

RESOLVED: That the report be noted.

19. COMMITTEE WORK PLAN

The Committee considered the Work Plan 2020/21. Members asked whether it could include some focus on their role regarding Standards including a training session prior to the next meeting held in person. The Head of Legal and Governance/Monitoring Officer confirmed this could be done and also reported that a consultation was underway regarding a new draft model Code of Conduct. The outcome of the consultation would be reported to the next Committee. Members also asked that the Work Plan include a regular update on Covid impact.

RESOLVED: That the Work Plan for 2020/21 be approved subject to the following amendments:

- (a) A training session on Standards be held prior to the next in person meeting of the Committee;
- (b) The Corporate Risk Management Report for Quarter 1 be submitted to the meeting on 28th September, not 9th November as in the report;
- (c) An update be made to a future meeting on the outcome of the consultation into a new model Code of Conduct; and
- (d) Updates be made to each meeting on the impact of Covid-19.

20. URGENT BUSINESS

There was no Urgent Business.

Chair

Meeting concluded at 8.02 pm

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
28 September 2020

Report Title: Internal Audit Annual Report 2019/20

Submitted by: Chief Internal Auditor, Clare Potts

Portfolios: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

To consider the annual report of the Internal Audit activity for the financial year 2019/20 enclosed as Appendix A.

Recommendation

That the Internal Audit Annual Report for 2019/20 be noted.

Reasons

In accordance with the Internal Audit Charter objective to report progress against the plan to the Audit & Standards Committee on a quarterly basis and to provide an annual opinion on the Authority's control environment.

1. **Background**

- 1.1 The primary purpose of an Internal Audit service is to provide an independent, objective assurance and consulting service to the organisation; and through the efficient delivery of this service seeks to add value and improve the organisation's operations and controls to effectively deliver the council's Strategic Priorities. Internal Audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Internal Audit is an independent appraisal function within the Borough Council under the control of the Executive Director Resources & Support Services (and Section 151 Officer).
- 1.2 Internal Audit also provide a service to management by giving assurance that there are adequate internal controls in operation, ensuring the proper economic, efficient and effective use of resources, to include the security of assets and data and to assist management in preventing and detecting fraud. This is achieved by the completion of routine system and regularity audits and under a wider remit by value for money and special audits.
- 1.3 The council's Internal Audit team for 2019/20 consisted of 2 FTE Auditors, 1 FTE Corporate Fraud Officer and was supported by Stoke-on-Trent City Council who have an agreement in place to provide support to the Council's in-house Internal Audit team and undertake the role of Chief Internal Auditor as defined by the PSIAS.

- 1.4 This report provides information on the programme of work undertaken by Internal Audit during the financial year 2019/20. Monitoring of the Section's performance against plan is completed and an analysis undertaken of actual work areas across major audit areas.
- 1.5 During 2019/20, the section continued to contract in specialist external IT audit support. This contract was awarded to Information Security Advice Limited.
- 1.6 As required by the Public Sector Internal Audit Standards, an Internal Audit Charter is required in respect of delivering the Internal Audit Service. The internal audit charter is a formal document that defines internal audit's purpose, authority and responsibility. The charter establishes Internal Audit's position within the organisation, including the nature of the Chief Internal Auditor's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities. It provides a framework for the conduct of the service. The latest version of the Charter has been approved by the Council's Executive Management Team and the Audit and Standards Committee in May 2020.
- 1.7 The Internal Audit year-end report also builds upon the assurance given by the section in support of the Annual Governance Statement on internal control. The planning and delivery of a robust audit plan ensures that an annual opinion and overall level of assurance can be provided by the Chief Internal Auditor to those charged with governance, thereby complying with constitutional requirements and sector standards. This opinion is one of the elements of the assurance framework which is reported in the annual governance statement.

2. Issues

- 2.1 The Audit and Standards Committee approved the original Audit Plan for 2019/20 on the 15th April 2019. The plan accounted for 365 audit days.
- 2.2 Of the planned work identified in the 2019/20 Audit Plan, 70% of the work had either been completed or was underway at the end of March 2020; the remaining 30% was carried forward into 2020/21.
- 2.3 A total of 58 recommendations have been made during 2019/20, 65.5% of which have already been implemented.
- 2.4 The work of Internal Audit shows the Council to have an adequate, effective and reliable **Well Controlled** framework of internal control, which provides reasonable assurance regarding the effective and efficient achievement of the Council's objectives.

3. Proposal

- 3.1 Not applicable.

4. Reasons for Proposed Solution

- 4.1 Not applicable.

5. Options Considered

- 5.1 In considering the resourcing of the Internal Audit Section consideration is given to the skills required and those that are available internally, or are best provided by external companies. The provision of IT Audit skills is a specialist area and one that is constantly changing. The provision of IT Assurance Audit work for 2019/20 was therefore allocated to specialist external IT Audit support.

6. **Legal and Statutory Implications**

- 6.1 The Accounts and Audit (England) Regulations 2015, state that “A relevant authority [the Council] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” (para 5(1)).
- 6.2 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements *for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*. CIPFA has defined *‘proper administration’* in that it should include *‘compliance with the statutory requirements for accounting and internal audit’*.
- 6.3 The activities of Internal Audit are planned in accordance with the Accounts and Audit Regulations which place a duty upon the Chief Internal Auditor to report to members on a regular basis. By acting upon recommendations within internal audit reports, the council is demonstrating its commitment to maintain an adequate and effective system of internal control, as required by these regulations. Satisfactory delivery of the audit plan assists the Executive Director Resources & Support Services (and Section 151 Officer), in discharging her duties under section 151 of the Local Government Act 1972.

7. **Equality Impact Assessment**

- 7.1 There are no equality impact issues identified.

8. **Financial and Resource Implications**

- 8.1 The work undertaken during 2019/20 was carried out within the approved budget for Internal Audit. The financial implications resulting from the recommendations made within audit reports is highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.
- 8.2 Internal Audit is directed by the Chief Internal Auditor provided through a service agreement by Stoke-on-Trent City Council. The approved structure for 2019/20 consisted of 2 full time internal auditors. In addition, support is provided by Stoke-on-Trent City Council to provide quality assurance and management support to the team.

9. **Major Risks**

- 9.1 The key risk to be considered in noting the attached report is that the independent and objective assurance provided by Internal Audit is, or is perceived to be, compromised. The consequence of which is that opportunities to improve the Authority’s system of internal controls, governance framework and the delivery of its objectives are not identified or acted upon. This risk is managed through a combination of the governance and reporting

frameworks within which Internal Audit operates and the overview carried out by this Committee. No risks have been identified that are not within acceptable tolerances.

10. **Sustainability and Climate Change Implications**

10.1 There are no sustainability or climate change implications.

11. **Key Decision Information**

11.1 This report is not a key decision as defined by the Council's Constitution

12. **Earlier Cabinet/Committee Resolutions**

12.1 This report is not in reference to previous Cabinet or Committee resolutions.

13. **List of Appendices**

13.1 Appendix A – Internal Audit Annual Report 2019/20

14. **Background Papers**

14.1 Audit Plan 2019/20.



INTERNAL AUDIT ANNUAL REPORT

2019/20

Author: Clare Potts

Date: September 2020

1. INTRODUCTION

The Annual Reporting Process

- 1.1 This is the annual report of the Chief Internal Auditor, which sets out the results of the work of Internal Audit for 2019/20. The report has been presented to the Executive Management Team and the Executive Director Resources & Support Services (and Section 151 Officer) in support of the findings and recommendations, enabling an overall opinion to be provided, which will be included in the Annual Governance Statement for 2019/20.

Requirement for Internal Audit

- 1.2 The **role of internal audit** is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of a Council's internal control system because it measures and evaluates the adequacy and effectiveness of controls so that:

- Members and senior management can know the extent to which they can rely on the whole system; and
- Individual managers can know how reliable the systems are and the controls for which they are responsible.

- 1.3 Our mission is;

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”

The accepted definition from the Institute of Internal Auditors states:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 1.4 The internal control system is comprised of the whole network of systems and controls established to manage the Council to ensure that its objectives are met. It includes financial and non-financial controls, and also arrangements for ensuring that the Council is to achieve value for money from its activities.
- 1.5 The requirement for an Internal Audit function derives from local government legislation including Section 151 of the Local Government Act 1972 which requires authorities to “make arrangements for the proper administration of their financial affairs”. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must “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 practices in relation to internal control.”

2. ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL ENVIRONMENT

How Internal Control is Reviewed

- 2.1 In 2019/20 an annual risk based audit plan was produced and approved by the Audit & Standards Committee in April 2019. The plan took into account the adequacy of the organisations risk management and other assurance processes. The plan outlined the areas that were to be reviewed in 2019/20 in terms of their priority and resources required to undertake them.
- 2.2 This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:-
- system based reviews of all key financial systems that could have a material impact on the accounts e.g. payroll, creditors, council tax and housing benefits;
 - regulatory audits of Council establishments e.g. Kidsgrove Sports Centre ;
 - systems based reviews of departmental systems/service areas e.g., human resources, and safeguarding;
 - corporate reviews e.g. corporate governance arrangements and contract management, and
 - a small contingency for special investigations and the provision of ad hoc advice.

Internal Audit Opinion for 2019/20 and the Annual Governance Statement (AGS)

- 2.3 Regulation 4 of the Accounts and Audit Regulations 2015 requires that:-

“The relevant body shall be 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 risk management arrangements.”

“The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall publish a statement on internal control, prepared in accordance with proper practices, with any statement of accounts it is obliged to publish.”

- 2.4 Internal Audit, along with other assurance processes of the Council, have a responsibility to provide assurance from the work they undertake during the year in respect of the internal control systems operating within the Council.

*Based on the work undertaken during the year and the implementation by management of the audit recommendations made, Internal Audit can provide assurance that the Council’s systems of internal control are **Well Controlled**. Controls are operating adequately and there were no breakdown of controls resulting in material discrepancy.*

- 2.5 However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

Significant Issues

- 2.6 Two reports were issued 2019/20 that had negative opinions. These were Absence Management and Recycling which both had 'Less than Adequate' opinions. Internal Audit will continue to monitor recommendations to ensure appropriate management action is taken to address the weaknesses identified.

3. SUMMARY OF INTERNAL AUDIT WORK 2019/20

- 3.1 The Internal Audit Plan identified 33 audits (including 6 IT audits) to be undertaken in 2019/20. During these reviews the following objectives of internal audit were considered:
- to review and appraise the soundness, adequacy and application of the whole system of internal control;
 - to ascertain the extent to which the whole system of internal control ensures compliance with established policies and procedures;
 - to ascertain the extent to which the assets and interests entrusted to or funded by the Authority are properly controlled and safeguarded from losses of all kinds;
 - to ascertain that management information is reliable as a basis for the production of financial, statistical and other returns;
 - to ascertain the integrity and reliability of information provided to management including that used in decision making, and
 - to ascertain that systems of controls are laid down and operate to achieve the most economic, efficient and effective use of resources.

Audits Completed

- 3.2 During the period April 2019 to March 2020, 15 reports were completed and issued. A summary of the level of assurance for all audits undertaken in 2019/20 and the recommendations made, by risk category, is given in the table below. For further details on audits undertaken during 2019/20 see Table 7A, Appendix A1. A summary chart is also provided at Appendix A2.

Table 1 – Opinions Made 2019/20

| Assurance | | Audits | |
|---------------------------------|------------------|-----------|---------------|
| | | No. | % |
| Well Controlled | Positive Opinion | 9 | 60.0% |
| Adequately Controlled | Positive Opinion | 4 | 26.7% |
| Less than adequately controlled | Negative Opinion | 2 | 13.3% |
| Poorly Controlled | Negative Opinion | 0 | 0.0% |
| Total | | 15 | 100.0% |

Opinions are classified as:

Table 2 – Opinion Definitions

| | |
|--|---|
| 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. |

3.3 A total of 58 recommendations were made during 2019/20, recommendations are classified as:

High Risk – Action that is considered imperative to ensure that the authority is not exposed to high risks; (Implemented within 1 month)

Medium Risk – Action that is considered necessary to avoid exposure to significant risks; (Implemented within 3 months)

Low Risk – Action that is considered desirable and which should result in enhanced control or better value for money.

The 58 recommendations can be broken down as follows;

Table 3 – Recommendations Made 2018/19

| Risk | No. | % |
|--------------|------------|-------------|
| High | 0 | 0% |
| Medium | 40 | 69% |
| Low | 18 | 31% |
| Total | 58 | 100% |

Status of recommendations

3.4 Having accepted the recommendations made as a result of internal audit work, senior managers are responsible for ensuring their prompt implementation. From the information provided, the reported status of the (58) recommendations made during 2019/20 shown over.

| Status | No. | % |
|--|------------|---------------|
| Implemented | 38 | 65.5% |
| Not implemented* | 20 | 34.5% |
| Issued (i.e. not yet reached the due date) | 0 | 0.0% |
| Total | 58 | 100.0% |

* Revised target dates have been agreed for all recommendations not yet implemented.

- 3.5 Recommendations made during 2019/20 will continue to be monitored and information provided by managers is recorded and monitored through to completion.
- 3.6 In addition to the internal audit work undertaken, a number of IT audits have been undertaken by Information Security Advice Limited. During 2019/20, 4 IT audits were undertaken all of which were given “Reasonable” assurance (see Appendix A1, Table 7B). Details of the opinions used and definitions are included in table 4 below.

Table 4 – IT Audit Opinion Definitions

| | |
|--------------------|---|
| Substantial | The framework of control is good, and controls are generally operating well. (although potential enhancements may have been identified) |
| Reasonable | The control framework is adequate, but the review identified a number of controls where opportunities exist to improve the effectiveness of the system of internal control. |
| Limited | Adequate controls are not in place to meet all the system objectives. The review identified significant opportunities to improve the effectiveness of the system of internal control. |
| None | The control framework is inadequate and there is an absence of basic controls. The system is open to compromise, abuse, significant error or loss and/or misappropriation. |

- 3.7 A summary of the recommendations made is provided in Table 5 below.

Table 5 – IT Audits - Recommendations Made 2019/20

| Risk | No. | % |
|--------------|------------|---------------|
| High | 3 | 17.6% |
| Medium | 6 | 35.3% |
| Low | 8 | 47.1% |
| Total | 17 | 100.0% |

4 AUDIT PERFORMANCE

- 4.1 In order to monitor performance against the work identified within the annual plan, Internal Audit work is monitored on a regular basis. Table 6 analyses the status of the planned work at the end of March 2020, showing whether the work had been completed/in progress, or has still to be started. Of the planned work identified in the 2019/20 Audit Plan, 73.3% of the work had either been completed or was underway at the end of March 2020; the remaining 26.7% was carried forward into 2020/21.

Table 6 – Summary of Audit Plan 2019/20

| Category | Planned Audits | |
|--------------|----------------|-------|
| | No. | % |
| Complete | 19 | 63.3% |
| In Progress | 2 | 6.7% |
| Deferred | 9 | 30.0% |
| Sub Total | 30 | 100% |
| Not required | 3 | |
| Total | 33 | |

- 4.2 During 2019/20 the internal audit team were involved in special investigations which meant that a number of planned audits were not undertaken. Whilst flexibility was included in the original plan to support internal investigations, this has not been sufficient to cover all the work required. Reviews of planned work were therefore undertaken at quarter 2 and quarter 3 and it was agreed that a number of audits would be deferred. These were Jubilee 2, Major projects, commercial review, GDPR compliance, project management, Application system security (Mitre Finch – Time Recording System / Guard and Payroll systems), planning and brexit. These audits were risk assessed and where appropriate, included in the 2020/21 audit plan. In addition, it was identified during quarter 4 that the Elections audit would also need to be deferred.
- 4.3 Audit reports were produced continually throughout the year. A schedule of reports issued was produced on a quarterly basis and presented to the Audit Committee. Not all areas of work originally scheduled for 2019/20 were completed within the year. The outstanding work has been:
- Deferred to 2020/21 (as detailed above), in which case it will be scheduled into the appropriate quarter of the 2020/21 plan, or
 - Subject to a reassessment of risk and the work reclassified, or
 - Deemed no longer applicable.
- 4.4 At the end of 2019/20 a number of audits were in progress and had yet to be finalised and issued. These reviews will be completed and reported through the regular quarterly monitoring process. Further details are provided in Table 8, Appendix A2.

5. FRAUD & IRREGULARITY WORK

Pro-active Fraud work

- 5.1 The Internal Audit section has taken a proactive approach to the prevention / detection of fraud and corruption. During the year it has continued working with Stoke on Trent City Council on the development of the Staffordshire Counter Fraud Partnership.

Fraud/Irregularity Investigations

- 5.2 A number of special projects have been carried out on suspected breaches of council policy, procedures and regulations. In all cases where a lack of managerial controls are found to contribute to the improper conduct of officers; a managerial report is completed which highlights the weakness and makes recommendations accordingly. The recommendations from these reports are followed up in the usual way.
- 5.3 No allegations have been received through the Council's Confidential Reporting or Antifraud and Bribery frameworks in the year.

National Fraud Initiative Data matching

- 5.4 The Council is a statutory participant in the Cabinet Office's National Fraud Initiative (NFI) exercise which is carried out every 2 years. The most recent matches have recently been received and are being reviewed by the relevant departments.

6. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

- 6.1 The Public Sector Internal Audit Standards (PSIAS), which came into force in April 2013; updated August 2017, apply across the whole of the public sector and provide a framework for internal audit which:
- defines the nature of its work;
 - sets out its basic principles;
 - aims to improve organisational processes and operations; and
 - forms a basis to evaluate its performance.
- 6.2 Local authorities must demonstrate their compliance with the new standards. Compliance against the Standards is to be subject to periodic self-assessment, supplemented by an external assessment conducted at least once every 5 years. In January 2017, an external review of the internal audit service was undertaken by CIPFA. The review concluded that Internal Audit is effective and conforms sufficiently to the requirements of PSIAS to ensure that the opinion given in the Annual Report can be relied upon for assurance purposes.
- 6.3 In order to ensure the quality of each audit, each report is subject to a review by a more senior auditor. This process forms part of the internal quality assurance process and helps to ensure a consistent approach between auditors.

7. NON AUDIT AREAS

- 7.1 This is work undertaken by the Internal Audit Section that is not directly related to audit areas and includes administration, supporting the corporate management of the authority, professional and staff training.

8.0 OPERATIONAL PLANS FOR 2020/21

- 8.1 From 1 April 2020, a full internal audit service will be delivered by Stoke-on-Trent City Council. The provision of IT Audit skills is a specialist area and one that is constantly changing. However, it is anticipated the majority of IT audit needs can be delivered internally by Stoke-on-Trent City Council auditors.
- 8.2 Internal Audit will continue to identify ways to actively promote awareness of risks in relation to fraud and corruption in line with the national strategy 'Fighting Fraud Locally'. Training and awareness will continue to be raised across the organisation. During 2020/21 a fraud awareness e-learning package provided by the Staffordshire Counter Fraud Partnership will be rolled out across the organisation.
- 8.3 The service will continue to review and improve its service where appropriate. It will also ensure that adequate training is provided and the role of the Audit and Standards Committee is developed in line with best practice.
- 8.4 The Chief Internal Auditor will ensure that mentoring and training opportunities are available for the team to ensure that they continue to develop and improve their knowledge and experience in all aspects of audit and fraud work.

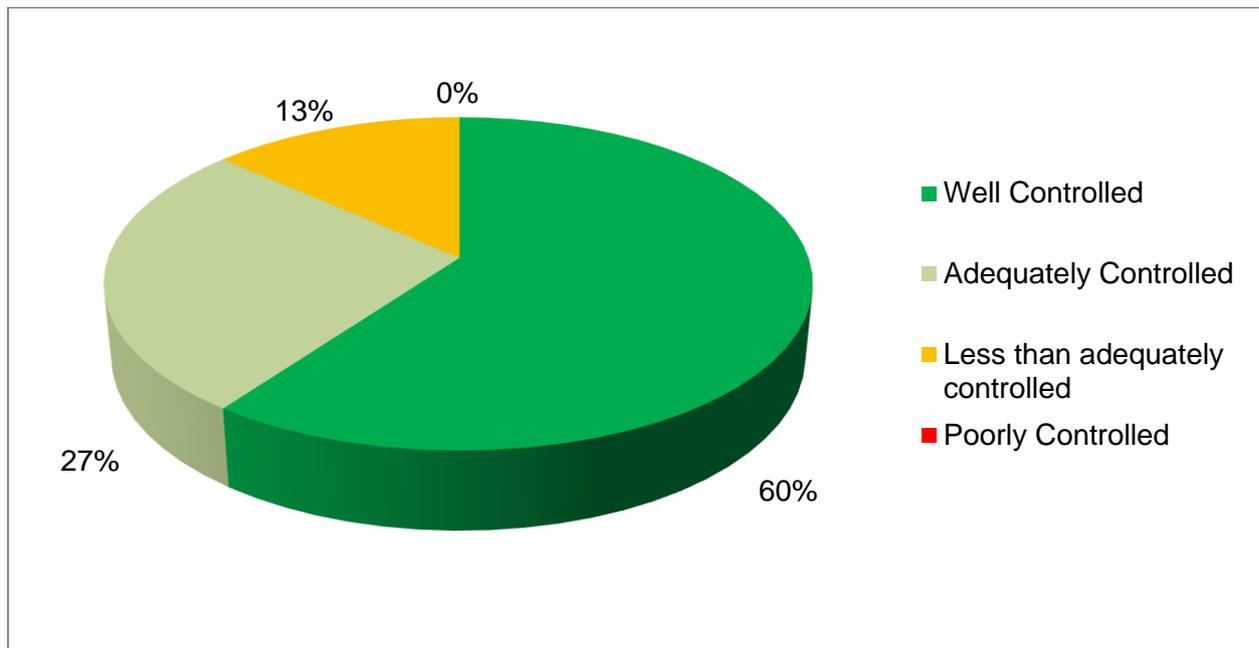
Table 7A - Summary of Issued Reports 2019/20

| Audit Area | Level of Assurance | Number of Recommendations | | | |
|---------------------------------------|---------------------------------|---------------------------|-----------|-----------|-----------|
| | | High | Medium | Low | Total |
| Chief Executive | | | | | |
| Absence Management | Less than adequately controlled | 0 | 14 | 1 | 15 |
| Operational Services | | | | | |
| Recycling | Less than adequately controlled | 0 | 13 | 2 | 15 |
| Resources and Support Services | | | | | |
| Purchase to Pay | Well Controlled | 0 | 1 | 0 | 1 |
| General Ledger, main accounts | Well Controlled | 0 | 0 | 1 | 1 |
| Sundry Debtors | Well Controlled | 0 | 0 | 0 | 0 |
| NNDR | Well Controlled | 0 | 0 | 0 | 0 |
| Asset Management (Capital) | Well Controlled | 0 | 0 | 0 | 0 |
| Council Tax | Well Controlled | 0 | 0 | 0 | 0 |
| Housing Benefits | Well Controlled | 0 | 0 | 1 | 1 |
| Income Collection | Well Controlled | 0 | 0 | 0 | 0 |
| Treasury Management | Well Controlled | 0 | 0 | 1 | 1 |
| Corporate | | | | | |
| Risk management | Adequately Controlled | 0 | 2 | 6 | 8 |
| Procurement | Adequately Controlled | 0 | 5 | 1 | 6 |
| Corporate Governance | Adequately Controlled | 0 | 2 | 3 | 5 |
| Contract Management Governance | Adequately Controlled | 0 | 3 | 2 | 5 |
| Total Recommendations | | 0 | 40 | 18 | 58 |

Table 7B – IT Audit – Summary of Issued Reports 2019/20

| Audit Area | Level of Assurance | Number of Recommendations | | | |
|---------------------------------------|--------------------|---------------------------|----------|----------|-----------|
| | | High | Medium | Low | Total |
| Resources and Support Services | | | | | |
| Housing Systems – Access Security | Reasonable | 1 | 3 | 2 | 6 |
| Identity and Access Management | Reasonable | 0 | 2 | 2 | 4 |
| Malware Prevention | Reasonable | 0 | 0 | 3 | 3 |
| Cyber - Information Security | Reasonable | 2 | 1 | 1 | 4 |
| Total Recommendations | | 3 | 6 | 8 | 17 |

Chart 1 – Summary of Opinions 2019/20



NB Chart excludes IT audits, 100% Reasonable Assurance.

Table 8 - Work-in-Progress as at 31 March 2020

| Directorate | Audit | Status (Preparation, Fieldwork / Draft / Since issued) | Opinion |
|--------------------------------|---------------|---|---------|
| Resources and Support Services | Payroll | Fieldwork | TBA |
| | IT Governance | Fieldwork | TBA |

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
28 September 2020

Report Title: Internal Audit Update Quarter 1
Submitted by: Chief Internal Auditor, Clare Potts
Portfolios: Finance and Efficiency
Ward(s) affected: All

Purpose of the Report

To report on the position regarding Internal Audit during the period 1st April to June 2020.

Recommendation

That Members consider the report

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 2020/21 allows for 336 days of audit work.
- 1.2 This is the first progress report of the current financial year presented to the Committee.
- 1.3 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The internal audit plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit & Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

2. Issues

Audit reviews - 1st April & 30th June 2020

- 2.1 Unfortunately it was not possible for any internal audit reviews to be undertaken during quarter 1. This is a similar position for many local authority internal audit teams, due to the impact of the coronavirus pandemic. There are a number of reasons for this including internal audit staff undertaking other roles to support the council's pandemic responses

and auditees having to prioritise responding to the pandemic ahead of supporting internal audit reviews. In addition, there was added complexity for Newcastle due to the change in internal audit support whilst the country was in lockdown.

- 2.2 Whilst the lack of internal audit activity may be concerning for the Committee, the internal audit team were available to provide advice if required and some preparatory work was undertaken to enable formal internal audit activity to commence in quarter 2 of 2020/21. A review of the annual plan has also been conducted to ensure that adequate work is undertaken to support an annual opinion at the year end.

Number of Recommendations Implemented

- 2.3 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.
- 2.4 Up to the end of June 2020, 255 recommendations had been made, of which 211 have been implemented, which represents 82%; the target for the implementation of all recommendations is 96% by the end of the financial year. Appendix A provides further details.

3. **Proposal**

- 3.1 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council. Due to current issues as outlined in paragraph 2.1 above, a review of the internal audit plan has been undertaken to ensure best use of available resources.

4. **Options Considered**

- 4.1 Following a review of the plan by the Executive Management Team, it is proposed that the following audits in table 1 below are deferred and re-assessed for inclusion in the 2021/22 audit plan.

Table 1 – Deferred Audits

| Audit | Reason |
|-----------------------|--|
| J2 | Audit no longer required. Recovery Action Plan to be reviewed by EMT. |
| Procurement | Audit undertaken in 2019/20. To be risk assessed for inclusion in 2021/22 |
| GDPR | Actions being implemented from previous consultancy work. To be risk assessed for inclusion in 2021/22 |
| Major projects | To be risk assessed for inclusion in 2021/22 |
| Commercial Investment | To be risk assessed for inclusion in 2021/22 |
| Financial Resilience | To be covered as part of external audit review. To be risk assessed for inclusion in 2021/22 |
| Planning | To be replaced with a Joint Local Plan review (see 4.2 below). |

- 4.2 In addition, it is proposed that the Elections audit not completed as part of the 2019/20 audit plan is carried forward and completed during 2020/21. It has also been agreed to

complete a joint internal audit review with Stoke-on-Trent City Council on the Joint Local Plan.

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 control in accordance with the proper internal audit practices’.

6. **Equality Impact Assessment**

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

7. **Financial and Resource Implications**

7.1 The service is currently on target to be provided within budget. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

8. **Major Risks**

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

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

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

9. **Sustainability and Climate Change Implications**

9.1 Not applicable.

10. **Key Decision Information**

10.1 Not applicable

11. **Earlier Cabinet/Committee Resolutions**

11.1 Approval of the Internal Audit Plan for 2020/21 (Audit and Standards Committee 1st May 2020).

12. **List of Appendices**

12.1 Appendix A – Outstanding internal audit recommendations

13. **Background Papers**

13.1 Internal Audit Plan 2020/21.

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Summary of Overdue Audit Recommendations and Level of Assurance

| Directorate | Total Number of Recommendations | Number of Recommendations Completed | Number of Recommendations Not Completed | Number of Recommendations Overdue for Implementation* | | | |
|-------------------------------------|---------------------------------|-------------------------------------|---|---|-----------|-----------|-----------|
| | | | | High | Medium | Low | Total |
| Chief Executives | 66 | 56 | 10 | 0 | 2 | 2 | 4 |
| Resources & Support Services | 82 | 68 | 14 | 0 | 9 | 5 | 14 |
| Regeneration & Development Services | 12 | 8 | 4 | 0 | 2 | 2 | 4 |
| Operational Services | 59 | 51 | 8 | 0 | 5 | 3 | 8 |
| Corporate Reviews | 36 | 28 | 8 | 0 | 7 | 1 | 8 |
| Total | 255 | 211 | 44 | 0 | 25 | 13 | 38 |

* includes recommendations where extensions have been agreed

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
28 September 2020

Report Title: Local Government and Social Care Ombudsman Annual Letter 2019/20

Submitted by: Chief Executive

Portfolios: Corporate and Service Improvement

Ward(s) affected: All

Purpose of the Report

To inform the Members of the Committee of the Council's performance in relation to complaints made to the Local Government and Social Care Ombudsman (the Ombudsman) during 2019/20.

Recommendation

That the report be received.

Reasons

The purpose of the Annual Review Letter is to provide councils with information which will help them assess their performance in handling complaints. This report provides assurance to the Committee as to the Council's use of the Ombudsman's Annual Review Letter as a tool to monitor the standard of service delivery and complaints handling, and to learn from customer complaints.

1. **Background**

- 1.1 Through the Annual Letter, the Ombudsman provides an annual summary of complaints which have been made against the Council. Annual Letters are distributed to councils in July and cover the previous 12 month period from April to March. It includes statistics on the number of enquiries and complaints received by the Ombudsman's Advice Team.
- 1.2 With the exception of some limited cases, the Ombudsman publishes its decision notices on its website. Decision notices are ordinarily published three months after a decision is made, and the information published does not name the complainant or any individual involved with the complaint. Ombudsman decisions are published so to ensure transparency in its decision making processes and to ensure public bodies are accountable to the public. However, the Ombudsman retains discretion not to publish a decision, for example where they consider it would not be in the interests of the person complaining to publish or where there is a lawful reason not to.

2. **Issues**

- 2.1 In 19/20, the total number of complaints and enquiries received by the Ombudsman about the Borough Council was 10. This compares to a figure of 20 in the previous period (2018/19). Ombudsman statistics do not necessarily align with the Corporate Complaints

data held by the Borough Council. For example, the Ombudsman may refer some complainants back to the Borough Council, where a complaint is premature (has not gone through all stages of the Council's Corporate Complaints Procedure), but the complainant may choose not to do so. In addition, some complaints may have been dealt with by the Borough Council in one financial year, but received by the Ombudsman in the following financial year.

2.2 The Ombudsman categorises complaints using the following headings:

Invalid or incomplete:

The Ombudsman was not given enough information by the complainant to consider the issue.

Advice given:

The Ombudsman provided early advice or explained where to go for the right help.

Referred back for local resolution:

When a complainant has brought a complaint to the Ombudsman before the organisation involved has been given a chance to consider it.

Closed after initial enquiries:

The complaint is assessed, but the Ombudsman decided against completing a full investigation. There are a number of reasons why this might happen which include a complaint being too old, some other legal process being available to the complainant or because the merits of a complaint do not warrant in investigation in the public interest.

Upheld:

The Ombudsman completed a detailed investigation and found evidence of fault, or the organisation accepted fault early on.

Not upheld:

The Ombudsman completed a detailed investigation but did not find evidence of fault.

Public report:

There are many reasons why the Ombudsman might issue a public report, the main reason being that they believe it is in the public interest to highlight particular issues or problems. In addition, a public report may be issued because what went wrong was significant or because the impact on the complainant was significant.

2.3 Summary of Outcomes 2018/19 and 2019/20

| Outcome | 2018/2019 | 2019/2020 |
|------------------------------------|------------------|------------------|
| Invalid or incomplete | 0 | 0 |
| Advice given | 0 | 0 |
| Referred back for local resolution | 10 | 4 |
| Closed after initial enquiries | 7 | 2 |
| Upheld | 0 | 3 |
| Not upheld | 3 | 1 |
| Public report | 0 | 0 |
| TOTAL | 20 | 10 |

2.4 Of the four complaints that the Ombudsman investigated in 2019/20, one was not upheld (Planning) and three were. In respect of the three upheld complaints, one related to a Newcastle Housing Advice case and the other two were in relation to Council Tax. The following table puts that into context in terms of the number of corporate complaints received in those services over the same period.

| Ombudsman Category | Corporate Complaints received | Complaints made to the Ombudsman | Ombudsman Investigations carried out | Ombudsman Complaints Upheld (fault found) | Injustice (harm) found |
|--|-------------------------------|----------------------------------|--------------------------------------|---|------------------------|
| Planning and Development | 20 | 2 | 1 | 0 | 0 |
| Benefits and Tax | 34 | 4 | 2 | 2 | 1 |
| Housing | 4 | 1 | 1 | 1 | 1 |
| Environmental Services and Public Protection and Regulation (this includes Operational Services and Streetscene) * | 29 | 3 | 0 | 0 | 0 |
| TOTAL | 87 | 10 | 4 | 3 | 2 |

* (complaint number made up of Environmental Health 11, Operational Services(including Streetscene) 18)

- 2.4 It is considered overall that the Council is performing extremely well in its response to complaints made to the Ombudsman. Twenty complaints in respect of Planning matters were received and addressed through the corporate complaints procedure, compared to two that were made to the Ombudsman. One of those two was referred back to the council for local resolution and the other was investigated, but not upheld. The Ombudsman found no evidence of fault in that case and that the decisions in question were properly taken.
- 2.5 In relation to Revenues and Benefits, 34 complaints were received and addressed through the corporate complaints procedure, compared to 4 which were made to the Ombudsman. Of those four, one was referred back to the council for local resolution and another was closed after initial enquiries. However, of the remaining two that were then investigated, both complaints were upheld. Both complaints were about the robust way in which the Council had approached the collection of arrears. Whilst fault was found in both cases, the Ombudsman found that in only one of those cases did the fault lead to an injustice or harm being caused to the complainant. As recompense, the Council agreed to waive the arrears owed in that case (£310.10), which the Ombudsman was content with.
- 2.5 In relation to the Housing matter, the outcome of the complaint in question was a finding that the Council's decision (acting by Newcastle Housing Advice) to end the interim accommodation duty was affected by fault, causing the complainant an injustice because it is possible she would have been accommodated for longer if the Council had acted without fault. A payment of £300 for the distress and uncertainty caused was agreed and paid bringing the matter to a close.
- 2.6 All three upheld complaints originated because of circumstances individual to the facts of each specific case and do not, therefore, indicate an inherently flawed approach in terms of policy or process. In respect of the Revenues and Benefits cases, Members will be aware of the Council's high collection rates, which is important in the current climate and requires a robust approach. Nevertheless, officers have taken on board the findings in all three of these cases so are better equipped to avoid recurrences in similar cases in future. Officers will continue to learn from complaints and use this learning to improve and maintain the quality of the services the Council provides.

3. Equality Impact Assessment

- 3.1 None

4. **Financial and Resource Implications**

4.1 There are no financial implications flowing from this report but the Council does face the risk of financial penalty in cases where there has been a finding of fault causing injustice.

5. **Major Risks**

5.1 There are no specific risk issues

6. **Sustainability and Climate Change Implications**

6.1 None

7. **Key Decision Information**

7.1 This is not a key decision

12. **Earlier Cabinet/Committee Resolutions**

12.1 N/A

13. **List of Appendices**

13.1 Year ending 31st March 2020 annual review letter and attachment

14. **Background Papers**

14.1 None

22 July 2020

By email

Mr Hamilton
Chief Executive
Newcastle-under-Lyme Borough Council

Dear Mr Hamilton

Annual Review letter 2020

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2020. Given the exceptional pressures under which local authorities have been working over recent months, I thought carefully about whether it was still appropriate to send you this annual update. However, now, more than ever, I believe that it is essential that the public experience of local services is at the heart of our thinking. So, I hope that this feedback, which provides unique insight into the lived experience of your Council's services, will be useful as you continue to deal with the current situation and plan for the future.

Complaint statistics

This year, we continue to place our focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have made several changes over recent years to improve the data we capture and report. We focus our statistics on these three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated. A focus on how often things go wrong, rather than simple volumes of complaints provides a clearer indicator of performance.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice. Our recommendations try to put people back in the position they were before the fault and we monitor authorities to ensure they comply with our recommendations. Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedies provided by the authority - We want to encourage the early resolution of complaints and to credit authorities that have a positive and open approach to

resolving complaints. We recognise cases where an authority has taken steps to put things right before the complaint came to us. The authority upheld the complaint and we agreed with how it offered to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

This data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 29 July 2020, and our Review of Local Government Complaints. For further information on how to interpret our statistics, please visit our [website](#).

Resources to help you get it right

There are a range of resources available that can support you to place the learning from complaints, about your authority and others, at the heart of your system of corporate governance. [Your council's performance](#) launched last year and puts our data and information about councils in one place. Again, the emphasis is on learning, not numbers. You can find the decisions we have made, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the tool with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

Earlier this year, we held our link officer seminars in London, Bristol, Leeds and Birmingham. Attended by 178 delegates from 143 local authorities, we focused on maximising the impact of complaints, making sure the right person is involved with complaints at the right time, and how to overcome common challenges.

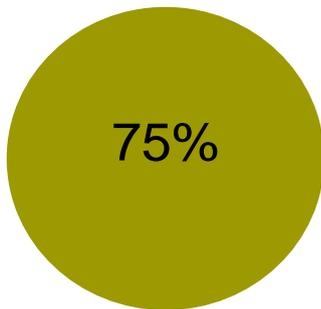
We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. During the year, we delivered 118 courses, training more than 1,400 people. This is 47 more courses than we delivered last year and included more training to adult social care providers than ever before. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



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

Complaints upheld



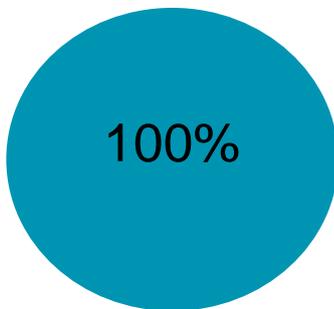
75% of complaints we investigated were upheld.

This compares to an average of **45%** in similar authorities.

3
upheld decisions

Statistics are based on a total of 4 detailed investigations for the period between 1 April 2019 to 31 March 2020

Compliance with Ombudsman recommendations



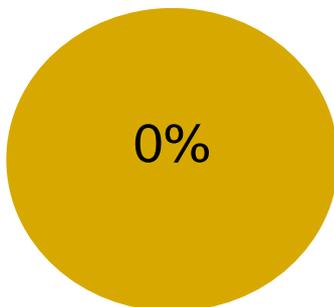
In **100%** of cases we were satisfied the authority had successfully implemented our recommendations.

This compares to an average of **99%** in similar authorities.

Statistics are based on a total of 2 compliance outcomes for the period between 1 April 2019 to 31 March 2020

- Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedies provided by the authority



In **0%** of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **20%** in similar authorities.

0
satisfactory remedy decisions

Statistics are based on a total of 4 detailed investigations for the period between 1 April 2019 to 31 March 2020

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S
REPORT TO

Audit & Standards Committee
28 September 2020

Report Title: Back on Track - Coronavirus Pandemic Recovery Plan Update.

Submitted by: Executive Management Team

Portfolios: All

Ward(s) affected: All

Purpose of the Report

To inform the Committee of the actions being taken across the Council to recover from the impact of the Coronavirus Pandemic.

Recommendation

That the Committee considers whether it wishes to raise any queries or issues with Cabinet.

Reasons

To enable the Committee to have an overview of the impact of the pandemic and the Council's response.

1. **Report**

1.1 The attached report was submitted to Cabinet on 9th September 2020 and is submitted to the Committee to enable it to fulfil its remit of having an overview of the financial position of the Council.

2. **Appendix**

2.1 Report to Cabinet 9th September 2020

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO CABINET**

Choose an item.

09 September 2020

Report Title: Back on Track - Coronavirus Pandemic Recovery Plan Update

Submitted by: Chief Executive

Portfolios: All

Ward(s) affected: All

Purpose of the Report

To inform the Cabinet of the actions being taken across the Council to recover from the impact of the Coronavirus Pandemic.

Recommendation

- 1. It is recommended that Cabinet note this report and endorse the work being undertaken to recover from the pandemic.**

Reasons

To allow Cabinet to publicly consider the actions being undertaken in order to recover from the pandemic.

1. Background

- 1.1** Cabinet has regular reports detailing the Council's response to the Coronavirus pandemic and, latterly, progress in delivering its recovery plan. As work progresses nationally to ease the lockdown restrictions, this report provides the current position regarding the recovery effort.
- 1.2** The recovery plan continues to be closely monitored by the Leader and Cabinet Members who are leading on specific work streams, with the Executive Management Team continuing to manage the day to day recovery effort alongside the ongoing elements of incident response which continue to be required.

2. The Recovery Plan

- 2.1** This report addresses the Council's current position across five areas of the recovery work:
 - Reopening Safe, Successful Retail Centres
 - Supporting Health & Wellbeing
 - Economic Recovery
 - Stepping-up Council Services
 - Financial Recovery

Reopening Safe, Successful Retail Centres

- 2.2 Through work undertaken since June 2020, and previously reported to Cabinet, the Council has put arrangements in place to enable the safe re-opening of Newcastle and Kidsgrove town centres and the various district centres across the borough.
- 2.3 More recently, the Council has been supporting the safe re-opening of pubs and cafes, with activity focussed on:
- Provision of advice to pubs and cafes on how to re-open in a Covid secure way;
 - Facilitating pavement licenses for pubs and cafes, and nil cost to the businesses;
 - Monitoring compliance with government guidance regarding social distancing;
- 2.4 To encourage footfall in the town centre, the Council has facilitated additional specialist markets, including a new Record Fair and a Young Traders market.

Supporting Health & Wellbeing

- 2.5 Following the easing of lockdown, and significant reduction in demand for the service, the Council discontinued its standalone helpline for individuals to reach out for assistance, and reverted to taking calls through its overall call centre. Access to support is still available on line. At the onset of Covid-19 pandemic a Newcastle-under-Lyme Covid-19 Support Network (the Network) was established involving the Council, the Realise Foundation & Support Staffordshire. The aim of the Network has been to provide a co-ordinated response locally to ensure that everyone in need of support received it. This involved working with volunteers and voluntary & community organisations. Realise have co-ordinated the delivery of support to individuals in need, and have had a team of staff allocated to the Network and we are working to create a legacy beyond dealing with the demands of Covid-19 and has the potential to provide the foundations on which community development activities in other circumstances can be based.
- 2.6 Homeless & Rough Sleepers - in March the Government required District and Borough Councils to provide emergency accommodation for any rough sleepers in their area and provided funds to support this. The Council is currently providing emergency accommodation for 19 individuals in a mix of bed and breakfast and range of temporary accommodation, with support tiered according to need.
- 2.7 Work is continuing to ensure ongoing support for this cohort, in line with Government guidance.

Economic Recovery

- 2.8 As at 14th August the Council had paid out £21.793m to around 1900 businesses under the Government's grant schemes for small businesses and businesses in the retail, hospitality and leisure sectors, and the discretionary fund established to support those businesses which did not meet the criteria of the initial government programmes. These grant schemes closed in August in line with government direction.
- 2.9 The Council's economic recovery programme will involve a mix of immediate direct developments, alongside longer term strategic initiatives. A bid has been made to the

Future High Streets Fund for schemes to facilitate the regeneration of Newcastle Town Centre, with a specific focus on the Ryecroft site.

- 2.10 In addition to this, extensive work with partners is continuing to develop the Town Deal proposals for both Newcastle and Kidsgrove, and elsewhere on the agenda for this Cabinet Meeting is a report detailing the bids submitted under the Town Deal advance funding scheme recently launched by the Government. The Council is also bringing forward key sites for development including Sidmouth Avenue and the Newcastle mortuary site.

Stepping-up Council Services

- 2.11 Since the commencement of the lockdown, staff who have been able to effectively work from home have done so and as a consequence, the majority of services have continued with minimal disruption. As the lockdown has eased, services most impacted by the lockdown have been stepping back up to normal levels. Key issues are:

- **J2** – reopened in August on a Covid secure basis. This has involved putting in place social distancing and hygiene measures, and implementing a booking system rather than the previous “open access” where controlling the number of customers on site would be more difficult. Attendances at J2 have grown steadily although subsequently a problem with the main swimming pool has meant that this facility is currently out of use.
- **Museum** – this facility is now reopened, but with restrictions in place around numbers permitted in the building and a more restricted access to the collection than normal.
- **Customer Contact facilities** – assisted self-service facilities at Castle House were reintroduced in August for those customers unable to access services online or by phone. The performance of the customer contact service has remained strong in terms of the percentage of calls answered and time taken to answer notwithstanding that there was a 75% increase in the volume of calls in June as the customer services team responded to a large number of queries about the roll out of the new waste and recycling service, the annual elections canvass and exceptional demand in revenues and benefits. Revenues and benefits performance has also remained strong with new Council Tax reduction claims and changes of circumstances being processed in less than 4 days on average, an improvement of the same quarter last year despite a huge jump in the number of new claims received during April and May and a significant amount of resources being diverted to deal with business support grant applications and administration of business rate reliefs and the council tax hardship fund.
- **Bereavement** – demand for service has returned to the usual level however. Steps are being taken to increase the numbers able to attend funerals whilst still maintaining social distancing.
- **Taxi Licensing** – the service is focusing on supporting existing drivers, with no new licence applications currently being processed. Taxi testing has been suspended. Nevertheless, through holding remote licensing hearings and other measures in place, there remains an appropriately licenced adequate taxi and hackney carriage fleet in operation.

- 2.12 A review of service readiness to return to normal service as part of the recovery plan has identified the following services where challenges are expected to either continue or, in some instances, increase in the coming months.

- **Inspections and enforcement activity** – in a number of areas either the health and safety issues presented by Covid, or the temporary closure of businesses, has meant that officers are working through a significant backlog of casework. This is across a number of Council service areas including housing grants, food premises inspections, planning enforcement, pest control etc.
- **Homeless Support** – having responded successfully to the Government call to provide accommodation to all rough sleepers and others presenting as homeless, there is a requirement to sustain that provision and the associated support on an ongoing basis. Demand during this time has been approximately double the normal level, and this presents pressure both on availability of places and the associated costs.
- **Taxi driver and vehicle licencing & inspections** – As highlighted above, this is a service significantly impacted by the pandemic in terms of service delivery. As a consequence, there is a backlog of both current and new driver/vehicle licence applications. In addition, vehicle inspections continue to be suspended and, as such, a significant demand for inspections can be anticipated placing pressure on the Garage Workshop.
- **Local Outbreak Control measures** – this is a new responsibility for the Council involving, primarily, the Environmental Health service which will have a significant role in managing any local Covid outbreaks associated with businesses or certain high risk premises. This function was initially envisaged to be a reactive service, stepping up when an outbreak occurred, but in the light of experience nationally, is now undertaking work pro-actively. This involves carrying out visits to high risk premises with a view to identifying potential issues and addressing them promptly with business owners to reduce the risk of infections or local outbreaks. The Council has received £50k Government funding via the County Council to support this function. The Leader of the Council sits on the County-wide Local Outbreak Board.
- **Other Pressures** – in addition to addressing the service pressures above, the Council is responding to the financial impact of the pandemic by refreshing its Medium Term Financial Plan, and accelerating work on the Digital Strategy and Commercialisation. This will be an additional work pressure across the Council alongside the service specific issues. The Council is also currently rolling out the new recycling service.

2.13 The challenges identified fall disproportionately on a number of services. Environmental Services, which covers licencing & environmental health and is leading on the air quality project on behalf of the Borough and Stoke-on-Trent City Council, is likely to be the focus for significant additional demands. This is under constant review by the Executive Management Team and Cabinet, which will direct priorities and resourcing.

Financial Recovery

2.14 The pandemic continues to have a significant impact on the Council's financial position through a mix of lost income and additional costs. To date Government funding of £1.743m has been secured (including £170k of new burdens funding to offset the costs of administering Coronavirus business support grant and hardship relief schemes), which has reduced the immediate pressure on Council finances. Additional costs have also begun to fall with the return of a degree of normality and the roll out of the new waste and

recycling service. However, the current forecast is still for a net revenue overspend of £321k in this financial year, assuming no further imposition of lockdown measures.

- 2.15 The Council's revenue budget relies on service income from fees and charges of c£850k per month across a wide range of services, with a significant proportion coming from J2 and car parking. The Council has been actively monitoring the impact of the lockdown and the working practices required to ensure safe practice. Across the business, net monthly income losses stabilised at c£276k during the first quarter but have now started to recover as the lockdown has eased. The Government announcement that it will fund income losses above the first 5% at the rate of 75p in the pound in the current financial year will to a significant degree insulate the Council from income related financial risks.
- 2.16 The scheme compensates for income that local authorities generate independently which is defined as a sale, fees and charges, and is unable to be recovered – for example, car parking charges or receipts from museum charges. It does not include commercial income, such as rents. The 5% deductible will be calculated using sales, fees and charges budgets for 2020/21 as this represents what the Council expected to collect from these income sources at the start of the year. Compensation will be provided to mitigate the net budget gap which income losses have created, i.e. after the savings that the Council has made regarding the furlough scheme. It is currently estimated that of the £2.4m forecast income losses in 2020/21 the Government will fund £1.5m leaving the Council with a deficit of £0.9m which will need to be funded from revenue resources or reserves.
- 2.17 Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a shortfall in tax receipts (compared to expected levels), this leads to a deficit on the collection fund. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year. In response to forecast shortfalls in tax receipts relating to COVID-19, the government is proposing that repayments to meet collection fund deficits accrued in 2020-21 will instead be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets. The phased amount will be the entire collection fund deficit for 2020-21 as estimated on the 15 January 2021 for council tax and in the 2021-22 NNDR1 for business rates.
- 2.18 MHCLG will continue to work with CIPFA and local government on the detailed operation of the scheme – including the accounting, audit and reporting implications – with a view to providing guidance to councils later in the year.
- 2.19 The current forecast shortfalls in tax receipts, and the proposed repayments under this scheme are shown below:

| Tax | Total Deficit Forecast | Council's Share | Repayable 2021/22 | Repayable 2022/23 | Repayable 2023/24 |
|--------------------------|------------------------|--------------------|-------------------|-------------------|-------------------|
| Council Tax | £1.325m | £0.156m (11.8%) | £0.052m | £0.052m | £0.052m |
| NNDR | £12.132m | £4.853m (40%) | £1.618m | £1.618m | £1.617m |
| NNDR Section 31 Measures | (£11.246m) | (£4.497m) (40%) | (£1.499m) | (£1.499m) | (£1.499m) |
| Total | £2.211m | £0.512m | £0.171m | £0.171m | £0.170m |

- 2.20 The Government announcement made on 2 July referred to a further apportionment between MHCLG and Local Government of irrecoverable tax losses (i.e. debts required to be written off for businesses ceasing to trade), however there has been no further mention

of this in the technical note received and details of how this will operate in practice are still awaited.

2.21 The Council continues to actively lobby our local Members of Parliament and through national networks as part of the wider public sector family, to make the case for further Government support to address Covid-19 related costs and loss of income. Particular emphasis in our lobbying has been the impact on Business Rates and Council Tax collection and the implications for future financial years.

2.22 Work is continuing on the development of a financial recovery plan including:

- Benchmarking of Council service performance and budgets;
- Review of performance against the Council Plan to date, and confirmation of Council priorities post Covid;
- Identification of savings opportunities, including accelerated delivery of the digital and commercial strategies and exploration of alternative service delivery models;
- Refresh of the Medium Term Financial Plan in the light of the above.

3. **Proposal**

3.1 Cabinet are recommended to note this report.

4. **Reasons for Proposed Solution**

4.1 This report serves to brief Cabinet on the work being undertaken to address the Coronavirus pandemic, and the financial impact that the pandemic is having on the Council, and the recovery arrangements being put in place.

5. **Options Considered**

5.1 N/A

6. **Legal and Statutory Implications**

6.1 Addressing the impact of Coronavirus locally has involved adjustment to some service provision. When making such changes there are a number of legal and statutory implications to take into account. These are all appropriately factored into decision taking by the Incident Management Team.

7. **Equality Impact Assessment**

7.1 None directly arising from this report.

8. **Financial and Resource Implications**

8.1 The Council's General Fund balance as at 31st March 2019 was £1.548m. Careful monitoring of the financial position will be required over coming weeks and months leading to prompt corrective action where necessary to ensure that reserves are not exhausted and the Council remains in a position of being able to deliver a balanced budget position in the current financial year and beyond.

9. **Major Risks**

9.1 The Coronavirus pandemic, in the round, represents a significant risk to the Council. This report sets out how that risk is being addressed.

10. **Sustainability and Climate Change Implications**

10.1 N/A

11. **Key Decision Information**

11.1 This is not a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 None

13. **List of Appendices**

13.1 Back on Track – Recovery Plan

14. **Background Papers**

14.1 None

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Audit and Standards Committee

Work Plan 2020/2021

| Committee Date | Reports |
|-------------------------------|--|
| 27 July 2020 | <ol style="list-style-type: none"> 1. Committee Work Plan 2. Annual Governance Statement 3. Annual Health and Safety Report 4. Draft Statement of Accounts 2019/20 5. Treasury Management Annual report 6. Counter Fraud Arrangements 7. Corporate Risk Management Strategy |
| 28 September 2020 | <ol style="list-style-type: none"> 1. Internal Audit Annual Report 2019/20 2. Internal Audit Progress Report Quarter 1 3. Local Government Ombudsman Annual Review Letter 2019/20 4. Covid-19 impact |
| 9 th November 2020 | <ol style="list-style-type: none"> 1. Audited Statement of Accounts 2019/20 2. External Auditors Audit Findings Report 3. External Audit – Annual Audit Letter 4. Corporate Risk Management Report Quarter 2 5. Internal Audit Progress Report Quarter 2 6. Health and Safety Half-Year Report April-September 2020 7. Treasury Management Half-Yearly Report 2020 8. New model Code of Conduct – update 9. Covid-19 impact |
| 8 th February 2021 | <ol style="list-style-type: none"> 1. Corporate Risk Management Report Quarter 3 2. Internal Audit Progress Report Quarter 3 3. Internal Audit Plan 2021/22 4. Internal Audit Charter 2021/22 5. Covid-19 impact |
| 19 th April 2021 | <ol style="list-style-type: none"> 1. Risk Management Policy and Strategy 2021/22 2. External Audit – Certification Work 3. Code of Corporate Governance 4. Corporate Fraud Arrangements 5. Covid-19 impact |

*Standards training – to be arranged at the appropriate time, once the new Code of Conduct has been received and to be held prior to an in person meeting

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