

Public Document Pack

Date of meeting Monday, 8th February, 2021
Time 7.00 pm
Venue Hybrid Meeting - Castle
Contact Denise French



**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 9th November 2020.
- 4 **EXTERNAL AUDIT ANNUAL AUDIT LETTER** (Pages 9 - 24)
- 5 **INTERNAL AUDIT UPDATE QUARTER 3** (Pages 25 - 30)
- 6 **QUARTER 3 CORPORATE RISK MANAGEMENT REPORT 2020-21** (Pages 31 - 54)
- 7 **COMMITTEE WORK PLAN** (Pages 55 - 56)
- 8 **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)

Contacting the Council:

Switchboard 01782 717717 . Text 07800 140048

Email webmaster@newcastle-staffs.gov.uk.

www.newcastle-staffs.gov.uk

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.

AUDIT AND STANDARDS COMMITTEE

Monday, 9th November, 2020
Time of Commencement: 7.00 pm

- Present:** Councillor Paul Waring (Chair)
- Councillors:** Kenneth Owen Mike Stubbs
Sylvia Dymond Gillian Burnett
Sarah Pickup Barry Panter
- Officers:** Jan Willis Interim Executive Director -
Resources and Support
Services and Section 151
Officer
Daniel Dickinson Head of Legal & Governance
/Monitoring Officer
Sarah Wilkes Head of Finance
Clare Potts Chief Internal Auditor
Denise French Democratic Services Team
Leader
Nesta Barker Head of Environmental Health
Services
- Also in attendance: Councillor Stephen Sweeney,
Portfolio Holder for Finance
and Efficiency;
Andrew Smith,
Grant Thornton

30. **APOLOGIES**

There were no apologies for absence received.

31. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

32. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 28th September 2020 be approved as a correct record.

(Note: Councillor Sweeney, Portfolio Holder for Finance and Efficiency, updated on ongoing issues with the Jubilee 2 building. The Committee had discussed at the last meeting whether to undertake a review of issues at J2. Councillor Sweeney advised that the Cabinet meeting on 14th October had considered a report on a number of building defects including the current position relating to three longstanding issues. Cabinet had endorsed the approach to address a number of defects and agreed to review historical issues with the building to ensure any lessons could be learned.

33. AUDITED STATEMENT OF ACCOUNTS FOR 2019/20

The Committee considered the Audit Findings for Newcastle under Lyme Borough Council presented by Andrew Smith of Grant Thornton.

Andrew Smith explained that the Audit was nearing conclusion; there were a few matters that were still being worked through with the Council's finance officers, the main item related to the valuation of car parks. He explained that, pending the outcome of the car park issue, he expected an unqualified audit opinion would be given. He confirmed the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. He placed on record his thanks and appreciation of the work done by Council staff during the Audit process during unprecedented circumstances.

The Committee's attention was drawn to key points in the report:

- The 'significant audit risks' were outlined – the Committee was informed that no significant issues in terms of revenue had been identified; nor had any risks been identified in terms of management override of controls. In relation to valuation of land and buildings, some issues had been identified in relation to valuation of property and equipment and uncertainty around these values due to the timing of valuations prior to 31st March 2020. There was also uncertainty around the valuation of the Pension Fund and the ongoing impact of the pandemic on illiquid asset values.
- Other audit risks – these included the Fixed Asset Register System – the Committee was advised that the new system was a significant improvement but some historical errors had been identified; and the audit had identified that some Investment Property had not been revalued during the year in accordance with good practice.
- Going concern – the audit had not identified any issues that cast doubt on the Council's ability to continue as a going concern.
- Value for Money – the Audit identified that good arrangements were in place and although a deficit budget had been set there were sufficient reserves in place. Regular reports were submitted to Cabinet and an external consultant had been brought in to advise. The audit did include a note that the Council needed to continue to build reserves to become more financially resilient.
- The Action Plan contained 2 recommendations around revaluing assets categorised as investment properties on an annual basis; and secondly, that the Council review the useful lives of Vehicles, Plant, Furniture and Equipment to ensure they more accurately reflect actual lives.
- The report followed up the prior year's recommendations and all had been followed up.
- Audit adjustments were as outlined.
- A table of unadjusted misstatements was drawn to the Committee's attention; the table included the reasons the Council had decided against making an adjustment; these related to Flexible Use of Capital Receipts, Investment property where assets were not revalued in 2019/20; and Depreciation correction. The Committee was required to approve the Council's action in not making an adjustment.

Members were given the opportunity to raise any queries and clarification was sought on the meaning of REFCUS. The Committee was advised this referred to Revenue Expenditure funded by Capital; the Council was allowed by law to do this. The auditor felt projects should have been accounted for as REFCUS rather than flexible

use of capital receipts. Members asked where this expenditure had occurred and the Head of Finance advised it was partly on the new waste and recycling service including project and staff costs and costs of leaflets.

RESOLVED: That

- (a) The accounts for the financial year 2019/20 be received;
- (b) The Audit Findings Report for the financial year 2019/20 be received;
- (c) The Committee approves the action of not making an adjustment to the final set of financial statements in relation to the three items listed in Appendix C of the Audit Findings Report; and
- (d) Delegated power be granted to the Chair of the Committee to sign off the final audited accounts on completion of the Audit.

(Note: in relation to item (c) above, Councillor Mike Stubbs requested that his name be recorded that he abstained from voting on this part of the resolution).

34. QUARTER 2 CORPORATE RISK MANAGEMENT REPORT 2020 - 21

The Committee considered the Quarter 2 Corporate Risk Management Report 2020-21. The report confirmed there were no outstanding risk reviews but there was some increase in risk levels, as outlined in Appendix A, this was mostly due to Covid-19. There were no new identified risks. Appendix B to the report outlined the risk based on a No Trade Deal Brexit. This work was based on a coordinated approach across Staffordshire and not all risks would relate to the Borough. The key risk for the Borough was around the resilience of the supply chain and ensuring this could be managed.

RESOLVED: That

- (a) It be noted that there are no overdue risk reviews;
- (b) The 5 risk level increases be noted;
- (c) It be noted that there are no new identified risks; and
- (d) The current position on Brexit – No Trade Deal be noted.

35. INTERNAL AUDIT UPDATE QUARTER 2

The Committee considered the Internal Audit Update Quarter 2 report presented by Clare Potts, Chief Internal Auditor. The report outlined those reviews which were in progress by the end of September. A progress update would be made to the next meeting as part of the Quarter 3 update.

The Appendix to the report outlined progress with the outstanding Audit recommendations; to date 225 recommendations had been implemented out of a total of 255.

Resolved: that the Internal Audit Update Quarter 2 be noted.

36. TREASURY MANAGEMENT HALF YEARLY REPORT 2020/21

The Committee considered the Treasury Management Half Yearly Report 2020/21 and reviewed the Treasury Management activity for the period.

Members noted that no borrowing had been undertaken during the first 6 months of the financial year and asked whether any would be taking place in the near future.

The Head of Finance explained that the Capital Programme had been reviewed and some projects had been scaled back; but any need for borrowing would taken into account the impact of Covid 19.

Resolved: that the Treasury Management Half Yearly Report be received.

37. HEALTH AND SAFETY SIX MONTHLY REPORT 2020-21

The Committee considered the Health and Safety six monthly report for 2020/21. The Head of Environmental Health explained that the Employee Handbook and Workplace Policy on Smoking had both been reviewed and made available to all staff. The Lone Working Policy review had been delayed. The priority for Health and Safety for the current year had been Covid 19 with risk assessments carried out for various sites and work practices.

During the period there had been 29 accidents, with 3 being reportable under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013); this was a significant reduction in numbers of accidents from the previous 6 months.

Members requested an update on the window blinds at Castle House. It was reported that the blinds were now in place and were to be trialled in Customer Services and the library; however, due to few staff working in those areas, further trialling was needed. This would be updated to the Committee in the next Health and Safety report.

Resolved: that:

- (a) the report be received; and
- (b) the next report on Health and Safety include an update on the provision of window blinds in Castle House.

38. BACK ON TRACK - CORONAVIRUS PANDEMIC RECOVERY PLAN UPDATE

The Committee considered an update report on Covid 19 as submitted to Cabinet on 14th October. Councillor Sweeney highlighted the role of the County wide Outbreak Board, on which the Leader was a Member, and the role of the Multi Agency Board, which he chaired, whose role including ensuring all possible steps were being taken across the key institutions to reduce infection rates in the Town Centre, particularly in the younger adult population. Councillor Sweeney referred to recent financial support received from the Government in relation to the impact of the pandemic and funding received for the Future High Streets scheme.

Resolved: that the update report be received.

39. COMMITTEE WORK PLAN

The Committee considered the Work Plan 2020/21. Members asked that the update to the next meeting include the impact on the Council of a no Trade deal Brexit, should that occur.

Resolved: that the Work Plan be received and updated to include an item to the next meeting on the impact of a no Trade deal Brexit, should that occur.

40. URGENT BUSINESS

There was no Urgent Business.

Chair

Meeting concluded at 7.50 pm

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The Annual Audit Letter for Newcastle-under-Lyme Borough Council

Year ended 31 March 2020

January 2021





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Appendices

- A Reports issued and fees
- B Recommendations and Action Plan

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 2020.

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 9 November.

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.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,185,000, which is 2% of the Council's gross cost of services.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 27 November 2020. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
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.
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 27 November 2020.
Certificate	We certified that we have completed the audit of the financial statements of Newcastle-under-Lyme Borough Council in accordance with the requirements of the Code of Audit Practice on 27 November 2020.

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Executive Summary

Working with the Council

The Covid-19 pandemic has impacted on the Council operational with the majority of its staff working remotely. Restrictions for non-essential travel and social distancing has meant both Council and audit staff have had to complete the audit through remote access working arrangements i.e. remote accessing financial systems, video calling and additional procedures in relation to the completeness and accuracy of information produced by the entity. Both the Council and audit team have responded well to the challenges posed to ensure completion of the audit work.

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

Audit of the Financial Statements

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 financial statements to be £1,185,000, which is 2% of the Council's gross cost of services. 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 of £18,000.

We set a lower threshold of £59,000, 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 to check it is 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 was 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 Financial Statements

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>Covid-19</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on time in July 2020; liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council/groups' property valuation expert evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; evaluated whether sufficient audit evidence could be obtained through remote technology; evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; 	<p>Our audit work has not identified any issues in respect of Covid-19</p>
<p>Management override of internal controls</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determine the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates, critical judgements applied and decisions made by management and consider their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work has not identified any issues in respect of management override of controls.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the 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 land and buildings</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement; assessed the competence, capabilities and objectivity of management's experts (valuers) who carried out your PPE valuations; evaluated the instructions issued by management to their management expert (a valuer) for this estimate and the scope of the valuer's work; communicated with the valuer about the basis on which the valuation is carried out and where necessary challenge the key assumptions reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value 	<p>The Council's valuer prepared their valuations as at 31 March 2020. In their reports, they have confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'.</p> <p>We referred to these material valuation uncertainties in our audit report as an emphasis of matter.</p> <p>Our testing also identified a number of amendments in relation to property, plant and equipment resulting in an increase of £572k for land & buildings and an decrease of £825k for investment properties.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the 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 net pension liability</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued to the management expert (actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary, through the Pension Fund, to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • documented and evaluated the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>The Council included disclosures in its Financial Statement in relation to the ongoing impact of the Covid-19 pandemic, which has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value. Professional valuers have not been actively valuing many similar sized assets in the market due to the current lockdown environment. As such values have been rolled over from the end of February with an adjustment and may be inaccurate to the true 31 March 2020 position.</p> <p>We referred to these material valuation uncertainties in our audit report as an emphasis of matter.</p> <p>Our other audit work has not identified any other issues in respect of the valuation of the Council's pension fund net liability</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 27 November 2020.

Preparation of the financial statements

The Council presented us with draft financial statements in August in accordance with the agreed timescale, 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 financial statements

We reported the key issues from our audit to the Council's Audit and Standards Committee on 9 November 2020.

In addition to the key audit risks reported above, we identified a number of issues throughout our audit that we have asked the Council's management to address for the next financial year. Details of these issues and our recommendations including responses from management can be found in Appendix B.

Annual Governance Statement and Narrative Report

We are also 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.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold

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 certified that we have completed the audit of the financial statements of Newcastle-under-Lyme Borough Council in accordance with the requirements of the Code of Audit Practice on 27 November 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 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 risks where we concentrated our work.

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

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 2020. .

Value for Money conclusion

Significant risk

Financial Sustainability (Based on the Audit Plan)

The Council's latest medium term financial plan has significantly reduced the funding gap over the medium term to £0.49m in 2021/22; £0.327m in 2022/23; £0.308m in 2023/24; and £0.048m in 2024/25.

The CIPFA Financial Resilience Index, which looks at a range of factors that may affect resilience and sustainability, and relies on information on earmarked reserves, shows that the Council are at a higher risk compared to its nearest neighbours based on level and use of reserves. The Index also shows that the Council's business rates growth above the baseline is below the average of its nearest neighbours, which means the Council is less exposed to the business rates reset expected in 2021.

The medium term financial planning process is challenging due to the uncertainty over future local government funding arrangements as well as uncertain economic conditions. The longer-term reforms for the local government finance system, including business rates retention and fairer funding have been delayed until 2021/22 and the Council recognises the significant risk that these reforms, including the planned Business Rates Reset, will have a significant effect on the Council's funding level from 2021/22.

Findings

2019-20 Outturn:

The unaudited outturn in respect of the General Fund Revenue Account was an adverse variance of £0.207m compared to the budget of £13.050m. Whilst there were adverse variances against some budget heads, these have mainly been offset by positive variances against others. The main reason for the overspend at the end of the year was due to Covid-19 pressures that resulted in reduced income from Jubilee 2, car parks and a hold on recovery actions in March 2020.

2020-21 Position and MTFS to 2025/26:

The Council have set a balanced budget for 2020-21. The ongoing pandemic has put additional pressures on this budget. Cabinet receive regular reports on Council's response to the pandemic and the delivery of its recovery plan.

The latest recovery plan update (October 2020) is forecasting a net overspend of £333k for the year, which will be funded from reserves. The main impact is due to lost income (e.g. car parking and Jubilee2 Leisure Centre), which over the first 2 quarters of the year is estimated at £2.292m. The Government is funding lost income at 75p per £1 lost above the first 5%. The Council have calculated that they will receive £1.558m leaving a shortfall of £0.734m which is included in the net overspend above.

Looking forward to 2021/22 and beyond the Council have recently updated its MTFS. This shows a gap of £5.911m over the next five years. For 2021/22 the gap is £1.390m, which is an increase from £1.367m from the previous MTFS due to pressures from Covid-19 pandemic.

The Council are working to address the 2020/21 as part of the budget setting process and to date they have identified £1.469m of savings. Draft savings proposals will be presented to Cabinet in December 2020.

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Value for Money conclusion

Findings (continued)

To ensure that the Council is able to operate effectively and meet its strategic aims within its current environment they have commissioned consultants to undertake a review of how the Council will operate going forward. This review has recently been completed and the future operating model developed has identified circa £900k of savings. Officers are currently working through the recommendations and will incorporate them into the budget setting process.

As part of the MTFs the S151 officer has undertaken a risk based review of the minimum level of reserves required. This review identified that for 2021/22 the minimum level of reserves required is £3.116m. The Council currently have £1.584m. This risk assessment were completed prior to the second lockdown.

Conclusion

Auditor view

Like most of local government, the authority faces a challenging future driven by funding reductions and an increase in demand for services. This is further complicated by the ongoing pandemic which is placing additional pressures on the Council both financially and the challenges in providing services.

As we highlighted in 2018/19 the authority will need to continue to make tough decisions to deliver balanced budgets over the coming years, but also maintain strict budgetary control to minimise overspends and continue to monitor delivery of savings targets tightly.

The Council also need to continue to build reserves to become more financially resilience.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services

Reports issued

Report	Date issued
Audit Plan	February 2020
Audit Findings Report	November 2020
Annual Audit Letter	January 2021

Fees

	Planned fees £	Actual fees £	2016/17 fees £
Statutory audit	£49,852	£59,822	£55,002
Total fees	£49,852	£59,822	£55,002

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £42,352 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table. Fee variations are subject to PSAA approval.

Area	Reason	Fee proposed
Raising the Bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	£2,500
Pensions – valuation of net liabilities under International Auditing Standard (IAS) 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this. Specifically, we have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanations sought, and heightened levels of documentation and reporting.	£1,750
PPE Valuation – Work of Experts	We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.	£1,750

A Reports issued and fees continued

Area	Reason	Fee proposed
New Standards	We undertook work in preparation of the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet. The introduction of IFRS16 was originally planned for 1 April 2020, however this has subsequently be delayed to 1 April 2021.	£1,500
Covid-19	Covid-19 has impacted on the audit of your financial statements in several ways. These impacts include: <ul style="list-style-type: none"> • Revisiting our audit planning • Additional work on management's assumptions and estimates • Additional work on our financial resilience assessment • Remote working 	£9,970
Total		£17,470

Fees for non-audit services

Service	Planned fee £
Audit related services	£11,400
- Housing Benefit (Subsidy) Assurance Process	
Non-Audit related services	
- None	

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 two 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 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Investment Properties The Council have applied a rolling programme of revaluation for Investment Property. Investment Property assets with a carrying value of £6.5m have not been subject to a formal valuation at 31st March 2020. Per the CIPFA Code of Practice and IFRS13 Investment Property should be measured at fair value at the reporting date, therefore a rolling programme of revaluation is not appropriate.	The Council should ensure that all assets categorised as investment properties are revalued on an annual basis to comply with the CIPFA Code of Practice and IFRS13. Management response All of the Investment Property assets have been reviewed during the year by the Council's Valuer. The Council has noted the recommendation that all of the assets reviewed should be formerly documented even if there is no change to the value as per the CIPFA Code of Practice.
● Medium	Vehicles, Plant, Furniture and Equipment (VPFE) From our testing we identified that 75% of VPFE have been fully depreciated but are still in use by the Council. Thus we deem the useful lives currently being allocated to VPFE (5-15 years) as too short and not reflective of their actual lives.	That the Council review the useful lives of its VPFE assets to ensure that they more accurately reflect the actual lives. Management response As the Council wants to ensure maximum use of its vehicle, plant, furniture and equipment, it has now reviewed the life of these assets to reflect their actual lives.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice



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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
08 February 2021

Report Title: Internal Audit Update Quarter 3

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 October to 31 December 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 second 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

- 2.1 Quarter 3 continued to be extremely challenging for the internal audit service. Work continued in quarter 3 on a number of reviews that commenced during quarter 2, however, the coronavirus pandemic continued to have an impact on the speed at which

reviews could be undertaken. The council remains in a similar position to many local authority internal audit teams. Table 1 below details the audit work currently in progress.

Table 1 – Planned Audits in progress at the end of December 2020

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Health & Safety	Preparation
	Elections	Fieldwork
Regen & Development	Joint Local Plan	On hold
Corporate	Business Continuity	Fieldwork
IT Audit Assurance (External)	IT Governance	Fieldwork

- 2.2 As in the previous quarters, the internal audit team continue to be available to provide advice and guidance to services as required. The annual internal audit plan also remains under regular review to assess the impact of a reduced work programme on the annual opinion at the year end. CIPFA have released guidance for the annual opinion for 2020/21 for local authorities that have been unable to undertake a full internal audit programme due to the pandemic and this will be utilised in considering the annual report and opinion.

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 December 2020, 255 recommendations had been made, of which 230 have been implemented, which represents 90%; 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, the internal audit plan for 2020/21 remains under review to ensure best use of available resources.

4. Legal and Statutory Implications

- 4.1 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'.

5. **Equality Impact Assessment**

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

6. **Financial and Resource Implications**

6.1 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.

7. **Major Risks**

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

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

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

8. **Sustainability and Climate Change Implications**

8.1 Not applicable.

9. **Key Decision Information**

9.1 Not applicable

10. **Earlier Cabinet/Committee Resolutions**

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

11. **List of Appendices**

11.1 Appendix A – Outstanding internal audit recommendations

12. **Background Papers**

12.1 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	64	2	0	1	1	2
Resources & Support Services	82	70	12	0	9	3	12
Regeneration & Development Services	12	11	1	0	0	1	1
Operational Services	59	53	6	0	3	3	6
Corporate Reviews	36	32	4	0	4	0	4
Total	255	230	25	0	17	7	25

* includes recommendations where extensions have been agreed

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

08 February 2021

CORPORATE RISK MANAGEMENT REPORT

Submitted by: Executive Management Team

Portfolio: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

Purpose of the Report

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period October to December 2020 (Q3) including progress made in managing identified corporate risks.

To ask members to recognise that risk likelihood can be mitigated but the risk impact may not change.

Recommendations

The Committee is asked to:-

- (a) Note that there are 5 overdue risk reviews (point 2.1.1).**
- (b) Note that there were no risk level increases (point 2.2.1).**
- (c) Note that there were 5 new identified risks (point 2.2.2).**
- (d) Note Appendix A – update on the Corporate risks (point 2.2.3).**
- (e) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.**

Reasons

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

1. Background

- 1.1 The Council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council's software used to record and manage risks.

- 1.2 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly.
- 1.3 The last review of these risks (Q2 2020) was reported to the Council's Audit & Standards Committee in November 2020.
- 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 are 5 overdue risk reviews.
 - 2.1.2 In line with the risk management strategy the escalation process will be followed, until such time that involvement of this Committee is required.
- 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 were no risk level increases.
 - 2.2.2 There were 5 new risks identified for Q3 2020/21. These were reported at the last meeting regarding Brexit – No Trade Deal appendix.
 - 2.2.3 Appendix A highlights the Corporate risks following a review on 22 January 2021 for information.
 - 2.2.3 Should there have been any changes or increases during January to March 2021 these will be fully reported to the next relevant meeting of the Committee.

3. Options Considered

- 3.1 Following the comprehensive review of risk profiles taking place across the council, the only risks to be reported are those from the Corporate Risk Register, unless there are any significant occurrences or increases in other profiles.

4. Proposal – Corporate, Strategic, Operational, Project and Partnership Risk Registers (Appendices)

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

- 4.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.
- 4.3 The measure of the ratings for the impact and likelihood are shown below, for ease of use.

Impact Measures

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

Likelihood Measures

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

L I K E	High	7 Amber	8 Amber	9 High Red
		4	5	6

L I H O O D	Medium	Green	Amber	Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
IMPACT				

5. Reasons for Preferred Solution

5.1 To offer a continual review process to minimise and mitigate risks.

6. Outcomes Linked to Corporate and Sustainable Community Priorities

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

- Local Services that Work for Local People.
- Growing our People and Places.
- A Healthy, Active and Safe Borough.
- A Town Centre for all.

7. Legal and Statutory Implications

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

*“The relevant body **is** responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk”.*

8. Equality Impact Assessment

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

9. Financial and Resource Implications

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

10. Major Risks

10.1 As highlighted in Appendix A.

11. Sustainability and Climate Change Implications

11.1 Officers assess sustainability and climate change implications as part of their local services.

12. Key Decision Information

12.1 This report is for information and there are no key decision requirements pertaining to the information contained within the report.

13. Earlier Cabinet/Committee Resolutions

13.1 Previous Minutes from Committee meeting held on 9th March 2020.

14. List of Appendices

14.1 Appendix A – Corporate risks with heat map.

15. Background Papers

15.1 Previous Minutes and reports have been circulated to relevant Members and Officers.

DRAFT

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Corporate Risks

Risk Air Quality

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Failure to monitor and control the air quality in the Borough.

Potential Consequences * Failure to deliver within prescribed timescale, failure to safeguard health, failure to identify alternatives to CAZ, failure to deliver to standard required.
 * Failure to comply with Directive Timetable and requirements may result in legal action by Government and Client Earth against the Council.
 * Failure by UK Government to satisfy ECJ may lead to fines being passed down to failing LA's under Localism Act.
 * Failure to deliver existing workload commitments and statutory duties.

Implication Damage to health / potential legal challenge and further action by Government including intervention in LA Air Quality function. Significant financial implications. Lack of Public Confidence. Reputational damage. Fines if passed down are likely to adversely impact council services. Failure to deliver existing workload commitments and statutory duties

Risk Owners Dave Adams

Risk Rating Medium Amber 6 **Last Review** 22/01/2021

Final Risk Rating Medium Amber 6 **Next Review** 22/04/2021

Target Risk Level Medium Amber 3 **Treatment** Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Air Quality project

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
-------------------------	------------------	-------------------	-----------------------	----------

Risk

Likelihood	H			G
M			R	
L			T	
	L	M	H	

Breach of health and safety

Impact Measures

Risk Description Failure to comply with relevant health and safety legislation.

Potential Consequences Reputational damage. Adverse financial implications. Third party intervention.

Implication

Risk Owners Martin Hamilton

Risk Rating High Red 9 **Last Review** 22/01/2021

Final Risk Rating Medium Amber 6 **Next Review** 22/04/2021

Target Risk Level Medium Amber 3 **Treatment** Treat

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Home-worker risk assessments completed
- Health & Safety Policy and Employees Handbook
- Target 100 corporate H&S system
- Internal training policies, EDR, annual training audit, training resources secured, relevant training provided.
- Health & Safety officer post on establishment.
- Inspection programme of premises.
- Liaison with external bodies.
- Update seminars, professional membership, access to legislation and reference materials, support from legal services
- Facilities Management controls in place for regular maintenance and servicing.
- Corporate Health & Safety Committee including senior representation.
- Incident Management Team
- Comprehensive refresher training programme completed
- Covid-19 risk assessments
- Health and Safety sub-committees established and operational
- Internal audit of corporate H&S service undertaken

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Arrange new course for Exec Directors on Managing Safely	to be arranged with incumbent insurers	Planned	Simon Sowerby	27/02/2021	
Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Ongoing	Dave Adams Martin Hamilton Simon McEneny Sarah Wilkes	30/04/2021	Note continuation of H&S Thursdays.

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Civil emergency

Likelihood	H			
	M			
	L		R/T/G	
		L	M	H
	Impact			

Impact Measures

Risk Description Civil emergency

Potential Consequences Possible unbudgeted costs; service delivery affected

Implication Fall in usual service delivery; complaints;

Risk Owners Martin Hamilton

Risk Rating Low Green 2 **Last Review** 22/01/2021

Final Risk Rating Low Green 2 **Next Review** 21/07/2021

Target Risk Level Low Green 2 **Treatment** Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Bellwin Scheme should meet 85% of cost

Insurance provision established

Contingency reserve available

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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Risk Corporate Governance

Likelihood	H			
	M			G
	L			R/T
		L	M	H
	Impact			

Impact Measures

Risk Description Failure of Corporate Governance exposes the Council to financial, legal or reputational risk.

Potential Consequences Financial implications
Legal challenges
Reputation damage
Loss of organisational capacity
Government Intervention

Implication

Risk Owners Daniel Dickinson

Risk Rating Medium Amber 6

Last Review 22/01/2021

Final Risk Rating Medium Amber 3

Next Review 22/04/2021

Target Risk Level Medium Amber 3

Treatment Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Audit & Standards Committee
- Advice obtained from external bodies as and when required
- Statutory Officer Group
- Internal Audit inspections
- Monitoring Officer
- Effective scrutiny arrangements

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Formation of a Corporate Assurance Group	To include aspects of Corporate Governance, Data Protection etc	Planned	Daniel Dickinson	26/02/2021	
Scrutiny Protocol and Toolkit	Scrutiny Protocol and Toolkit to be written for implementation	Planned	Denise French	26/02/2021	
Training	To be arranged for all Members of Audit & Standards Committee	Planned	Daniel Dickinson	26/02/2021	

Covid-19

Likelihood	H			R/G
	M			
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Pandemic leading to widespread lockdown and social distancing

Potential Consequences Higher mortality rates
Local economic impacts

Implication Loss of service and financial implications.
Business continuity
Reputation damage

Risk Owners Martin Hamilton

Risk Rating High Red 9 **Last Review** 22/01/2021

Final Risk Rating High Red 9 **Next Review** 21/02/2021

Target Risk Level Medium Amber 3 **Treatment** Treat

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Incident Management Team
- Business Continuity Plans in place
- Multi-Agency Response plan
- Government lobbying takes place
- Financial assistance
- Post-Covid recovery plan in place
- Covid-19 testing centre
- Covid Marshalls

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Ongoing action plan	Including support to services and businesses	Ongoing	Martin Hamilton	26/02/2021	

Risk Cyber risk

	H			G
Likelihood	M			R
	L		T	
		L	M	H

Impact

Impact Measures

Risk Description

The Council's infrastructure could be compromised by the introduction of malicious software. This could include a traditional destructive virus or another type of incursion such as information gathering software, ransomware, credential harvesting, etc. The threat from Cyber terrorism continues to increase on a global scale and by July 2017, two high profile, highly effective ransomware attacks had already taken place, crippling organisations in both the public and private sector. Everything from non-criminal system failures to criminal activities (be they first or third party) can impact on our ability to operate. •With the new GDPR legislation the risks associated with breaches, made worse by non-compliance to security standards and general best practice, have increased the need to understand our risk landscapes and mitigate them as appropriate.

Potential Consequences

•The impact of these events can have financial, operational, strategic, compliance, criminal, and reputation impacts.

Implication

This risk implies that the Council's network or infrastructure has been compromised and an unknown threat actor who has successfully introduced malicious software such as a virus or ransomware to our environment. It should also be considered that this introduction has or will disrupt services or otherwise compromise the Council's information systems over an undetermined period.

The malicious software could have been introduced in any number of ways, such as by a member of staff clicking on a link within an email, the opening of a malicious file or the failure of ICT or a service provider to sufficiently patch and update vulnerable systems. There is also the potential for an attack to make use of a zero-day exploit - something which takes advantage of a previously unknown vulnerability, for which there is no immediate fix or protection.

Risk Owners

Sarah Wilkes

Risk Rating

High Red 9

Last Review

22/01/2021

Final Risk Rating

Medium Amber 6

Next Review

22/04/2021

Target Risk Level

Low Green 2

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Staff awareness
- Internet and email policies
- Anti-Virus scanning at internet gateway
- Anti-Virus software
- Comprehensive Information Security policies
- Blocking of Removable Media
- Mandatory Information Security training for staff
- Information Security Group
- Penetration testing
- Receive Gov Cert UK Warnings from NCSC
- Use of Government CNS service
- Anti-Ransomware software
- Patch management
- Use of Virtualised Environments
- Attendance at West Midlands WARP (West Midlands Warning and Reports Procedures Group)

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Investigate Cyber insurance	Planned	Mark Bradshaw Simon Sowerby	27/02/2021	Currently awaiting response from M Bradshaw. To be followed up with DE & Insurance

Risk Data Breach

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Non-compliance with the Data Protection Act and and General Data Protection Act

Potential Consequences Fine of up to £20m and damage to reputation

Implication Severe

Risk Owners Daniel Dickinson

Risk Rating Medium Amber 6

Last Review 22/01/2021

Final Risk Rating Medium Amber 6

Next Review 22/04/2021

Target Risk Level Medium Amber 3

Treatment Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Information Governance Officer

Action plan produced

Information Security Group Formed

Training available

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Review mandatory DPA/GDPR training across the Council		Planned	Mark Bradshaw	27/02/2021	
Review of GDPR policies	To ensure that information governance processes are in place and up to date inc. DHR & SAR etc.	Ongoing	Daniel Dickinson Diana Litherland	26/02/2021	

Risk Failure of major insurer

Likelihood	H			
	M			
	L		R/T/G	
		L	M	H
	Impact			

Impact Measures

Risk Description Failure of major insurer

Potential Consequences Unable to provide cover/protection. Financial burden due to self-insurance.

Implication Additional burden on in-house insurance section.

Risk Owners Martin Hamilton

Risk Rating Low Green 2 **Last Review** 22/01/2021

Final Risk Rating Low Green 2 **Next Review** 21/07/2021

Target Risk Level Low Green 2 **Treatment** Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Insurance broker appointed
- Insurance placed with insurer with double A standing
- Exception reporting
- Biennial report

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
-------------------------	------------------	-------------------	-----------------------	----------

Risk Financial Risk

Likelihood	H			R/G
	M			
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Council's financial position is unsustainable in the medium to long term.

Potential Consequences Council unable to provide anything other than core services.
Reputation damage.
Government intervention.

Implication

Risk Owners Sarah Wilkes

Risk Rating High Red 9 **Last Review** 22/01/2021

Final Risk Rating High Red 9 **Next Review** 21/02/2021

Target Risk Level Medium Amber 3 **Treatment** Treat

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Adequate level of reserves and balances
- Regular financial risk assessments
- Realistic medium term financial plan
- Statutory Officer Group
- Covid-19 financial recovery plan

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Increase reserves and balances	Monthly review and update of financial risk assessments reserves and balances	Ongoing	Sarah Wilkes	26/02/2021	

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Loss of major contractor

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Loss of major contractor or supplier to the Council.

Potential Consequences Disruption to service; Financial costs; Potential claims

Implication Reputation damage

Risk Owners Martin Hamilton

Risk Rating Medium Amber 6 **Last Review** 22/01/2021

Final Risk Rating Medium Amber 6 **Next Review** 22/04/2021

Target Risk Level Medium Amber 3 **Treatment** Treat

Path Corporate Risks/Newcastle Under Lyme

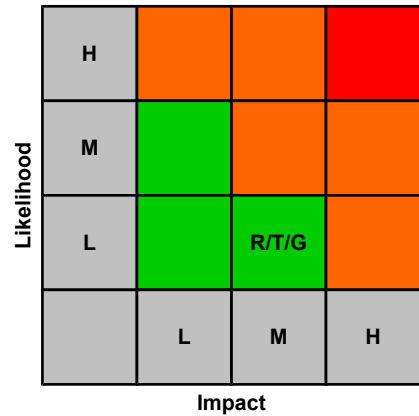
Key Controls Identified

- Market intelligence
- Continuous monitoring of contracts and annual credit check
- Contracts register in place
- Corporate Procurement Officer & Procurement Strategy

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Critical supplier lists refresh	Planned	Simon Sowerby	12/02/2021	

Risk Loss of operating building



Impact Measures

Risk Description The risk of Castle House or the Depot being unavailable due to an event

Potential Consequences Service failure; Business interruption; Financial costs;

Implication Reputation damage.

Risk Owners Martin Hamilton

Risk Rating Low Green 2 **Last Review** 22/01/2021

Final Risk Rating Low Green 2 **Next Review** 21/07/2021

Target Risk Level Low Green 2 **Treatment** Treat

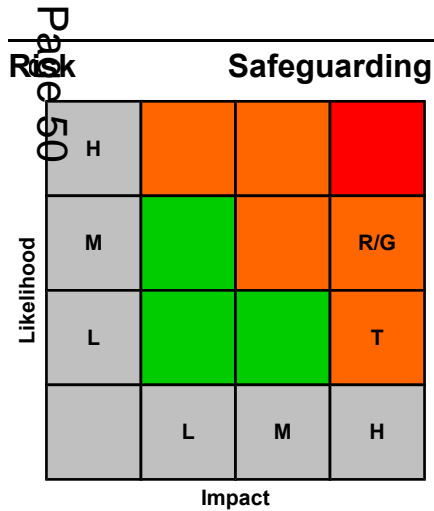
Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Support from Civil Contingencies Unit
- Major incident plan in place
- Gold and Silver teams set up
- Business Continuity Plans in place
- Civil Contingencies Business Working Group in place

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Castle House Business Continuity Plan development	Work to be undertaken to develop the BCP for the specific Castle House operation of Newcastle Borough Council employees	Planned	Martin Hamilton Richard Kissman	26/03/2021	



Impact Measures

Risk Description

Failure of the Borough Council (both officers and Members) to recognise both a moral and legal obligation to ensure a duty of care for children and adults across its services. The Borough Council is committed to ensuring that all children and adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council.

Potential Consequences

Harm and Death.
Reputation damage.
Legal implications.
Third Party intervention with investigations.

Implication

Risk Owners

Simon McEneny

Risk Rating

Medium Amber 6

Last Review

22/01/2021

Final Risk Rating

Medium Amber 6

Next Review

22/04/2021

Target Risk Level

Medium Amber 3

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Policy and Procedures

Personnel

Partners and Partnership working

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate awareness raising across the business to recognise Safeguarding as each persons responsibility where required.	Ongoing	Dave Adams Martin Hamilton Simon McEneny Sarah Wilkes	31/03/2021	

Risk Strategic Priorities

Likelihood	H			G
	M		T	R
	L			
		L	M	H
	Impact			

Impact Measures

Risk Description Lack of capacity to deliver strategic priorities, and or resource allocation not aligned to strategic priorities

Potential Consequences Strategic priorities not delivered.
Reputation damage.

Implication

Risk Owners Martin Hamilton

Risk Rating High Red 9

Last Review 22/01/2021

Final Risk Rating Medium Amber 6

Next Review 22/04/2021

Target Risk Level Medium Amber 5

Treatment Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Alignment of service and financial planning
- Borough Growth Fund
- Investment Strategy and Revolving Investment Fund
- Government lobbying takes place

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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Risk Strategic Projects

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Failure to deliver key strategic project or projects

Potential Consequences Reputational harm Financial implications Local economic impact Legal challenge
Loss of influence and control

Implication

Risk Owners Simon McEneny

Risk Rating Medium Amber 6 **Last Review** 22/01/2021

Final Risk Rating Medium Amber 6 **Next Review** 22/04/2021

Target Risk Level Medium Amber 3 **Treatment** Treat

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Advice obtained from external bodies as and when required

Governance

Resources

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Establish project management capability	Planned	Martin Hamilton	31/03/2021	

Risk Workforce

	H			
	M		R	G
	L		T	
Likelihood		L	M	H
		Impact		

Impact Measures

Risk Description

Lack of capacity due to failure to replace key staff or provide resources to cover the work of staff temporarily involved in other priority areas. Failure to train and develop employees to meet the needs of the Council. Failure to implement effective reviews of policies and procedures.

Potential Consequences

Staff not treated fairly - implications for staff morale, effective recruitment and retention. Skills shortages. Out of date policies. Failure to maintain day to day service provision where service quality, availability and consistency of service is affected. Ineffective leadership. Inconsistencies of interpretation of policies and procedures. Not supporting managers and employees. Reduced levels of service, non provision of training needs, non involvement in partnership needs etc. due to existing staff meeting the additional workload arising from lack of capacity. Failure to achieve objectives of improvement plan. Increased costs to the authority in relation to flexible retirement.

Implication

Legislation implications. Employee relation implications.

Risk Owners

Martin Hamilton

Risk Rating

Medium Amber 6

Last Review

22/01/2021

Final Risk Rating

Medium Amber 5

Next Review

22/04/2021

Target Risk Level

Low Green 2

Treatment

Path

Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Workforce policies in place

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Develop workforce strategy and development plan	Planned	Georgina Evans	31/03/2021	

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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 including External Auditors Audit Findings Report 2. Corporate Risk Management Report Quarter 2 including Brexit risk update 3. Internal Audit Progress Report Quarter 2 4. Health and Safety Half-Year Report April-September 2020 5. Treasury Management Half-Yearly Report 2020 6. 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. External Audit – Annual Audit Letter
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 6. Internal Audit Plan 2021/22 7. Internal Audit Charter 2021/22

*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

DJF/Jan 21

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