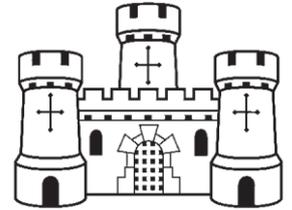


Public Document Pack

Date of meeting Monday, 19th April, 2021
Time 7.00 pm
Venue Hybrid Meeting - Castle
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 - 6)
To consider the minutes of the previous meeting held on 8th February 2021.
- 4 EXTERNAL AUDIT - CERTIFICATION WORK** (Pages 7 - 30)
This item includes a supplementary report.
- 5 CORPORATE RISK POLICY AND STRATEGY 2021/22** (Pages 31 - 74)
- 6 CORPORATE RISK MANAGEMENT REPORT - FOLLOW UP** (Pages 75 - 92)
- 7 COUNTER FRAUD ARRANGEMENTS** (Pages 93 - 134)
- 8 INTERNAL AUDIT PLAN 2021/22** (Pages 135 - 150)
- 9 WORK PLAN** (Pages 151 - 152)
- 10 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors 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	Gillian Williams
	Andrew Parker	Bert Proctor
	Kyle Robinson	Graham Hutton

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

- 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, 8th February, 2021
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: Daniel Dickinson Head of Legal & Governance
 /Monitoring Officer
 Sarah Wilkes Head of Finance
 Martin Hamilton Chief Executive
 Denise French Democratic Services Team
 Leader

Also in attendance: Councillor Stephen Sweeney,
Portfolio Holder for Finance
and Efficiency
Phil Butters, Keele University
Clare Potts, Chief Internal
Auditor, Stoke on Trent City
Council
Andrew Smith,
Grant Thornton

41. **APOLOGIES**

There were no apologies for absence

42. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

43. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 9th November 2020 be agreed as a correct record.

44. **EXTERNAL AUDIT ANNUAL AUDIT LETTER**

Andrew Smith of Grant Thornton presented the Annual Audit Letter for the year ended 31st March 2020. The Letter summarised the key findings arising from the work carried out by Grant Thornton; the detailed findings had been considered by the Committee on 9th November 2020. Grant Thornton had also given an unqualified opinion on the Council's financial statements on 27 November.

Andrew drew attention to the audit fees in the sum of £59,822. This was an increase from the original sum and the reasons for the increase were outlined and included the impact of the Covid-19 pandemic. Any variations in fees were subject to PSAA approval. For comparison, the audit fee of 10 years earlier had been considerably

higher. It was also reported that the Redmond Review had suggested audit fees were too low and as such could compromise the quality of the work. Fees for the forthcoming audit would also increase as there would be increased requirements for future audit work.

In discussing the report, Members raised queries and issues as below:

- In relation to audit fees, Members noted the responsibility the Council had for managing public money. Was it relevant to compare current fees with those from 10 years ago and was this a breach of contract? In response, the Committee was advised that the audit content from 10 years ago was similar to current audits and there was now a requirement to report on more matters than previously. The fee was not a fixed fee within the contract and any increase would be reviewed by the PSAA who would either authorise or reject it. If the Council wished, there was the option to remove itself from the PSAA contract and tender the audit process on the open market. Members discussed the option to include additional audit costs as part of their overall Covid related increased costs that would be submitted to the Ministry for Housing, Communities and Local Government.

Members asked for more detail on how the increased costs had been arrived at and it was explained that Grant Thornton used a timesheet system for recording time allocated. There were specific increased costs due to Covid-19 which had meant both the audit planning and risk assessment had to be revisited which had resulted in extra work; there had been additional work in relation to land valuations and pension liabilities; there was also a general impact on all audits due to remote working which had meant slower progress was made. There were no issues with the working papers supplied by the Finance Team to Grant Thornton. It was expected that some of these issues and extra workload would also relate to the next audit. There would also be additional workload to take account of the requirements of the Code of Audit Practice which meant measuring the Council against 15 key lines of inquiry and this would also result in fee increases. The implications were currently under discussion with the PSAA. The Audit Plan would be brought to the April meeting and would include the planned fee.

- A question was raised about the recommendation to review the useful lives of the Vehicles, Plant, Furniture and Equipment Assets to ensure they more accurately reflect the actual lives. The Head of Finance confirmed that this predominately related to the lives of Waste Vehicles and additional reviews were now built into the year-end processes and a specific automated system was being used to improve processes and enable better transparency.

Resolved: that

- (a) The Annual Audit Letter be received;
- (b) The PSAA be contacted to review the increased fee and the amount be paid in accordance with their advice; and
- (c) The increased costs of the Audit fee arising from the Covid-19 pandemic be included in the submission for financial support that the Council submits to the Ministry for Housing, Communities and Local Government.

45. **INTERNAL AUDIT UPDATE QUARTER 3**

Clare Potts, Chief Internal Auditor, introduced the report on the Internal Audit for Quarter 3, October-December 2020. The table on page 26 of the report showed the Audits in progress at the end of December 2020, the Audit of Elections had now been

completed and the results would be reported to the next meeting as part of the Quarter 4 review.

The Internal Audit team were considering CIPFA guidance for local authorities on the annual opinion which discussed how to reflect the impact of the pandemic on workloads and availability of resources.

Appendix A listed overdue audit recommendations and showed that the position at the end of Quarter 3 was that 230 recommendations had been completed out of a total of 250. This represented 90% and was close to the target of 96%. There were no overdue recommendations classed as high priority but those overdue would continue to be progressed.

Resolved: that the Internal Audit update for Quarter 3 be received.

46. QUARTER 3 CORPORATE RISK MANAGEMENT REPORT 2020-21

Sarah Wilkes, Head of Finance, introduced the Quarter 3 Risk Management Report. She explained that since the report had been written the number of overdue risk reviews had reduced from 5 to 2, both relating to Building Control – risk of a successful claim being made against Building Control services and risk of surplus or deficit against the service’s budget. There had been no significant changes from the Quarter 2 report.

The Chair noted the Committee had previously discussed the need to give detailed consideration to a selected number of risk profiles to enable greater understanding. Members suggested these include Air Quality; Financial Risk and Workforce.

Resolved: that

- (a) The 2 overdue risk reviews be noted;
- (b) The position that there are no risk level increases be noted;
- (c) The 5 new identified risks be noted;
- (d) The update on current corporate risks as set out in Appendix A be noted; and
- (e) At the next meeting the Committee consider in detail the risk profiles relating to Air Quality, Financial Risk and Workforce.

47. COMMITTEE WORK PLAN

The Committee considered the Work Plan 2020/21. Members asked for an update on Standards training and the Head of Legal/Governance explained that the LGA had now published the Model Code of Conduct; the next stage would be for the Council to adopt it and once adopted, training would be arranged.

A member suggested an update be made to the next meeting on the impact of Covid to include a wide ranging scope such as operating costs, efficiencies and benefits arising from new ways of working, lessons learned and future implications.

Resolved: That:

- (a) the Work Plan be noted;
- (b) the next meeting include a detailed report on the impact of Covid-19 as outlined at the meeting; and

- (c) Standards training be arranged once the Council has adopted a new Code of Conduct.

48. URGENT BUSINESS

There was no Urgent Business.

Chair

Meeting concluded at 7.40 pm

Newcastle-under-Lyme Borough Council audit plan

Year ending 31 March 2021

Newcastle-under-Lyme Borough Council

April 2021



Contents



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

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Key matters

Factors

Council developments

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. Despite these pressures the Council managed to finish the 2019/20 financial year with a small overspend (£207k) against budget. For 2020/21, as at period 9, the Council is on track to meet its budget of £15.690m. There are a number of adverse variances, however these are forecast to be offset by the emergency Coronavirus funding received from the Government. The Council has developed a 5 Year Medium Term Financial Strategy for the General Fund, which was approved in February 2021. This shows that the Council will come under increasing financial pressure in the next few years with the MTFS showing a funding gap of £5.911m. Officers are currently working on addressing these funding pressures and have addressed the funding gap for 2021/22 and reduced the gap for future years to £1.68m.

We recognise that it is an uncertain environment for the Council, especially given that the 2021/22 financial settlement was only for one year. Given the uncertainty regarding both future funding and expenditure, the Council will need to maintain its focus on its financial sustainability.

Impact of Covid-19 pandemic

As a result of the Covid-19 pandemic the Council has had to put on hold some of the corporate projects which it had originally anticipated to take place in 2020/21.

The pandemic has also affected the Council's service provision. For example, leisure services facilities had to be closed due to lockdown restrictions. The Council has received additional grant funding as a result of the Covid-19 pandemic in order to cover the losses incurred by service closures. We note that the grants do not fully offset all of the losses incurred. Additional grants have also been provided to the Council so that it can support individuals and businesses.

We will consider the impact on Council services as part of our VfM audit work and the ability of the Council to re-establish service provision once the impact of the pandemic lessens.

Financial Statements

We have commenced our detailed planning for 2020/21 and have started meeting with officers. We have had initial discussions around key risk areas including valuation of property, plant and equipment, estimates, and value for money.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the Head of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic and we expect significant uncertainty will continue in 2020/21. We identified a significant risk in regards to the valuation of the Council's properties – refer to page 6.

Introduction and headlines

Page 10

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

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

Significant risks

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

- Management over-ride of controls
- Valuation of land and buildings (including Investment Properties)
- Valuation of the pension fund net liability

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

Materiality

We have determined planning materiality to be £1.15m (PY £1.185m) for the Council, which equates to 1.97% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.057m (PY £0.059m).

Value for Money arrangements

Over Value for Money risk assessment remains in progress. However, based on the assessment completed to date we have identified the following risks of significant weakness:

- Financial Sustainability

In addition to specific work on the above risk we will also be undertaken work looking at you arrangements in the following areas:

- Improving economy, efficiency and effectiveness
- Financial Sustainability
- Governance

Further details on this work can be found on page 14.

Audit logistics

Our interim visit took place in March and our final visit will take place in July and September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £66,352 (PY: £59,822) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraudulent revenue recognition (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little pressure to manipulate revenue recognition due to the Council's current financial position and its good track record of delivering to budget • the culture and ethical frameworks of local authorities, including Newcastle-under-Lyme Borough Council, mean that all forms of fraud are seen as unacceptable. 	We do not expect there to be any material other revenue streams, but we will continue to review revenue transactions as part of our audit ensuring that it remains appropriate to rebut the presumed risk of revenue recognition for the Authority.
Fraudulent expenditure recognition (rebutted)	<p>Practice Note 10 states that as most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the risk factors set out in Practice Note 10 and the nature of the expenditure at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little pressure to manipulate expenditure recognition due to the Council's current financial position and its good track record of delivering to budget • the culture and ethical frameworks of local authorities, including Newcastle-under-Lyme Borough Council, mean that all forms of fraud are seen as unacceptable. 	We will continue to review material expenditure transactions as part of our audit ensuring that it remains appropriate to rebut the risk of expenditure recognition for the Authority.

Significant risks identified

Page 12

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings (inc Investment Properties)	<p>The Authority revalues its land and buildings on a rolling five-yearly basis and investment properties on an annual basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • test revaluations made during the year to see if they had been input correctly into the Authority's asset register and accounted for correctly • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update 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; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test 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; • undertake 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 • obtain assurances from the auditor of Staffordshire Pension Fund as to 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.

Accounting estimates and related disclosures

Page 14

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

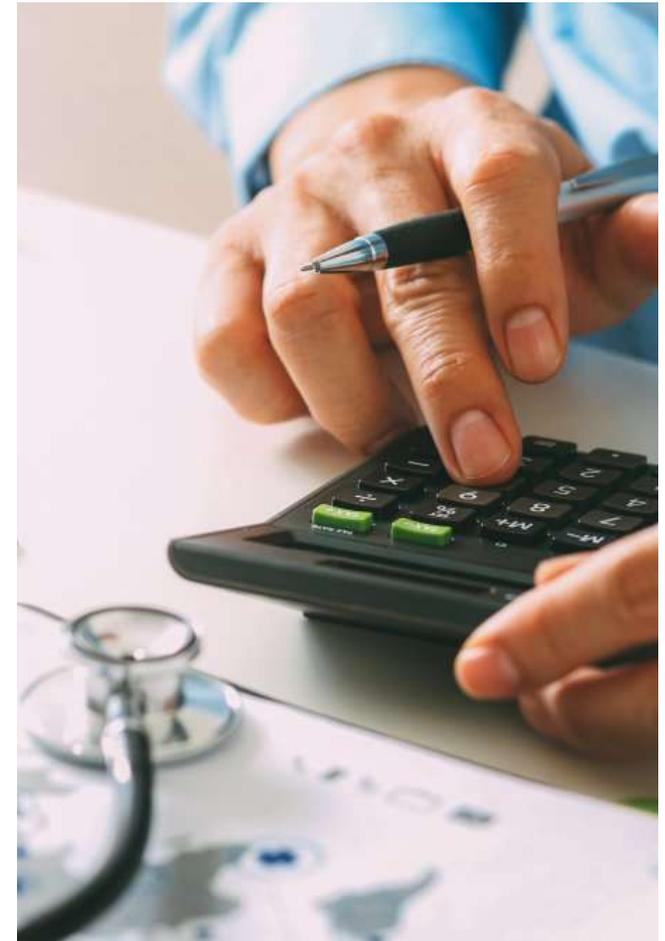
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals,
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have issued the Informing the Audit Risk Assessment document to management which will assist in our understanding of the processes and controls surrounding accounting estimates. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report.

Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the Council's financial statements, which resulted in two recommendations being reported in our 2019/20 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Investment Properties</p> <p>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.</p>	<p>All of the Investment Property assets are reviewed on an annual basis and procedures have been put in place to formally document these valuation for all assets including assets where there has not been a change in value as per the CIPFA Code of Practice.</p>
✓	<p>Vehicles, Plant, Furniture and Equipment (VPFE)</p> <p>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.</p>	<p>The Council have completed a review of useful economic life off all of its VPFE assets and these will be reflected in the 2020/21 financial statements.</p>

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.15m (PY £1.185m) for the Council, which equates to 1.97% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £15k for the disclosure of Senior officer remuneration.

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

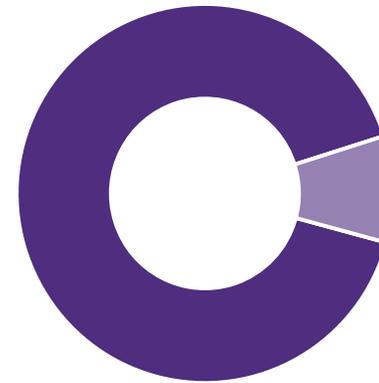
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.057m (PY £0.059m).

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

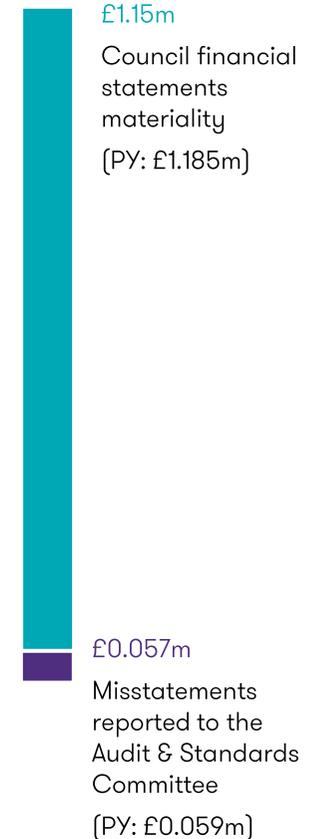
Prior year gross operating costs

£58.347m Council
(PY: £63.577M)



■ Prior year gross operating costs

Materiality



Value for Money arrangements

Page 20

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

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



Financial Sustainability and Delivery of Savings

For 2021/22 the Council is proposing a balanced budget with no use of General Fund reserves.

The Council's latest medium term financial plan has significantly reduced the funding gap over the medium term to £0.572m in 2022/23; £0.308m in 2023/24; £0.656m in 2024/25; and £0.147m in 2025/26.

The medium term financial planning process is challenging due to the uncertainty over future local government funding arrangements, especially given that the 2021/22 financial settlement was only for one year. The longer-term reforms for the local government finance system, including business rates retention and fairer funding have been delayed 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 2022/23.

Our value for money risk assessment remains in progress. However, given the in-year challenges and those anticipated looking forward we believe a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions remains. We will review the Council's Medium Term Financial Strategy and financial monitoring reports and assess the assumptions used and savings being achieved. This is consistent with our value for money assessment's at other local authorities'.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team

Page 22



Andrew Smith, Key Audit Partner

Andrew's role will be to:

- be the key contact for the Chief Executive, s151 Officer and the Audit and Standards Committee;
- ensure that Grant Thornton's full service offering is at your disposal; and
- take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Paul Harvey, Audit Manager

Paul's role will be to:

- manage the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.
- Review work performed by the audit team to ensure high audit quality

Matthew Berrisford, Audit Incharge

Matthew's role will be to:

- take responsibility as the day to day contact for the Council Finance Staff and running of the audit
- ensure effective communication and understanding by the Finance team of audit requirements

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

Audit fees

In 2018, PSAA awarded a contract of audit for Newcastle-under-Lyme Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £42,352. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 14, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £66,352. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Newcastle-under-Lyme Borough Council Audit	£62,352	£59,822	£66,352
Total audit fees (excluding VAT)	£62,352	£59,822	£66,352

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Page 24

Scale fee published by PSAA	£42,352
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£2,500
Enhanced audit procedures for Property, Plant and Equipment	£1,750
Enhanced audit procedures for Pensions	£1,750
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£9,000
Total audit fees (excluding VAT)	£66,352

Please note, the proposed fees for 2020/21 set out above do not include any additional fees to reflect potential additional work necessary in 2020/21 due to Covid-19. We continue to monitor developments in this area and will update you accordingly as clarity emerges on its impact in the current year.

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Other services

The following other services provided by Grant Thornton were identified

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit (Subsidy) Assurance Process	12,600	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,600 in comparison to the total fee for the audit of £66,352 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
19 April 2021

Report Title: Corporate Risk Policy and Strategy 2021/22

Submitted by: Executive Management Team

Portfolios: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

Purpose of the Report

To provide Members with the reviewed Risk Management Policy Statement signed by the Chief Executive and Leader of the Council, and the reviewed Risk Management Strategy, both of which support the management of the risks identified at the Council.

Recommendation

The Committee is asked to:-

1. **Note the current Risk Management Policy and Strategy for the 2021/22 year, subject to changes listed in the documents, and note that the Chief Executive and Leader of the Council have agreed and signed the Risk Management Policy Statement.**

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 annually reviews its Risk Management Policy Statement and Risk Management Strategy.
- 1.2 The last review of the Risk Management Policy and Strategy was in July 2020.

2. Issues

2.1 **Risk Management Policy and Strategy**

Note the current Risk Management Policy and Strategy for the 2021/22 year, subject to changes listed in the documents, and note that the Chief Executive and Leader of the Council have agreed and signed the Risk Management Policy Statement.

3. Proposal

- 3.1 The Council regularly reviews and refreshes its risk registers in accordance with the Risk Management Strategy.
- 3.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.
- 3.3 The 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 L I H O O D	High	7 Amber	8 Amber	9 High Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
IMPACT				

4. **Reasons for Proposed Solution**

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

5. **Options Considered**

5.1 Appendix A is the reviewed and updated policy, to be accepted and communicated to all officers and Members.

6. **Legal and Statutory Implications**

6.1 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”.*

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

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

9. **Major Risks**

9.1 Not approving the Policy and Strategy may expose the council to non-compliance with its Legal and Statutory obligations.

10. **UN Sustainable Development Goals and Climate Change Implications**

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



11. **Key Decision Information**

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

12. **Earlier Cabinet/Committee Resolutions**

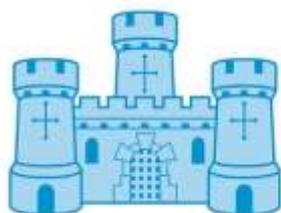
- 12.1 Previous Minutes from Committee meeting held on 27 July 2020 regarding the last Risk Management Policy Statement and Strategy review.

13. **List of Appendices**

- 13.1 Appendix A – Risk Management Policy Statement and Risk Management Strategy.

14. **Background Papers**

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

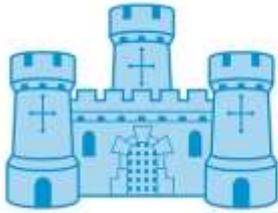


NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

RISK MANAGEMENT POLICY STATEMENT **2021/2022**

Date of Approval:	April 2021
Approved by:	Audit & Standards Committee
Next Review due:	April 2022
Version:	12.0
Changes:	See below
Previous version:	11.0 July 2020

Changes	26/03/2021	1. Date changes (2021/2022 to 2021/2022)
		2. Point 3 – updated Accounts and Audit statement



RISK MANAGEMENT POLICY STATEMENT 2021/2022

1. Purpose

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

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

2. Commitment to Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The council has a statutory responsibility to have in place arrangements for managing risks as stated in the Accounts and Audit (England) Regulations 2015:-

“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”.

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

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

Signed:

Date:

Leader of the Council

Signed:

Date:

Chief Executive



RISK MANAGEMENT STRATEGY 2021/22

1. Purpose

The purpose of this strategy is to: -

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

2. Objectives of the Risk Management Strategy

The objectives of the strategy are:-

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

3. Achievement of objectives

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

Responsibility for risk management runs throughout the council and involves elected Members, senior officers and all other employees (see Appendix A).

Clear identification of roles and responsibilities will ensure that risk management is embedded in all policy making, decision making, policy approval (strategic) processes and service delivery (operational) processes, as well as providing sufficient resources to both implement this strategy and thus ensuring systems are sustainable.

The roles and responsibilities are outlined at appendix A.

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

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

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

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

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

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

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

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

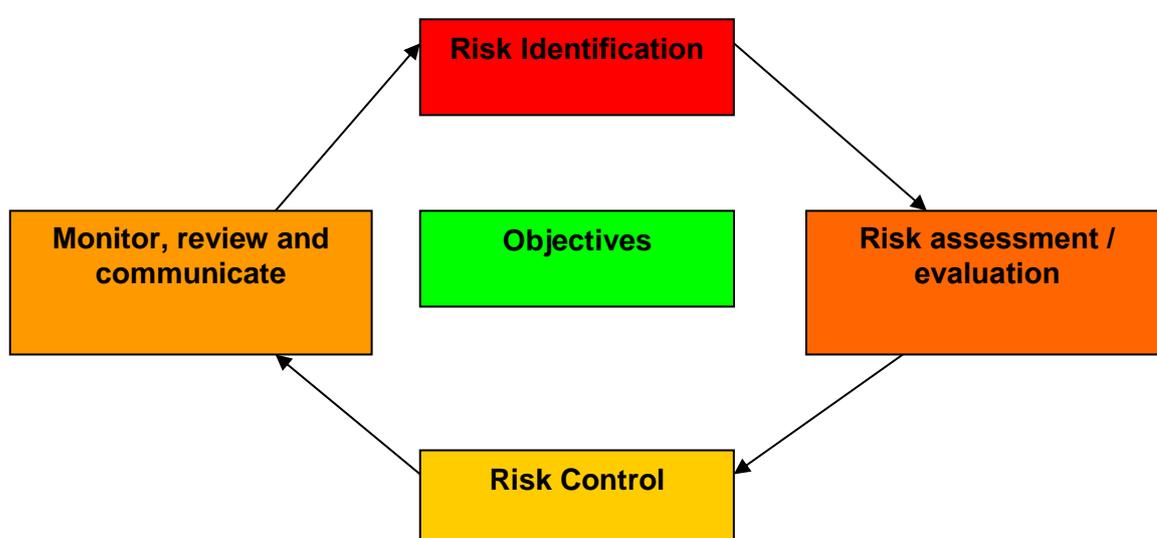
The strategic risk champion and other nominated risk champions have responsibilities including the support, challenge and recording of risks within their directorates or service areas. They will assist in the compiling of risk

registers, whilst ensuring that the risk management strategy is adhered to as far possible. Officers who are involved in specific projects or operational activities will be responsible for identifying, assessing, developing, reviewing and reporting of risks. This will enable constructive discussions of the identification of risks, further actions and controls for the profiles to be undertaken on an ongoing basis.

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

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

Summary Guide



3.2.1 Objectives

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

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

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

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

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

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

3.2.2 Risk identification

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

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

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

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

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

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

- Those that could significantly impact on the achievement of the project;
- Those that are recorded in the Project Risk Register (whether on the corporate GRACE system or the Project Plan risk register);
- Those that can be used to inform both strategic and operational risk identification

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

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

3.2.3 Risk assessment/Evaluation

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

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

How likely is it to happen?

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

The bold line on the matrix is the **limit of the council's risk tolerance**, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii), however this may not always be possible due to external factors.

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

3.2.4 Risk Control

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

Who owns the risk? What is in place to reduce the impact and/or likelihood of the risk? What else do you need to do or could do to control the risk? (see Appendix B(iii))	Priority	Review Period (months)	Action			
			Tolerate	Treat	Transfer	Terminate
	High	1		√	√	√
	Medium	3 (1/4ly)	√	√	√	√
	Low	6 (half yearly)	√	√	√	√

3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

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

Key to what prompts what kind of action: -

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

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

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

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

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

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

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

To achieve this: -

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

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

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

3.5 *To manage risk in accordance with best practice*

3.5.1 The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit (England) Regulations 2015:

"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".

Risk management is recognised as an important element of good governance. The CIPFA/SOLACE governance framework “Delivering Good Governance in Local Government” seeks to ensure that risk management is embedded into the culture of the authority with members and officers recognising that risk management is part of their jobs.

- 3.5.2** Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.
- 3.5.3** Performance monitoring ensures the treatment of risk remains effective and the benefit of implementing risk control measures outweighs the costs of doing so. It is a continual review not only of the whole process but also of individual risks or projects and of the benefits gained from implementing risk control measures.
- 3.5.4** Data quality needs to ensure that the data used for performance monitoring and to inform decision making is accurate, reliable, timely and fit for purpose. If data is misleading, it could lead to flawed decision making, wasted resources, services that may not improve and the development of ill-founded policy.
- 3.5.5** The business continuity process is a form of risk management applied to the whole council and its ability to continue with its service provision in the event something occurring which potentially affects that ability. The council must ensure risk management processes are applied throughout the business continuity lifecycle.
- 3.5.6** The achievement of effective Health and Safety policies, processes and procedures has been committed to by the council with the development of policy and guidance specifically addressing the management of health and safety risks.
- 3.5.7** The council's risk appetite allows them to take risks to achieve the Corporate Priorities listed previously. It weights up the risk against opportunity benefit when undertaking an action or whether to deliver a specific project. It does not however have an appetite for extreme risk taking that could result in injury or loss of life to public, stakeholders, Member and officers.
- 3.5.8** Risk tolerance at the council is also important – it weighs up the risk and opportunity of what it is aiming to achieve, and will then decide whether to continue to operate as normal (tolerate) with extra mitigations in place (treat), to ask someone else to deliver (transfer) or to stop (terminate) the risk.

4. Conclusion

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

Date of Approval:	April 2021
Approved by:	Audit & Standards Committee
Next review due:	April 2022
Version:	12.1
Changes:	See below
Previous version:	11.1

Changes	26/03/2021	
		1. Date changes made
		2. Pg 5 Point 3.2.3 wording amended
		3. Pg 6 Point 3.2.4 wording amended
		4. Pg 7 Point 3.5.1 wording amended

APPENDIX A

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

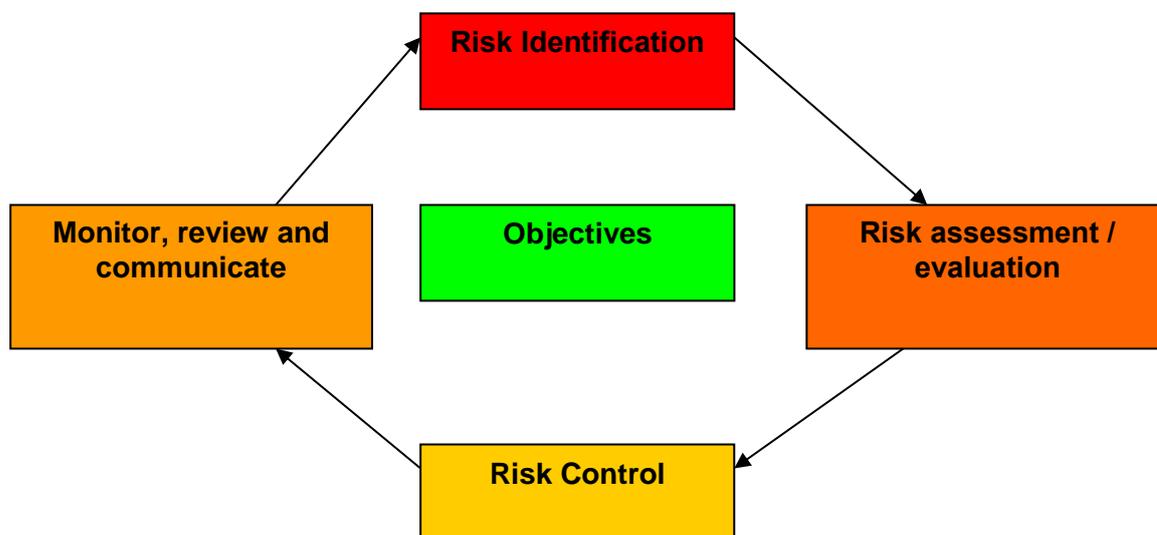
	<p>managed in accordance with the Risk Management Strategy</p>
<p>Executive Directors (EMT)</p>	<ul style="list-style-type: none"> • Ensure that the risk management process is promoted, developed, managed and implemented effectively in their service areas. • Make decisions with their heads of service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

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

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

APPENDIX B

Risk Management Process



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

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

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

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

Check List for Risk Identification – Categories (not exhaustive)

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

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

IMPACT MEASURES AND CLASSIFICATION

APPENDIX B(ii)

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

Likelihood Measures

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

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

ACTION CATEGORIES

APPENDIX B(iii)

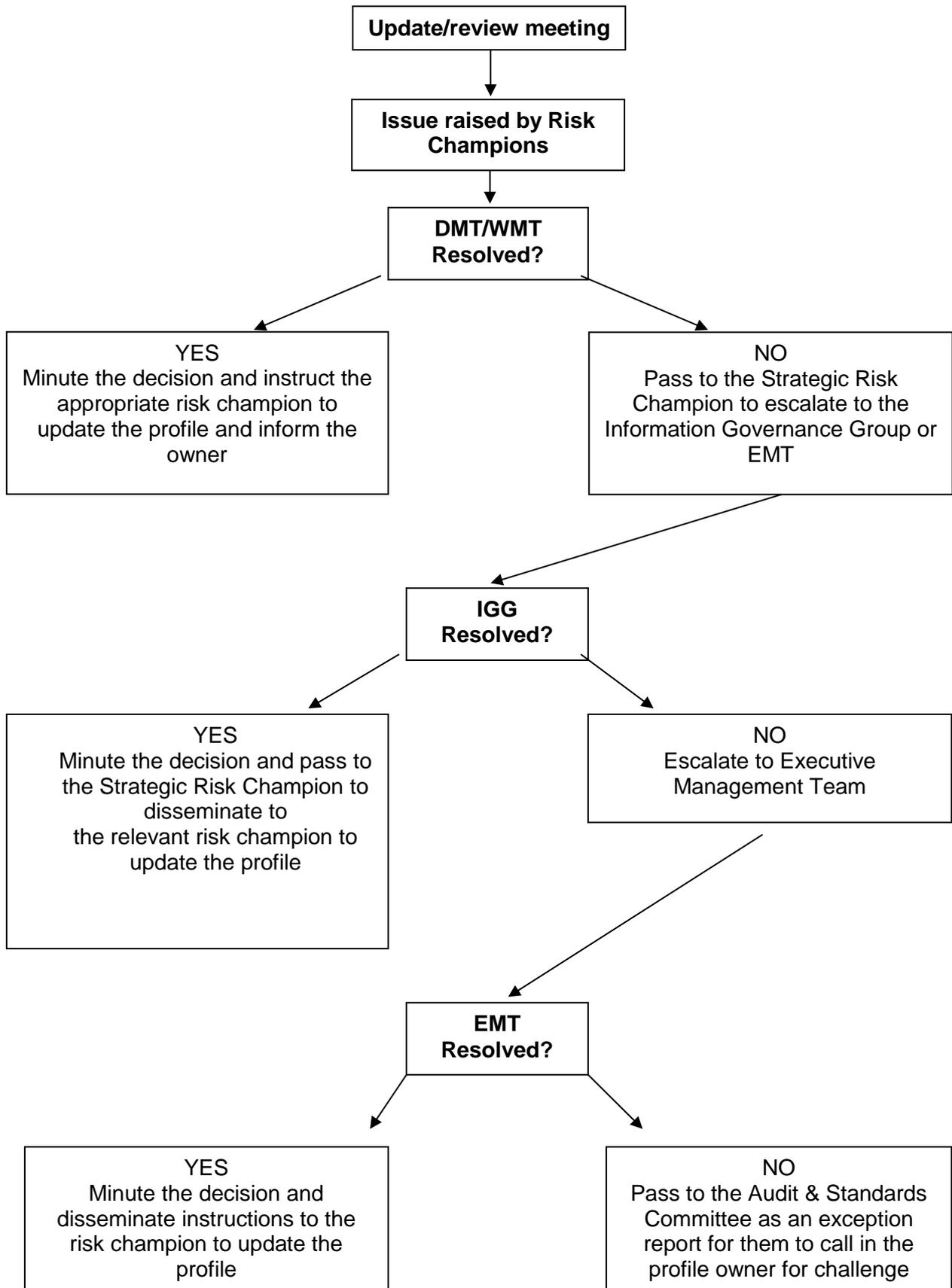
Action	Description
Tolerate	This action is appropriate when you judge that the control measures in place are sufficient to keep the risk at a tolerable level and there is no added value to doing more.
Treat	Some risks will need additional treatment to reduce their likelihood and/or impact to an acceptable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

RISK MANAGEMENT REVIEWING & REPORTING, COMMUNICATING FRAMEWORK

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9 Orange 62	Treat Terminate Transfer Tolerate	<p>This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution is found.</p>	<p>The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team (DMT) or Information Governance Group (IGG) (if called), where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team (EMT).</p> <p>Progress to manage this risk must be reviewed by the relevant DMT (or WMT where appropriate) and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.</p>
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	<p>Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Information Governance Group (if called).</p> <p>If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Amber 7 Amber 3	Transfer Treat Tolerate	<p>In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Information Governance Group (if called).</p> <p>If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Green 4 2 1	Transfer Treat Tolerate	<p>Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact.</p>	<p>The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service.</p>

	<p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.</p>	<p>If wider support is required to control this risk, it must be escalated to the Departmental Management Team. Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.</p>
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ESCALATION PROCESS



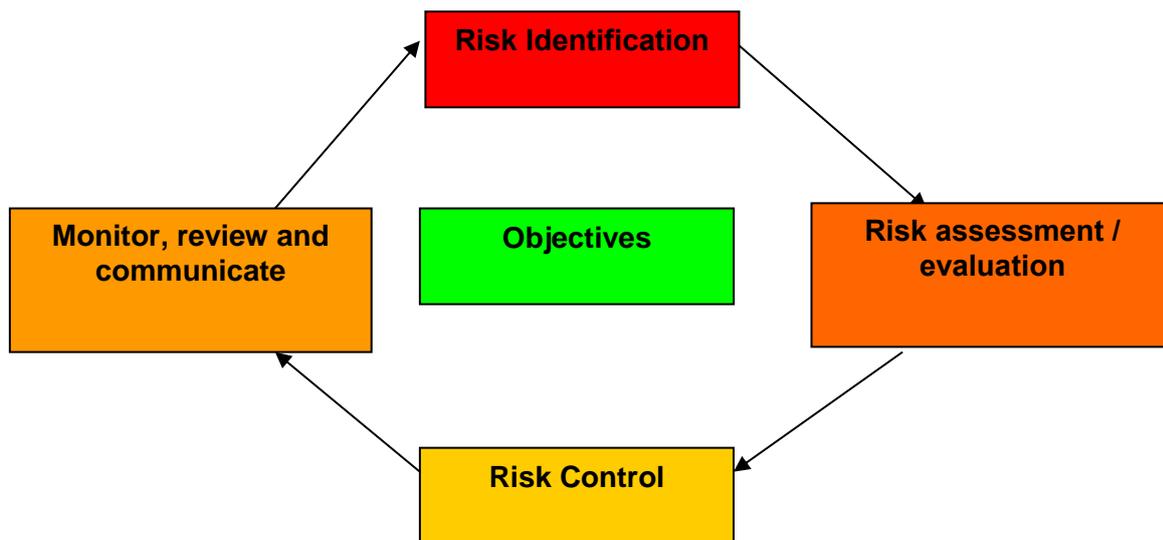


A QUICK GUIDE TO THE COUNCIL'S
RISK MANAGEMENT PROCESS

Classification: NULBC **UNCLASSIFIED**

Review date:	April 2021
Version:	12.1
Reviewed by:	Audit & Standards Committee
Next review date:	April 2022
Changes:	None

	<u>Page No.</u>
Risk Management Process	3
Impact & Likelihood Measures	6
Reviewing, Reporting & Communicating Framework	7
Escalation Process	8



Objectives

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

Risk identification

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

Risk assessment/Evaluation

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

LIKELIHOOD How likely is it to happen? Based on the answers above, plot the rating on the table opposite The bold line on the matrix is the limit of the council's risk appetite , i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii), however this may not always be possible due to external factors.	HIGH	Amber 7	Amber 8	RED 9
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
			Low	Medium
		IMPACT		

Risk Control

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

Who owns the risk? What is in place to reduce the impact and/or likelihood of the risk? What else do you need to do or could do to control the risk? (see Appendix B(iii))	Priority	Review Period (months)	Action			
			Tolerate	Treat	Transfer	Terminate
	High	1		√	√	√
	Medium	3 (1/4ly)	√	√	√	√
	Low	6 (half yearly)	√	√	√	√

Monitor, Review and Communicate

Key questions to consider as part of this process: -

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

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

Key to what prompts what kind of action: -

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

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

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

ALWAYS TAKE THE WORST CASE SCENARIO AS YOUR IMPACT LEVEL

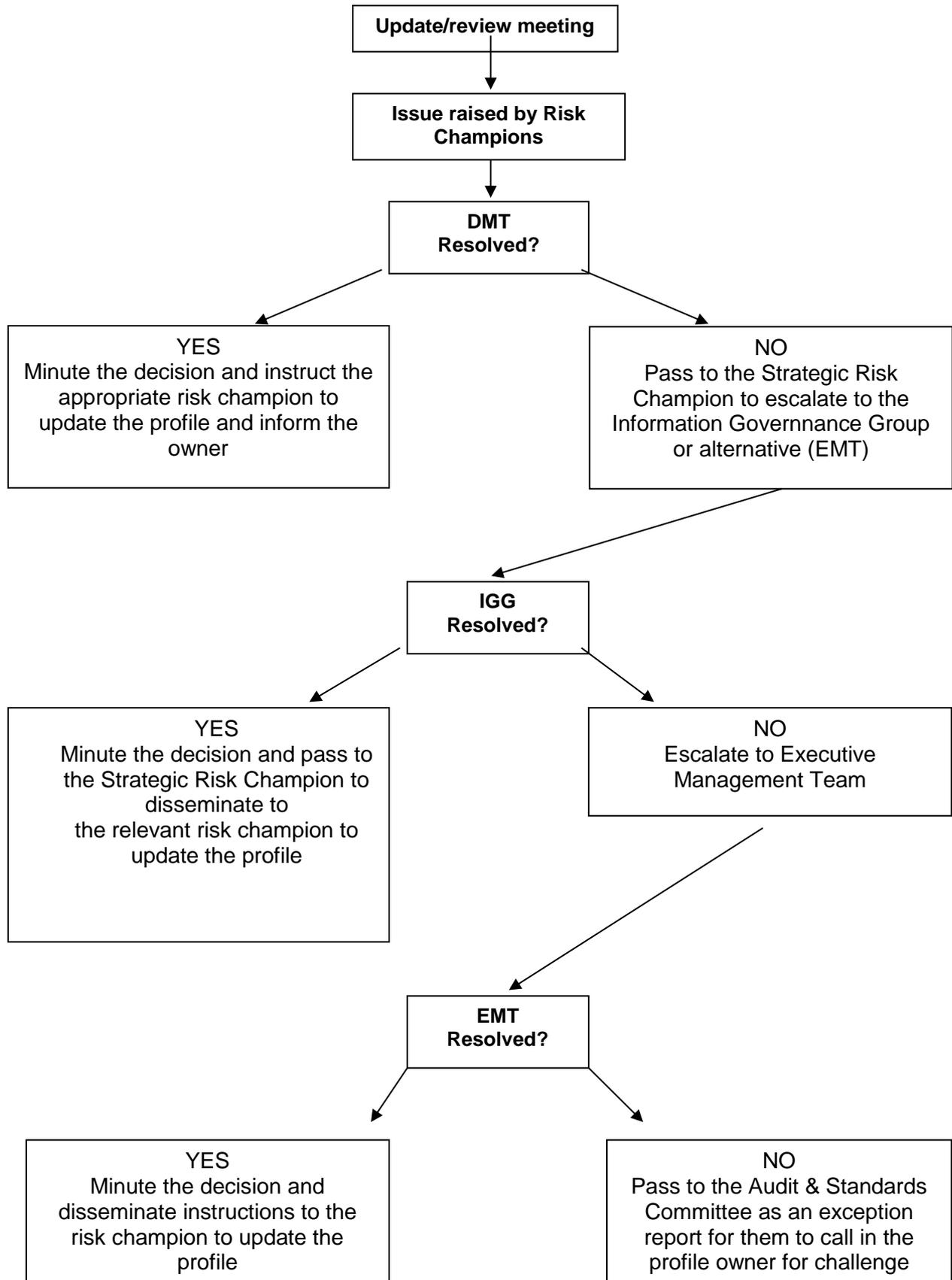
Likelihood Measures

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

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

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

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
PS 90 72	Treat Terminate Transfer Tolerate	This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed. Escalation of issues to go to DMT (via risk champion) IGG (via strategic risk champion) EMT and Audit & Standards Committee if no resolution found.	The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team or Information Governance Group (if called), where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team. Progress to manage this risk must be reviewed by the DMT and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact. Escalation of issues to go to DMT (via risk champion) IGG (via strategic risk champion) EMT and Audit & Standards Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Information Governance Group (if called). If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Amber 7 Amber 3	Transfer Treat Tolerate	In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact. Escalation of issues to go to DMT (via risk champion), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.	The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Information Governance Group (if called). If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.
Green 4 2 1	Transfer Treat Tolerate	Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact. Escalation of issues to go to DMT (via risk champion), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.	The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service. If wider support is required to control this risk, it must be escalated to the Departmental Management Team. Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.



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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
19 April 2021

Report Title: Corporate Risk Management Report - Follow Up

Submitted by: Executive Management Team

Portfolios: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

Purpose of the Report

To provide Members with detail on three risk areas selected for review at the last Audit and Standards Committee Meeting held on 8 February 2021.

Recommendation

The Committee is asked to:-

1. To note detail on the following risk profiles; Air Quality, Financial Risk and Workforce.

Reasons

To provide Members with detail on a selected number of risk profiles to enable greater understanding.

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 At the last Audit and Standards Committee meeting held on 8 February 2021, Members requested further details around the formulation and rating of the corporate risks to enable greater understanding.
- 1.2 Members selected the following three risks to be reviewed; Air Quality, Financial Risk and Workforce.

2. Issues

2.1 **Question from the last meeting**

- 2.1.1 To be advised by way of a question raised at the last meeting, of how risks are identified, recorded, reviewed and escalated within the Council (the risk management process).

3. Proposal

- 3.1 At the last meeting the Chair noted the Committee had previously discussed the need to give detailed consideration to a selected number of risks to enable greater understanding. Members suggested these include Air Quality; Financial Risk and Workforce – these risks appear in the Corporate Risk Register.

In regards to the request a summary of the risk management process is as follows:

- Risk identification – what could go wrong; what are the important risks to the Council; key elements/consequences to the risk occurring.
 - Evaluation/assessment – rate the impact and likelihood it could have on the Council, Directorate, Service or project (see point 3.3).
 - Control – what do we do to control the impact and or likelihood; what can we do to control the impact and or likelihood.
 - Monitor, review and communicate – Monitor - are the controls effective; has the risk changed; does it need escalating; or are new risks evolving because of the identified risk or other factors. Review – depending on the final rating or the profile it sits in, how often does it needs to be reviewed.
- 3.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.
- 3.3 The 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
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Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

Likelihood Measures

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

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

3.4 Risks can be managed at various levels – operational, directorate and corporate.

3.4.1 Air Quality Risk

The Air Quality risk that is in the Corporate risk register appears at operational level in Environmental Protection, where it is managed by way of controls, ratings and further actions at officer level. This has then been escalated to EMT to manage in the Corporate risk profile as it is an overall risk that affects the whole council, due to Government Direction – however, the day to day management of the risk is left with Environmental Protection to handle, with specific actions reported to EMT.

As advised above, Air Quality risks can be found in the operational risk profile of Environmental Protection, and Appendix A shows how they appear, and you can see that there are 3 identified air quality risks.

Each risk was discussed by officers in Environmental Protection and the Head of Service.

Taking the first identified risk in to consideration, Air Quality – JAQU – Bus Retrofit, and the points in 3.1 above, officers then started the risk management process.

The risk was discussed, the consequences and implications on the Service, Directorate and Council identified.

The risk was then evaluated or assessed using the table at point 3.3, **WITHOUT** any identified controls in place. The result is a Medium Amber 3 rating – this was achieved by first looking at the impact table above.

Based on the implications and consequences identified, and the descriptions in the table, the worst case impact identified for this risk was in the high column – it ticked all of those boxes.

The next step is to think about the likelihood of the risk occurring – in this risk, even with no controls/mitigating actions in place, officers agreed that it would result in a low likelihood – a possible chance of it occurring (1-49%) or an incident has occurred in the past 6+ years.

The next step was identifying a risk owner.

Then the control measures (key controls identified) were collated – those that could possibly help control the impact and likelihood of the risk occurring. *Remember that even though these are in place, the risk could still happen – as it may be outside of the council's control.

The risk was then re-rated **WITH** controls in place, in the same way as above. In this case, the rating remains the same – the impact, regardless of what the council do could still occur and the likelihood is low, to give a final risk rating of Medium Amber 3.

Further actions were then identified, along with action owner/s – then once delivered, would become part of the normal working practice, or extra control measures for the risk, and target dates for when they should be completed.

The same process was undertaken for the other two risks listed in Appendix A, and are managed at this service level with regular reviews.

The escalation to EMT was from the Head of Service involvement and Executive Director as Air Quality is a major concern for the Borough – as the council are not the Highways Agency and may not have any say over traffic regulations through the towns etc. but are responsible for enforcing air quality management.

This has then become a Corporate risk which is reported to this Committee as part of the Corporate risk register. EMT follow the same principles as above in identifying each step and where they can deal with further actions at a higher level.

3.4.2 Financial Risk

The Financial Risk in the Corporate risk register – various departments have their own operational risk registers where financial risks are identified and dealt with at that level, however overall finance is a corporate risk for the whole Council and has its own set of controls and further actions to deal with its management.

Appendix B shows some of the organisational structure of how GRACE is set up with different risk profiles.

Within each profile they identify their own risks. For financial risk each service has its own views on risks, consequences, impact and likelihood etc. for their area, or even if they think they have a financial risk of some type, BUT all follow the same principles for recording and assessing as described above.

If we take a look at the profile of Finance (shown on Appendix B by the yellow arrow), you can see below the finance risks that this profile has identified as a concern to the operation of their service.

Finance [Risk Champion: Ashmore, Hayley]	
<input type="button" value="+ Add New Risk"/> <input type="button" value="Delete"/>	
Risk: Brexit - Financial Sector Disruption	
<input type="button" value="+ Expand All"/> <input type="button" value="X Collapse All"/>	
Risk Details	
Risk Owners	
Existing Control Measures	
Final Risk Rating	
Target Risk Level	
Action Plans	
Incidents	
Risk Review	
Closure	
<input type="button" value="Risk"/>	
<input type="button" value="Brexit - Financial Sector Disruption"/>	
<input type="button" value="Budget altered/manipulated"/>	
<input type="button" value="Failing to close the end of year accounts"/>	
<input type="button" value="Final accounts not presented in correct format"/>	
<input type="button" value="FMS not set up correctly and not reliable: figures/totals incorrect"/>	
<input type="button" value="Inadequate knowledge transfer (other than closure of year accounts - covered separately)"/>	
<input type="button" value="Investment counterparty fails to meet its financial commitments"/>	
<input type="button" value="Loss of investment funds"/>	
<input type="button" value="Non Compliance with Legal Requirements/Regulations"/>	
<input type="button" value="Over reliance on Civica accounting system with knowledge transfer matters"/>	
<input type="button" value="Unauthorised income/expenditure"/>	
<input type="button" value="Over/under spending"/>	
<input type="button" value="Working Papers Lost or Not Compiled"/>	

The coloured backgrounds of each risk relate to the final risk rating achieved, and then tie in to the review timelines of each risk.

In the operational area of Commercial Development, they have identified a financial risk of not achieving income targets – see below.

Commercial Development	
<div style="display: flex; justify-content: space-between;"> + Add New Risk 🗑 Delete </div>	Risk: Failure
Risk	+ Expand
<ul style="list-style-type: none"> Failure of technical infrastructure regarding phones, computers etc Failure to manage staffing resources effectively and efficiently Failure to meet income targets Non compliance with the Bribery Act and relevant Council Policy Arson/fire of the Sky Building adversely affecting the Jubilee 2 building 	<ul style="list-style-type: none"> Risk Details Risk Owners Existing Con Final Risk Ra Target Risk I Action Plans

Appendix C is this risk's breakdown of their controls and any further actions that they can do to control this risk at operational level – following the same principles.

As you can imagine there are a lot of financial risks identified for each service, so these have again been collated to a corporate finance risk, which is owned by EMT to control and mitigate further where possible, again dealing with the further actions where they have the most control – lobbying Government for funding; applying for major funding commissioning for projects etc.

3.4.3 Workforce

With Workforce, each service and directorate again, may have identified various risks relating to their workforce and manage them accordingly. The corporate risk relates to the issue for the whole of the council and how it is being controlled. These further actions will be different from those sitting in a service area for example, where they need specific actions completing to recruit specialist staff for their area. It might however need escalating to the Departmental Management Team or Executive Management Team if they can't fill the post, and a decision needs to be made to authorise any changes in grade, whether the post can be filled or if the service could be outsourced etc.

Using Environmental Services as an example, below is a screenshot of some of their risks where workforce risks have been identified.

Failure to maintain performance management information system	
Failure to provide Env Health admin support	←
Failing to provide competent officers - Env Health	←
Inability to provide the service within agreed budget	
Failure to recruit, develop and retain high quality and qualified staff	←
Loss of operational base	
Non compliance with the Bribery Act and relevant Council Policy	
Not achieving statutory duties / obligations	
Over reliance on key officers	←

Again throughout the council similar risks have been identified, and each follows the same principles to rate and control the risks.

If there is a major problem with any of these the escalation process is followed to report to EMT or other arenas.

As workforce is again a corporate risk all of these risks as shown above, have been collated to a corporate risk for EMT to manage accordingly. The corporate risk further actions will address the higher level and disseminate down to assist departments where possible to protect and support the current employees and to strengthen any recruitment. There still may be however, issues in specialist areas for certain posts, which is completely out of the Council's control.

4. **Reasons for Proposed Solution**

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

5. **Options Considered**

5.1 To accept explained as at point 3.4.

6. **Legal and Statutory Implications**

6.1 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”.*

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

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

9. **Major Risks**

9.1 Insufficient risk profiles may expose the council to non-compliance with its Legal and Statutory obligations.

10. **UN Sustainable Development Goals and Climate Change Implications**

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



11. **Key Decision Information**

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

12. **Earlier Cabinet/Committee Resolutions**

12.1 Previous Minutes from Committee meeting held on 08 February 2021.

13. **List of Appendices**

- 13.1 Appendix A – Air Quality risks identified in Environmental Protection
- 13.2 Appendix B – GRACE risk profile organisational structure
- 13.3 Appendix C – example of Commercial Development financial risk

14. **Background Papers**

14.1 None

Environmental Protection Service

Risk Air Quality - JAQU - Bus Retrofit

Likelihood	H			
	M			
	L			R/G
		L	M	H
	Impact			

Impact Measures

Risk Description

March 2020 - Covid-19 may affect ability to meet direction - project being kept under review.
 Ministerial Direction served on NULBC ON 5th October 2018 requiring buses running on specified census ID's equating to (A53 between Sandy Lane and Etruria/A500 roundabout) to be either retrofitted to bring upto Euro 6 or Euro 6 buses to be used no later than 1st Jan 2021 or in the shortest possible time. Reliant on First Bus and First Group fully engaging and supporting project.

Potential Consequences

Failure to deliver within prescribed timescale.
 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.
 Failure to deliver existing workload commitments and statutory duties.
 Viability of bus service may be affected by forced retrofit.

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.
 Failure to deliver existing workload commitments and statutory duties.

Risk Owners

Nesta Barker

Risk Rating

Medium Amber 3

Last Review

08/02/2021

Final Risk Rating

Medium Amber 3

Next Review

09/05/2021

Target Risk Level

Treatment

Tolerate

Path

Environmental Protection Service/Environmental Services/Operational Services/Newcastle Under Lyme

Key Controls Identified

- Comprehensive guidance and support from JAQU.
- Legal advice sought on State Aid rules.
- Project updates to JAQU.
- Procurement advice sought.
- Cabinet approval given 18/03/20 - item 7
- Project Plan.
- EMT/IC/portfolio holders kept up to date on progress.
- Signed legal agreement with First to deliver project by end November 2020

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Monthly project delivery review. Contact First for details of progress and obstacles and raise issues with JAQU if there is a risk of failure to meet direction	Planned	Nesta Barker Darren Walters	30/04/2021	05/08 - contacted and progress report received on track 03/09 - contacted and progress report requested 07/09 - contacted and confirmed on track to compete by 20th November 2020 November 2020 - requested update to confirm on track by end of month. December 2020 - works completed. Still need to complete bus wrapping and quarterly returns to JAQU.

Risk Air Quality - North Staffs Local Air Quality Plan (NSLAQP)

Likelihood	H			G
	M			R
	L			
		L	M	H
	Impact			

Impact Measures

Risk Description

Failure to deliver compliance with statutory limits on roadside NO2 concentrations across the borough in the shortest possible time, which could lead to failure to comply with requirements of Ministerial direction served on NULBC and SOTCC on 5th October 2018.

Potential Consequences

Failure to deliver within the prescribed timescale may result in legal challenge by third parties such as environmental campaign groups, on the basis that illegal levels of air pollution have been allowed to persist for too long. This could lead to financial penalties imposed on the Council by Government, under the powers afforded by the Localism Act 2011.

Implication

Any challenge to Government by either mandated authority, regarding the need to achieve compliance with nitrogen dioxide concentration targets in the shortest possible time, could adversely impact on the other authority's compliance with the requirements of the Direction. With no AQ improvements this will lead to 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

Risk Owners

Nesta Barker

Risk Rating

High Red 9

Last Review

08/02/2021

Final Risk Rating

Medium Amber 6

Next Review

09/05/2021

Target Risk Level

Treatment

Treat

Path

Environmental Protection Service/Environmental Services/Operational Services/Newcastle Under Lyme

Key Controls Identified

Comprehensive guidance and monitoring from JAQU.

Joint working with SOTCC and SCC.

Project plan created.

Comms strategy.

EMT/IC/portfolio holders kept up to date on progress.

External Professional support obtained from Transport and AQ consultants.

Head of Service on project team.

Joint governance arrangements with SOTCC/NULBC/SCC in place with JOG and JAG meetings.

Legal advice sought.

Procurement advice sought.

Senior Responsible Officer and Project Manager have meetings with JAQU.

Total grant award near £2m, in total, to date.

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Failure to meet legal direction requirement to deliver FBC by 31st July 2021	Consultants are revising the project plan for the borough's component of the Preferred option, to determine a plan that still delivers compliance in the shortest possible time. This will be discussed and agreed with JAQU to ensure that the risk associated with failing to meet the legal direction requirement is addressed.	Planned	Nesta Barker	31/07/2021	Interim unapproved OBC reached in May 2020. New project plan indicated FBC submission in July 2021, JAQU confirm delay of four months due to COVID-19 and new FBC date of 31st July 2021. NULBC and SCC approved OBC in Dec 2020 - SOTCC approved with conditions to identify a variant preferred option for one of the City Exceedances. By end March 2021, the City have not yet agreed a solution with JAQU or members, due to this delay the July 2021 deadline is unachievable.
Funding to be provided to NULBC and SOTCC by JAQU	Full funding received from JAQU to cover all costs associated with OBC submission and subsequent Covid sensitivity analyses. Further funding for the FBC will be sought either by the City Council in their SRO role, or by the project manager on behalf of the Council (and Staffordshire County council) if the borough's component of the preferred option is progressed independently of the city components.	Planned	Nesta Barker	30/04/2021	Regular monthly financial submissions made to JAQU. Requests for financial assistance for officer time funding received to January 2021. Further grant application to be made by Stoke-on-Trent which will include NUL costs.
To formalise procurement / legal / financial and delivery arrangements for measures identified as securing compliance	A legal agreement will be drawn up at the start of FBC stage, that sets out delivery arrangements (between NULBC, SOTCC and SCC) for the relevant components of the preferred option, based on ministerial feedback to the City Council's objection to the city component of the preferred option. OBC project risks, procurement and legal completed.	Planned	Nesta Barker	30/04/2021	OBC submitted to JAQU. SRO role transferred to Stoke-on-Trent City Council with the responsibility for these arrangements for FBC.

Risk Local Air Quality Management

Likelihood	H			
	M			
	L			R/G
		L	M	H
	Impact			

Impact Measures

Risk Description Failure to deliver Local Air Quality Management function in line with statutory requirements - annual reporting

Potential Consequences Reputational damage to the council. Increased cost to the council. Removal of function from the council, Judicial review of decisions made/procedures. Potential for fines, imposed on UK Government for non compliance with EU objectives, passed onto local authority by UK government.

Implication

Risk Owners Darren Walters

Risk Rating Medium Amber 3

Last Review 27/11/2020

Final Risk Rating Medium Amber 3

Next Review 25/02/2021

Target Risk Level

Treatment Tolerate

Path

Environmental Protection Service/Environmental Services/Operational Services/Newcastle Under Lyme

Key Controls Identified

- Competent staff.
- Statutory guidance followed.
- Annual reporting.
- Air Quality Management areas declared.
- N02 diffusion tube monitoring.
- Air quality station data management.
- Project Plan for work to be undertaken in place.



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Commercial Development

Risk Failure to meet income targets

Likelihood	H	R/G	
	M	T	
	L		
		L	M
	Impact		

Impact Measures

Risk Description Failing to achieve income targets throughout the service and commercial development

Potential Consequences Financial implications, including budgetary pressures.

Implication

Risk Owners Andy Arnott; Simon McEneny

Risk Rating Medium Amber 8

Last Review 15/01/2021

Final Risk Rating Medium Amber 8

Next Review 15/04/2021

Target Risk Level Medium Amber 5

Treatment Tolerate

Path Commercial Development/Commercial Development and Economic Growth/Newcastle Under Lyme

Key Controls Identified

- Specific & general marketing of activities ongoing.
- Advertising, specific & general marketing of activities ongoing.
- Budget monitoring.
- Continuous monitoring of funding.
- Continuously ensure budgets reflect service requirements at estimate time.
- Cultural & Arts Strategy, in place.
- Education programmes increases income to the council.
- External funding grants.
- Development of income generation.

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
19 April 2021

Report Title: Counter Fraud Arrangements

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

The council is committed to providing an effective Counter Fraud function which is supported by an effective policy framework. Theft, fraud, corruption and bribery are all criminal offences; the council is committed to the highest standards of integrity and will not tolerate them in any form. By having an anti-fraud and anti-corruption framework in place this demonstrates our zero tolerance to any form of fraudulent activity, it is important that the existing framework is reviewed and updated to take into account new legislation, procedures and best practice.

Recommendation

That the following policies which support the Counter Fraud function be noted;

- 1. Anti-Fraud and Anti-Corruption Framework,**
- 2. Fraud Response Plan**
- 3. Whistleblowing Policy**
- 4. Anti-Money Laundering Policy**

Reasons

These policies are regularly reviewed to ensure that they remain relevant for the authority. There have been minor changes to reflect changes to job titles and the appointment of the Monitoring Officer.

1. Background

1.1 Fraud and corruption present risks to all sectors of the UK Economy whether they are the public, private or third sectors. The impact of both fraud and corruption on organisations can have a significant effect through the disruption of services or undermining the achievement of the organisations objectives. Official estimates show the value lost to fraud to be significant. To assist organisations in identifying the risks of Fraud, CIPFA has produced a Code of Practice on Managing the Risk of Fraud and Corruption ("the Code") which has five principles;

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy, and
- Take action in response to fraud and corruption

- 1.2 The policies that this Council has in place demonstrate our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. We encourage people with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The Whistle-blowing Policy is intended to encourage and enable people with concerns about a potential fraud or corruption, in any aspect of the Council's work, to raise these with the Council rather than overlooking a problem or raising them with external bodies first.
- 1.3 The Anti-Fraud and Anti-Corruption Framework, the Whistleblowing Policy, Fraud Response Plan, and the Anti-Money Laundering Policy are approved annually as part of the Council's Constitution.
- 1.4 The prevention of fraud and protection of the public purse is everyone's business and it is important that all staff know how to recognise a fraud, how to prevent it and more importantly what to do if they suspect they have come across a fraud.
- 1.5 The Anti-Fraud and Anti-Corruption Framework, Fraud Response Plan, Whistleblowing Policy and Anti-Money Laundering Policy are a range of policies in place that are designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage and then deal with any subsequent investigations in a prompt, thorough and professional manner.

2. **Issues**

- 2.1 The Council is committed to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. These documents demonstrate that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation. These policies are reviewed every two years with the proviso that should there be the introduction of any new legislation or best practice guidance that they are then reviewed sooner to take account of this. There have been changes to the policies that were brought before the committee last year, these include an update to reflect changes in job titles and money laundering regulation changes.
- 2.2 In order to demonstrate this commitment the Council has an annual subscription with Protect (formally known as Public Concern at Work) an independent legal charity with over 20 years' experience of running a confidential helpline for employees and members. Protect has given practical, confidential advice nationally to around 40,000 people. Their approach is that any concerns that an employee or member has can be raised openly and that the organisation then has an opportunity to investigate and address the concern.
- 2.3 The Council continues to work with Stoke-on-Trent City Council under the three year partnership agreement for Counter Fraud Services. The Counter Fraud Service covers all types of non-benefit and corporate fraud. The service offers a full detection and investigation service as well as work to prevent fraud and share the learning coming out of its activities both within the partnership and more broadly. The Fraud Hub will see the introduction of a case management and referral system that will enable detailed reporting which will also include the facility to provide statistical analysis and details of costs recovered etc.

3. **Proposal**

- 3.1 To review and adopt these documents ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of public money.

3.2 Not to adopt these policies would leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Reasons for Proposed Solution**

4.1 By reviewing and adopting the Counter Fraud Policies, the Committee is supporting the Council in acting with integrity and responsibility in the management and spending of public money.

5. **Options Considered**

5.1 This is the second year that Stoke-on-Trent City Council have provided Fraud Investigation services to the council as part of the Fraud Hub. This allows the service to focus on both proactive and reactive fraud work, with the primary aim of detecting (e.g. data-matching exercises), investigating and preventing fraud and where appropriate strengthen controls. The Council also continues to work with Stoke-on-Trent City Council to develop a Staffordshire wide partnership approach to counter fraud which includes joint working and data-matching.

6. **Legal and Statutory Implications**

6.1 This report raises no new legal or statutory implications.

7. **Equality Impact Assessment**

7.1 There are no differential equality impact issues identified from the proposal.

8. **Financial and Resource Implications**

8.1 The cost of an annual subscription to Protect is £795 per annum plus £0.22 pence per employee, which based on 500 employees makes the total subscription, cost £905 plus VAT.

9. **Major Risks**

9.1 The risk of not having these strategies in place would mean that staff have no guidance on what to do in the event that they may suspect that fraud or corruption is being committed. This in turn may hamper any investigation required to yield a satisfactory conclusion. The existence of these policies mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 The Counter Fraud Arrangement via the Fraud Hub supports UNSG and Climate Change objectives in a number of ways. Principally, through partnership working and supporting sustainable cities and communities via the correct use of public monies. The following UNSGs are supported.



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**

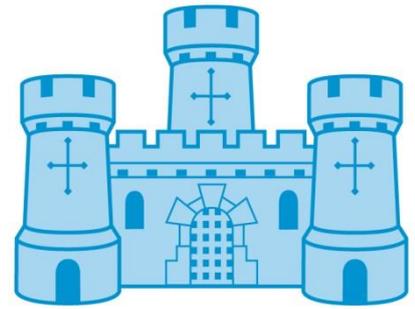
12.1 There are no earlier cabinet decision relating to this report.

13. **List of Appendices**

- 13.1 Anti-Fraud and Anti-Corruption Framework,
- 13.2 Fraud Response Plan
- 13.3 Whistleblowing Policy
- 13.4 Anti-Money Laundering Policy
- 13.5 Anti-Money Laundering Staff Guidance

14. **Background Papers**

14.1 CIPFA – Managing the Risk of Fraud and Corruption



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Anti-Fraud & Anti-Corruption Framework 2021-22

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Introduction

Theft, fraud, corruption and bribery are criminal offences. Newcastle Borough Council is committed to protect public funds and ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The Council has a zero tolerance of such offences and offenders.

In carrying out its functions and responsibilities the Council is fully committed to deterring theft, fraud, corruption and bribery whether it is attempted on or from within the Council; and is committed to an effective anti-fraud and corruption strategy designed to:-

- limit, as far as possible, the opportunities to commit fraudulent acts – **prevention**;
- enable any such acts to be **detected** at an early stage; and
- deal with any subsequent **investigations** in a prompt, thorough and professional manner.

Our Policy

Newcastle Borough Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor will it accept bribes or improper inducements, or allow employees or elected members to do so.

Using a third party as a conduit to channel bribes to others is also a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery, nor does it wish to be associated with any organisation that does or has done so. Specifically, this extends to our agents, suppliers, contractors and partner organisations, whether such criminal conduct is associated with business on the Council's behalf or not.

Where there is evidence of theft, fraud, corruption and bribery, the Council will investigate the matter promptly, and will take all appropriate actions to deal with the perpetrators.

This includes, but is not confined to, taking disciplinary action against employees and elected members, and pursuing criminal prosecution on all possible occasions. The Council will not be deterred by threats of adverse publicity or to persons or property, and will publicise cases of successful legal action against perpetrators.

The Council and all elected members and employees will comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates.

All employees and elected members must follow the policy, and do everything they can to support and promote it. In doing so, they may find the Nolan Principles a valuable aid – see Appendix A.

Different rules and procedures apply to benefits fraud. All cases of benefit fraud are now investigated by the Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service (SFIS).

There are also specific provisions for money laundering, because of the legal requirement to report this to the National Crime Agency in a closely-defined way.

Our Strategy

The Council's strategy for implementing its policy consists of five elements:

1) Prevention

Rules and procedures that make it hard for wrongdoing to take place;

An open, honest culture (explicitly based on the Nolan Principles: see Appendix A) which encourages good behaviours and discourages bad practice.

2) Detection

Systems that include strong internal checks;

Staff who are alert to the possibility of wrongdoing, and know how to respond to it to minimise losses and maximise the chance of effective action against the perpetrators;

A whistleblowing procedure that allows employees and others to report concerns about the Council.

3) Investigation

A fraud response plan that sets out how the Council will address any suspected fraud professionally, fairly, efficiently and effectively;

4) Recovery

The Council will recover losses from perpetrators where possible, and inform insurers under any relevant policy.

5) Retribution

Procedures to act promptly and effectively to deal with all perpetrators

Expected Behaviour

Members and employees must lead by example, acting with integrity at all times and following all legal requirements, rules, procedures and good practice. The Nolan Principles (Appendix A) provide an excellent structure for all actions.

Members and employees must report suspected fraud, corruption or other irregularity **immediately** to Internal Audit. The only exception is benefits fraud, which will be referred to the DWP and SFIS.

The Council expects all individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act with integrity in all dealings with the Council. It will consider what actions are appropriate where they fail to do so, including cancelling contracts.

Culture

All managers must promote an environment in which employees know and understand that dishonest acts will be detected and investigated. They must therefore:

- Always behave in line with the Nolan Principles;
- Participate in in-house training covering fraud, fraud detection and fraud prevention;
- Ensure staff understand that internal controls are designed and intended to prevent and detect fraud;
- Encourage staff to report suspected theft, fraud, corruption or money laundering directly to those responsible for investigation;
- Provide employees with an environment in which they can report suspicions of wrongdoing without fear of retribution;

The Internal Audit and Human Resources Sections will provide support to achieve this.

Identifying Problems

The essence of many theft, fraud, corruption and bribery issues is that no-one recognises them happening. And it can be difficult to be vigilant and observant while being a good and supportive colleague. It is essential that the Council has an open culture whereby employees at all levels are encouraged to challenge or query why things are being done a particular way.

There are a number of common fraud indicators (Appendix B). None of them prove wrongdoing – though all are cause for managerial concern. An employee who never takes annual leave may be concealing fraud: but, equally, they may be struggling with parts of their job, and desperately need support.

Therefore, managers finding any of these behaviours should be concerned, and should probe the issues – but they should not assume that fraud or corruption are involved. There may simply be problems to work on and resolve.

Reporting Suspicions

If any employee suspects that theft, fraud, corruption or bribery are happening within the Council, or in any activity where the Council has a leading role or responsibility, they should report their suspicions, either to their line manager or through the Council's Whistleblowing Procedure.

Managers should report all such cases to the Audit Manager, and accept advice on the steps to take over the suspicions in accordance with the fraud response plan.

Investigations

All investigations will be carried out in accordance with the Fraud Response Plan, unless they relate to Benefits fraud or money laundering, in which case these will be dealt with in accordance the specific guidance that relates specifically to these areas of work.

Implementing this Framework

The Chief Executive is ultimately responsible for preventing and detecting theft, fraud, and corruption.

The Chief Executive, Executive Directors, Heads of Service and Business Managers must ensure that all staff follow this strategy, supported by the Council's Internal Audit and Human Resources functions.

All managers are responsible for preventing and detecting fraud. They must, with support from Internal Audit and Human Resources, ensure that they operate effective mechanisms in their area of control to:

- Prevent theft, fraud and corruption;
- Promote employee awareness (All staff have a responsibility to prevent, detect and report on any fraud or suspected fraud);
- Assess the risk of fraud; and
- Take prompt action in line with the Fraud Response Plan when they suspect or are alerted to possible theft, fraud or corruption

There are a number of policies already in place within the Council for preventing, detecting, managing and reporting theft, fraud and corrupt conduct; these include but are not limited to:

- Codes of Conduct for employees and members
- Contract Procedures
- Financial Regulations
- Registers of Interests, Gifts and Hospitality
- Disciplinary Rules and Procedures
- The Whistleblowing Policy
- Fraud Response Plan
- Procurement Strategy
- Risk Management Strategy
- Recruitment procedures (pre-employment vetting, references, etc)
- Anti-Money Laundering Policy
- Information Security Management Policies

Copies of all the policies listed above are available on the Council's intranet Connexus under the A-Z of strategies and policies.

Partnership Agreement for Counter Fraud Services

Newcastle Borough Council will work in partnership with Stoke-on-Trent City Council to provide a counter fraud service which will cover various types of fraud including non-benefit and corporate fraud.

Non-benefit fraud includes all non-welfare (benefit) frauds which are committed against the Council by external persons or bodies and this type of fraud includes: tenancy fraud, procurement fraud, council tax fraud, business rates fraud, grant fraud etc.

Corporate fraud is defined as frauds committed by those within the Council such as employees and members and this type of fraud includes: payroll fraud, expenses fraud, procurement fraud etc.

The agreement will run for three years commencing 1st April 2019.

Review and Development of this Framework

It is important to keep this policy up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).

Appendix A – Nolan Principles

The seven principles of public life;

Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

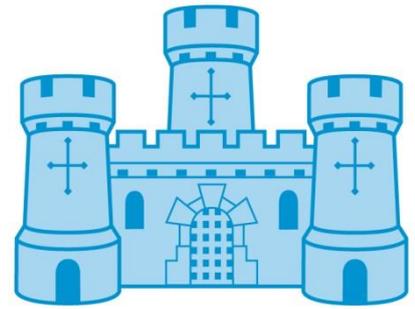
These principles apply to all aspects of public life. The Nolan Committee set them out for the benefit of all who serve the public in any way.

Appendix B – Possible Indicators of Fraud

Listed below are a number of common fraud indicators. None of them prove wrongdoing – though all are cause for concern;

- unusual employee behaviour (e.g. a supervisor who opens all incoming mail, refusal to comply with normal rules and practices, fails to take leave, managers by-passing subordinates, subordinates bypassing managers, living beyond means, regular long hours working, job dissatisfaction/ unhappy employee, secretiveness or defensiveness);
- Key documents missing (e.g. invoices, contracts);
- Inadequate or no segregation of duties;
- Absence of controls and audit trails;
- Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation);
- Excessive variations to budgets or contracts;
- Bank and ledger reconciliations are not maintained or cannot be Balanced;
- Excessive movements of cash or transactions between accounts;
- Numerous adjustments or exceptions;
- Duplicate payments or large payments to individuals;
- Unauthorised changes to systems or work practices;
- Lack of rotation of duties;
- Policies not being followed;
- Post Office boxes as shipping addresses;
- Lowest tenders or quotes passed over with minimal explanation recorded,
- Splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval;
- Vague specifications;
- Excessive hours worked by key staff; and
- Lack of common sense controls such as changing passwords frequently, requiring two signatures on cheques or restricting access to sensitive areas.

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**NEWCASTLE
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BOROUGH COUNCIL

Fraud Response Plan 2021-22

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1. Introduction

- 1.1 The Fraud Response Plan defines the way that Newcastle Borough Council applies its various policies and procedures to suspected theft, fraud and corruption.
- 1.2 The aim of this Plan is to provide a toolkit for dealing with problems, and rapid access to expert advice. This fraud response plan guides managers on how to react to suspicions of fraud, theft, corruption and bribery. It gives an outline of how investigations will be progressed and the possible role of a manager in an investigation.
- 1.3 Any suspected frauds at Newcastle Borough Council should be reported the Stoke Fraud Hub at: <https://www.stoke.gov.uk/fraud> or by email to: fraud@stoke.gov.uk or to the hotline at: 01782 236800.

2. Purpose of the Fraud Response Plan

- 2.1 The Fraud Response Plan is designed to ensure timely and effective action in the event of suspected fraud to:
 - minimise fraud by taking prompt action;
 - prevent further losses where fraud has occurred;
 - manage consequences for other staff, including sudden changes in workload, altered duties and adverse staff reactions to investigation work;
 - maximise recovery of losses;
 - identify the perpetrators and maximise the success of any disciplinary and legal action taken;
 - ensure the accuracy and integrity of evidence for successful disciplinary and court action;
 - manage any adverse publicity for the organisation;
 - maximise positive publicity when frauds are discovered and dealt with effectively;
 - identify lessons to be learned to improve fraud management;
 - ensure a fair and consistent response to suspected frauds;
 - deter others from fraud that they may be contemplating.

3. Dealing with a suspected fraud

- 3.1 Senior managers have a primary responsibility for preventing, detecting and investigating. However, it is always vital that evidence is preserved and suspicions are not aroused, and the first action must always be to contact the Stoke Fraud Hub for advice and support. This will allow the fraud team to:
 - provide initial advice on investigation process and procedure;
 - collate the information with all other known issues, which may suggest specific approaches to investigation;
 - jointly with Human Resources, decide on actions needed in relation to any employee potentially involved (such as suspension to protect evidence), and agree these with the Head of Service;
 - log the event on the Fraud Case Management System
 - report appropriately to Chief Executive, Section 151 Officer, the Monitoring Officer and Executive Management Team.

3.2 The only exception to this is where the matter relates to Money Laundering as this should be dealt with in accordance with the Council's Anti-Money Laundering Policy and Staff Guidance. In addition, if the matter relates to benefits, these cases will be reported to the Department for Work and Pensions (DWP) who will investigate the matter under the Single Fraud Investigation Service (SFIS).

Initial Enquiries

3.3 Where it is appropriate to do so, the fraud team may advise the manager to make discreet initial enquiries promptly to determine if there actually does appear to be an irregularity, provided that;

- they can do so **without alerting the perpetrator** to the investigation; and
- they have sufficient experience to do so.

3.4 During this initial enquiry the manager should:

- determine the factors that gave rise to the suspicion;
- examine the factors to determine whether a genuine mistake has been made or whether an irregularity has occurred;
- make a written record of the alleged irregularity (access to this document should be restricted e.g. not held in an 'open area' of the network);
- secure any relevant documentation/records (if this can be done without alerting the perpetrator).

The manager **should not** interview staff at this stage.

Scope of the Investigation

3.5 The manager, Human Resources and the Stoke Fraud Hub team will agree the way forward, in consultation with the Section 151 Officer, the Monitoring Officer and the Head of Service. They will consider whether to involve other agencies at this point (e.g. Police, HM Revenue & Customs, External Audit, the Department for Work and Pensions, the National Anti-Fraud Network, the National Crime Agency, and other councils) and initially contact will be through the Stoke Fraud Hub.

3.6 The Stoke Fraud Hub team will usually conduct all fraud investigations. However, where there is confidence that an investigation can be undertaken by the service itself (i.e. staff have the experience and ability to complete the investigation successfully, and are clearly not involved in the irregularity) then the fraud team will provide advice and guidance to the nominated Investigating Officer.

3.7 The Stoke Fraud Hub team will consult the relevant people to determine the next steps. The exact format is fluid – it is sometimes appropriate to convene a meeting, and on other occasions it will be sensible to hold a series of one-to-one meetings or 'phone calls.

As a minimum, consultations will involve:

- the manager;
- the Section 151 Officer;
- the Head of People and Organisational Development;
- the Head of Service

Additionally, they may consult:

- the police;
- the Chief Executive;
- the Head of Communications;
- External Audit;
- any other relevant person or body

The consultations will include specific consideration of whether it is necessary to suspend one or more employees to protect evidence, colleagues or assets.

Conducting the investigation

3.8 Whilst conducting the investigation, the Stoke Fraud Hub will ensure:-

- the investigation is completed promptly;
- compliance with legislation on interviewing (Police and Criminal Evidence Act, PACE) and surveillance (Regulation of Investigatory Powers Act, RIPA);
- all evidence is recorded, ensuring that it is sound and adequately supported (see further guidance below);
- written records of all fact-finding meetings are retained;
- email correspondence relating to the investigation is discreet and an agreed 'case name' will be used rather than real names or locations. All sensitive attachments should be password protected. Emails will be protectively marked *Protect – Personal*;
- All evidence is held and stored securely, with appropriate restriction to access (both manual and electronic documentation) (see further guidance below);
- confidentiality and discretion is maintained throughout, information will only be shared on a "need to know" basis;
- where appropriate, contact other enforcement agencies e.g. Police, HM Revenue & Customs. This should be always enacted via Internal Audit as they have established lines of communication and referral protocols;
- investigators are aware that they must not accept any offer of repayment of money or resignation at any stage, as this could prejudice the investigation. Any such offers should, however, be recorded in interview notes, and passed on to the Head of Service for consideration (in conjunction with the HR Manager).

3.9 The Council has the right to suspend any employee involved pending the outcome of an investigation. Suspension does not imply guilt but suspension can prevent the removal or destruction of vital evidence. When suspects are not suspended, supervision will usually need to be increased. Advice will always be sought from Human Resources on suspensions and any subsequent disciplinary action.

3.10 The key objectives during an investigation are to:

- secure evidence of the fraud to allow the Council to pursue successful disciplinary action and prosecution;
- prevent further losses;
- assess the likely extent of losses and report these to the Council's Risk and Insurance Officer at the earliest opportunity;
- recover funds where possible.

3.11 Where managers are carrying out their own investigation they must report the results of their initial enquiries to the Stoke Fraud Hub, who may carry out further investigations if the case is more complex than it first appeared.

4. Evidence

4.1 It is essential that evidence is preserved and retained securely and the following steps should be followed:

- remove all relevant original documents and store them securely. Record the date of removal and where they are stored. Replace documents needed for everyday use (e.g. till rolls and receipt books) with new ones to prevent unnecessary disruption to services. **Original documents and certified copies** provide the best evidence;
- for computer systems, consider access rights, and change or suspend access to preserve evidence. (See below for more on ICT evidence.);
- in all cases, take care not to compromise evidence by doing or allowing anything that may deface or alter the evidence, particularly in ways that may alter the evidential value (such as punching filing holes that chop out a date or signature);
- you must also take care that evidence is always secure, so that there is no opportunity for damage or changes. This is known as preserving the chain of evidence. If there is a break, such as leaving a document out on a desk unattended, it could compromise a prosecution;
- where you have to use a copy, endorse it as a copy and, if possible, certify it (i.e. sign and date on the back) as a true copy of the original, preferably by the person who took the copy from the original source document. Use of copies is increasingly common with document management systems, where documents are scanned and then destroyed;
- minimise handling of documents to protect forensic evidence, such as fingerprints. Put them in clear plastic wallets to protect them, and to avoid the need to punch filing holes in them. This avoids the possibility of damaging key pieces of evidence;
- **Information held on IT equipment** provides evidence of the records at a particular time and may demonstrate that a fraud has been committed. It is important that the IT equipment is secured as soon as possible. Please contact **Stoke Fraud Hub team** for advice in relation to this. Any printouts of data and exception reports can be useful, so should be retained and these together with hard copies should be timed, dated and signed by the investigator;
- Where you suspend suspects you must prevent their access to Council buildings, remove their access rights to IT networks and systems and change all relevant passwords, PIN numbers etc;
- **Physical evidence** is necessary when the investigation arises from an apparent discrepancy in cash, stores or other assets. A physical count of the cash, stores or assets is necessary to record the actual value of the cash/stores present at a fixed point in time;
- All **cash** held by the person should be counted at the same time (to prevent the same cash being presented more than once to cover a shortage). The cash count should include a detailed analysis of cash by denomination and any cheques, receipts and IOUs. The count should be checked by two people and the results signed and dated by both;
- Ask the employee under investigation if there is any more cash (e.g. at their home) and check this immediately to prevent subsequent reinstatement;
- All **stocks and stores** need to be counted if there is a suspicion of theft of assets. A full stock check, including opening all boxes to ensure they contain the goods they

are supposed to, should be undertaken. Stock totals should be signed and dated by two investigators. If there are similar stores in other locations controlled by the suspect, then these need to be checked simultaneously to avoid stocks being moved between different stores to hide discrepancies;

- **Observations** can be used to identify exactly what is happening to physical assets (e.g. stores being loaded into private cars);
- **Seek guidance from the fraud team before any surveillance**, who will also consult the Council's Legal service. Surveillance must be necessary and proportionate in accordance with the Regulations of Investigatory Powers Act 2000 (RIPA) for Local Authorities now to be able to undertake any surveillance authorisation must be sought from the Magistrates Court;
- Relevant **CCTV footage** may be available. In addition, if any form of access system is in use, it may establish who was where and when;
- If videos are to be used in evidence they should have the date and time continuously displayed. For the same reasons as for IT equipment, preserve the original tape intact as evidence for possible use in court and disciplinary hearings.

5. Lack of Evidence

5.1 The Council will only investigate allegations which are deemed to be creditable following an initial review of information received and where evidence is available. This is because pursuing vague, mischievous or malicious allegations of theft, fraud, corruption and bribery would waste time on unnecessary and unfocussed investigations, and could lead to suspension of innocent staff, undermining corporate culture and morale.

6. Review Outcomes

6.1 The Council's policy is to refer theft, fraud or corruption to the police for investigation and prosecution whenever possible. However, it's important to remember that the evidence for a successful prosecution must prove a case beyond all reasonable doubt, while disciplinary cases (including dismissal for gross misconduct) are decided on the balance of probabilities.

6.2 The Stoke Fraud Hub will consult the Section 151 Officer, Head of Service, and the Head of People and Organisational Development to determine whether any matter should be referred to the Police for criminal investigation.

6.3 The Head of Service must remedy control weaknesses identified during the course of an investigation. The fraud team will provide advice and support on effective controls, and will ultimately include these in a report (though implementation should not be delayed until the report is issued).

6.4 The fraud team will record all final outcomes on the Fraud Case Management System. This information informs future prevention strategies, and is used in reporting fraud and corruption at the Council.

6.5 In all cases the Council's insurers should be informed of actual losses as soon as these have been firmly established. It is sensible to keep External Audit informed. The Communications team will be kept informed in order that publicity can be properly managed.

7. Recover Losses

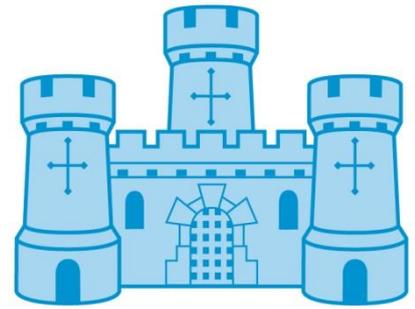
- 7.1 There are a variety of methods which can be used to recover losses. Methods used depend upon the extent of the losses, the seriousness of the fraud/corruption and whether the response is disciplinary action, legal action or both.
- 7.2 Some cases will be covered by the Council's Fidelity Guarantee insurance. If the case is going to court, the Council can seek a compensation order.

8. Partnership agreement for Counter Fraud Services

- 8.1 The Council has formed a partnership with Stoke-on-Trent City Council to provide a counter fraud service. Stoke-on-Trent City Council (Stoke Fraud Hub) will work in partnership with Newcastle Borough Council to provide a full 'end to end' counter fraud service which covers all types on non-benefit and corporate fraud. The service offers a full detection and investigation service as well as work to fervent fraud and share the learning coming out of its activities bot within the partnership and more broadly.

9. Review and Development of this Plan

- 9.1 It is important to keep this Fraud Response Plan up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).



**NEWCASTLE
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Whistleblowing Policy 2021/22

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Introduction – What is Whistleblowing?

Sometimes whistleblowing is called speaking up or raising a concern. It is all about ensuring that if someone sees something wrong in the workplace, they are able to raise this within their organisation, or externally. Whistleblowing ultimately protects customers, staff, beneficiaries, and the organisation itself by identifying harm and wrong doing before it is too late.

People working within organisations are often the first to realise that there may be something seriously wrong in the place in which they work. Workers should be watchful for illegal or unethical conduct and report anything of that nature that they become aware of. Newcastle Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we encourage employees and others working at or for the Council who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.

Aims and scope of the policy

This policy supports the Councils Anti-Fraud and Anti-Corruption Framework, Corporate Health and Safety Policy, and the Safeguarding Children and Vulnerable Adults Policy.

The policy applies to all employees, agency workers and contractors working on Council premises (for example, cleaners, builders and drivers). It also covers suppliers and those providing services under a contract with the Council in their own premises.

This policy aims to:

- provide avenues for you to raise concerns and receive feedback on any action taken;
- allow you to take the matter further if you are dissatisfied with the Council's response; and
- reassure you that you will be protected from reprisals or victimisation for whistleblowing, and will be supported throughout the process.

What to do if you have any concerns?

The earlier you express your concern, the easier it is to take action, and although you will not be expected to prove the truth of the allegation, you will need to be able to demonstrate to the person contacted that there are sufficient grounds for your concern.

If you have a concern, the Council hopes that you will be able to raise the matter with your line manager. However, if you feel unable to raise the matter with your line manager or if you believe that your line manager is involved in the concern, you should contact the Council's Internal Audit department.

The Council's Internal Audit department: Newcastle-under-Lyme Borough Council, Castle House, Barracks Road, Newcastle-under-Lyme, Staffordshire, ST5 1BL.

Email: whistleblowing@newcastle-staffs.gov.uk For any concerns raised in writing please label these "PRIVATE and CONFIDENTIAL".

If you have followed these channels and you still have concerns or you feel that you are unable to discuss the matter with your line manager or Internal Audit please contact the Monitoring Officer (contact details can be found in the "Who is the Responsible Officer?" section below).

What safeguards are in place?

The law (Employment Rights Act 1996 and Public Interest Disclosure Act 1998) provides protection for workers who raise legitimate concerns about specified matters. These are called "qualifying disclosures". A qualifying disclosure is one made in the public interest by a worker who has a reasonable belief that:

- a criminal offence;
- a miscarriage of justice;
- an act creating risk to health and safety;
- an act causing damage to the environment;
- a breach of any other legal obligation; or
- concealment of any of the above

is being, has been, or is likely to be, committed. It is not necessary for the worker to have proof that such an act is being, has been, or is likely to be, committed - a reasonable belief is sufficient. The worker has no responsibility for investigating the matter - it is the Council's responsibility to look into the matter.

A person who makes such a protected disclosure has the right not to be dismissed, subjected to any other detriment or victimised because they have made a disclosure.

Responding to your concerns

The Council will, where possible, protect the identity of a notifying individual and not reveal their source at any time during the investigation. However, you may eventually be needed as a witness in disciplinary or criminal proceedings if necessary (if you are, the Council will arrange for you to be given advice about the procedure).

The action taken by the Council will depend on the nature of the concern.

The matters raised may:-

- be investigated internally;
- be referred to the Police;
- be referred to First Response at Staffs County Council in respect of safeguarding issues;
- be referred to the external auditor; or
- form an independent inquiry/investigation.

Within 10 working days of a concern being received, the Council will write to you:-

- acknowledging that the concern has been received;
- indicating how it proposes to deal with the matter;
- giving an estimate of how long it will take to provide a final response;
- telling you whether any initial enquiries have been made; and
- telling you whether further investigations will take place; and if not, why not.

The amount of contact between the officers considering the issue and you will depend upon the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

The Council accepts that you need to be assured that the matter has been properly addressed and looked into. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations.

Who is the Responsible Officer?

The Council's "Monitoring Officer" is the Responsible Officer. The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. They can be contacted on 01782 742230. If you feel you cannot raise your concerns with your line manager or the Council's Internal Audit department, then you should make contact with the Monitoring Officer.

A record will be maintained of all concerns raised together with the outcomes and will be reported as necessary to the Council.

How the matter can be taken further?

This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes that you will have confidence in using the Whistleblowing procedure, however, if you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:-

- The Council's External Auditors - Grant Thornton
- The Police

Further Advice

The Council pays an annual subscription to Protect (previously named Public Concern at Work) who are a registered charity, which gives our employees access to a confidential advice line. They have qualified legal staff to give help and advice and can be contacted on 020 3117 2520. They can also be contacted by email: mls@protect-advice.org.uk

Their website contains lots of information and advice in respect of whistleblowing: www.protect-advice.org.uk

Review of this Policy

It is important to keep this policy up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).

Appendix A – Whistleblowing policy reporting form

Whistleblowing Policy Reporting Form

Newcastle Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees and others that we deal with who have concerns about any aspect of the Council's work to come forward and voice their concerns. If you wish to raise a concern in writing please use this pro-forma.

Background and history of the concern (giving relevant dates):

The reasons why you are particularly concerned about the situation:

(continue on a separate sheet if necessary)

You are encouraged to put your name to this report. Concerns expressed anonymously are much less powerful but they may be considered. If you feel able to, please give your name and details below:

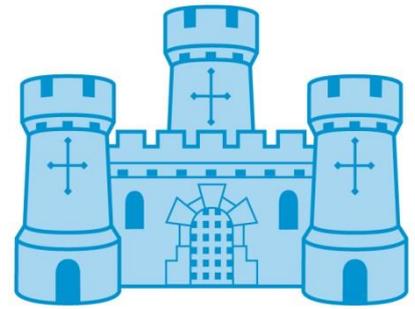
Name

Service

Contact Telephone Number

Date

PLEASE SEND THIS FORM TO YOUR LINE MANAGER OR ALTERNATIVELY
INTERNAL AUDIT



**NEWCASTLE
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Anti-Money Laundering Policy 2021-22

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Introduction

The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (MLR 2019) entered into force on 10 January 2020. The fundamentals of performing risk assessments and due diligence as required by The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017 remain undisturbed.

Whilst the majority of money laundering activity in the UK falls outside of the public sector, vigilance by employees of the Council can help identify those who are or may be perpetrating crimes relating to the financing of terrorism and money laundering.

This policy, together with supporting guidance notes aims to support staff in identifying potential suspect transaction during the course of their work at Newcastle Borough Council. The policy provides a mechanism for such transactions to be reported to an appropriate officer for evaluation and potentially passed on to the relevant authorities.

What is Money Laundering?

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other words, the process of changing 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity.

The following Primary Offences constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act); or
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329);

Secondary Offences

There are also two secondary offences: failure to disclose any of the primary offences and tipping off.

Failure to Disclose – A Council employee commits an offence if they know or have reasonable grounds to suspect that another person is engaged in money laundering and they do not make the required disclosure as soon as is practicable after the information comes to them.

Tipping Off – A Council employee commits an offence if they inform a person or people who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of it being investigated or prejudicing an investigation.

Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. ***The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).***

What are the obligations on the Council?

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2019, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Regulations apply to “relevant persons” acting in the course of business carried on by them in the UK. Not all of the Council’s business is “relevant” for the purposes of the legislation. It is mainly accountancy and financial, company and property transactions. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council; therefore, all staff are required to comply with the reporting procedure set out in this policy and the Anti-Money Laundering Staff Guidance.

The obligations on the Council are to establish and maintain appropriate and risk sensitive policies and procedures. Organisations must:

- appoint a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering activity;
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification procedures in certain circumstances; and
- maintain record keeping procedures.

Section 4.4.7 of the Council’s Financial Regulations states that all Directors need to ensure that their employees are made aware of and comply with the Council’s Money Laundering Guidance.

Customer Due Diligence (Client Identification Procedure)

Standard Customer Due Diligence

Where the Council is carrying out certain regulated business (accountancy, audit and tax services and legal services re financial, company or property transactions) and as part of this

a) forms an ongoing business relationship with a client

- b) undertakes a one off or occasional transaction amounting to €10,000 (approximately £8,500) or more (whether carried out as a single transaction or several linked ones)
- c) suspects money laundering or terrorist financing;

then the Customer Due Diligence Procedure must be followed before any business is undertaken for that client. This means identifying the customer and verifying the customer's identity on the basis of information obtained from a reliable and independent source.

Enhanced Customer Due Diligence (and Ongoing Monitoring)

It will in certain circumstances be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data or information and ensuring ongoing monitoring is carried out for the duration of the business relationship.

Similarly, where the Council is in an ongoing "business relationship" with a customer, the Regulations impose a special obligation to carry out ongoing monitoring.

The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about money laundering activity within the council is the Head of Finance (S151 Officer).

In the absence of the MLRO, the Finance Manager (Deputy S151 Officer) is authorised to deputise.

Both of these officers can be contacted as follows:

Head of Finance (S151 Officer) or Finance Manager (Deputy S151 Officer)

Newcastle-under-Lyme Borough Council
Castle House,
Barracks Road,
Newcastle-under-Lyme,
Staffordshire.
ST5 1BL

Telephone: 01782 742119 (Head of Finance, S151 Officer)

Telephone: 01782 742112 (Finance Manager, Deputy S151 Officer))

The MLRO or deputy must promptly evaluate any disclosure to determine whether it should be reported to the National Crime Agency ("NCA"). This can be done via their website: www.nationalcrimeagency.gov.uk

A “Suspicious Activity Report” can be completed online on the NCA website. The NCA can be contacted on 0370 496 7622.

Disclosure Procedure and Reporting Requirements

Cash Payments

The Council already has procedures in place to limit the amount of cash that it receives, with other payment methods being made available. Section 4.4.6 of the Council’s Financial Regulations stipulates that cash payments will not be accepted by the Council.

Financial Regulations 4.7.4 Receipts, in excess of £10,000, and any bank payments from unknown or overseas banks shall be evaluated and evidenced to ensure the legitimate source of the funds.

Reporting to the Money Laundering Reporting Officer (MLRO)

Any employee who suspects money laundering activity is taking place, or an employee who becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, must disclose this promptly to the MLRO.

The disclosure should be made to the MLRO or deputy using the proforma report attached at Appendix A to the Anti Money Laundering Staff Guidance document. The report must include as much detail as possible.

The employee must follow any subsequent directions from the MLRO or deputy and must not make any further enquiries themselves into the matter. Additionally, they must not take any further steps in the transaction without authorisation from the MLRO or deputy.

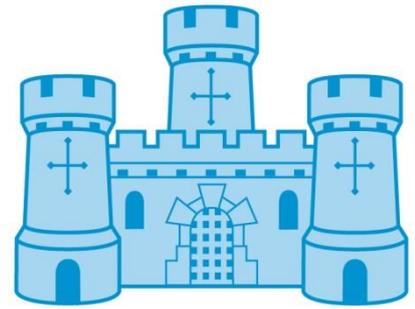
The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of money laundering. They must not discuss the matter with others or note on a file that a report has been made to the MLRO in case this results in the suspect becoming aware of the suspicion.

Risk Management and Internal Control

The risk to the Council of contravening the Anti-Money laundering legislation will be assessed on a periodic basis and the adequacy and effectiveness of the Anti-Money Laundering Policy and Staff Guidance will be reviewed in light of such assessments. Money Laundering as a risk will be included on the Council’s Grace Risk Management System.

Record Keeping

To comply with the legislation, records must be kept for a period of five years and be sufficient to provide an audit trail for any subsequent investigation.



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Anti-Money Laundering Staff Guidance 2021-22

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Introduction

The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (MLR 2019) entered into force on 10 January 2020. The fundamentals of performing risk assessments and due diligence as required by The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017 remain undisturbed. The regulations place obligations on the Council and on its employees with regard to suspected money laundering. This guidance document is aimed to help you understand your responsibilities as an employee of the Council, to support you in identifying potential suspect transactions during the course of your work and provide you with a mechanism for such transactions to be reported to an appropriate officer for evaluation.

What is Money Laundering?

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other words, the process of changing 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity.

The following Primary Offences constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act); or
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329);

What are the Council's Responsibilities?

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2019, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Council is committed to preventing, detecting and reporting money laundering.

Section 4.4.7 of the Council's Financial Regulations states that all Directors need to ensure that their employees are made aware of and comply with the Council's Money Laundering Guidance.

The Council's responsibilities will include:

- appointing a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity;
- implementing a procedure to enable the reporting of suspicions of money laundering;
- maintaining client identification procedures in certain circumstances; and
- maintaining record keeping procedures.

The Council's Anti-Money Laundering Policy can be found on the Intranet.

What are the Responsibilities of the Employee?

All employees must be vigilant for the signs of money laundering.

The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).

In accordance with the Council's Financial Regulations (4.4.6) cash payments will not be accepted by the Council.

If you do not promptly report any suspicions that you may have, you are at risk of committing a secondary offence known as "Failure to Disclose". As a Council employee you commit an offence if you know or have reasonable grounds to suspect that another person is engaged in money laundering and you do not make the required disclosure as soon as is practicable after the information comes to you.

You also need to be aware that there is another secondary offence known as "Tipping Off". You need to maintain strict confidentiality in respect of any suspected Money Laundering as you are at risk of committing an offence if you inform a person(s) who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of it being investigated or prejudicing an investigation.

In respect of any receipts in excess of £10,000 and any bank payments from unknown or overseas banks you will need to take measures to ensure the legitimate source of these funds in accordance with Financial Regulations (4.7.4).

Please refer to the Customer Due Diligence section for information on verifying a customer's identification.

What are the penalties?

People who commit a secondary offence of "Failure to Disclose" or "Tipping Off" could face a prison sentence of up to five years, a fine, or both.

What is Customer Due Diligence?

Where the Council is carrying out certain 'regulated activities' then extra care needs to be taken to verify the identity of the customer or client – this is known as carrying out customer due diligence.

'Regulated activities' include the provision of advice about tax affairs, accounting services, treasury management, investment or other financial services, audit services, legal services, estate services, services involving the formation of a company or trust or dealing in goods whereby a transaction involves a cash payment of €10,000 (approximately £8,500) or more.

Here are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity?
- Is the Council charging for the service? and,

- Is the service being provided to a customer other than a UK public Authority?

If the answer to any of the above questions is no, then customer due diligence is not required.

If the answer to all three questions is yes, then customer due diligence is required before any business is undertaken for that client.

In instances that require customer due diligence then evidence of identity must be sought.

For individuals this could include:

- Photographic identification i.e. passport or driving licence and two documents which confirm the customer's address i.e. utility bills (although not mobile phone bills) or bank statements

For companies this could include:

- Checking with the customers website to confirm their business address;
- Conducting a search via Companies House to confirm the nature and business of the customer and to confirm the identities of any directors; and,
- Seeking evidence of personal identity, for example their passport.

Enhanced Customer Due Diligence (and Ongoing Monitoring)

In certain circumstances it will be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

To compensate for the higher risk you must obtain additional documents of identity and also carry out ongoing monitoring. This means you must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council's knowledge of the customer and keep the information about the customer up-to-date.

Who is the Council's Money Laundering Reporting Officer (MLRO)?

The officer nominated to receive disclosures about money laundering activity within the council is the Head of Finance (S151 Officer).

In the absence of the MLRO, the Finance Manager (Deputy S151 Officer) is authorised to deputise.

Both of these officers are based at Castle House and can be contacted as follows:

Telephone: 01782 742119 (Head of Finance, S151 Officer)

Telephone: 01782 742112 (Finance Manager, Deputy S151 Officer)

What should I do if I suspect Money Laundering?

If you suspect an instance of money laundering activity you must report your suspicion promptly to the MLRO, or deputy using the form attached as Appendix A. If you would prefer you can also discuss your suspicions with the MLRO or deputy first. You must follow any subsequent directions of the MLRO or deputy and must not make any further enquiries into the matter yourself without authorisation from the MLRO or deputy.

Where can I find out more information about Money Laundering?

You can refer to various pieces of legislation including:

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and amendment 2019.
- The Proceeds of Crime Act 2002;
- The Terrorism Act 2000.

You can also refer to The National Crime Agency (www.nationalcrimeagency.gov.uk)

Appendix A

RESTRICTED CONFIDENTIAL

REPORT TO THE MONEY LAUNDERING REPORTING OFFICER

Details of Suspected Offence:

Details of the person(s) involved:

(Please supply as much detail as possible including full name, address, date of birth, bank account details etc. For companies please also include the registered address and nature of the business)

Nature, value and timing of activity involved:

Reasons for suspicions:

Continue on a separate sheet if necessary.

Name: _____ Directorate: _____ Ext: _____

Signed: _____ Date: _____

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
19 April 2021

Report Title: Internal Audit Plan 2021/22

Submitted by: Chief Internal Auditor

Portfolios: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

To inform Members of the proposed Internal Audit Plan for 2021/22 and to seek their approval on its contents

Recommendation

That

1. In accordance with the Committee's terms of reference, the Internal Audit Plan for 2021/22 be approved.
2. The Internal Audit Charter for 2021/22 which sets out how the plan will be delivered be approved.
3. The Committee agree to receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.

Reasons

The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function. The Public Sector Internal Audit Standards (PSIAS) place a duty on Internal Audit to plan effectively to ensure it contributes to the Council's objectives at strategic and operational levels. Planning also enables Internal Audit to demonstrate that they are making the best use of available resources.

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 Head of Finance (Section 151 Officer).
- 1.2 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers, whether in-house, shared services or outsourced. Assessment against the Standards provides assurance that the service is being delivered to a satisfactory level and in conformance to the standards.

- 1.3 The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function and they specify that compliance with the relevant standards is required to demonstrate an appropriate standard of audit provision. The requirement to produce an audit plan is also specified in the Standards.

2. **Issues**

- 2.1 The Internal Audit Plan for 2021/22 (Appendix A) has been produced by Stoke-on-Trent City Council who have an agreement in place to provide the Borough Council's Internal Audit service and undertake the role of Chief Internal Auditor as defined by the PSIAS.
- 2.2 The annual Internal Audit Plan for 2021/22 outlines the audits that are planned for the coming financial year and has been produced using a risk based approach. The results of this work will contribute to the annual internal audit opinion, which will then be included within the Annual Governance Statement (AGS).
- 2.3 The council's Internal Audit Charter sets out how the Internal Audit service will be delivered and this has been reviewed as part of producing the latest internal audit plan. To demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS) the internal audit activity must be formally defined in an Internal Audit Charter. The 2020/21 Charter has been reviewed and remains fit for purpose. The Committee are therefore asked to approve this Charter, at Appendix B.
- 2.4 The internal audit service focuses on the way in which the key risks faced by the services and ultimately the council can be incorporated and addressed through the planned reviews set out in the proposed plan. In exploring the areas to include within the 2021/22 plan a number of factors have been considered. These include the strategic risks faced by the council and also operational risks that its service areas are facing in the context of the objectives (both strategic and operational) they are striving to achieve. It also includes the controls that are currently in place and therefore the level of internal audit coverage that is appropriate for these areas of the business. A key objective has been to produce a plan that is aligned to the council's objectives and perceived risks. This approach acknowledges the council's risk management framework and open and forthright discussions have taken place with senior officers.
- 2.5 A risk assessment methodology continues to be developed in order to better inform the audit planning process. A significant factor within the audit planning process is the recognition and identification of emerging issues at both local and national level. Topical issues are monitored and tracked throughout the year by the Audit Team and, where relevant, highlighted for consideration or review. The primary focus of the plan for 2021/22 is to deliver the audits not undertaken during 2020/21 due to the ongoing corona virus pandemic. Whilst there remains some risk that the continued restrictions will have an impact on the planned work for 2021/22 it is important that a plan is put into place to give direction to the internal audit service and it is a requirement of the PSIAS.
- 2.6 Executive Directors have provided valuable input into the plan based on their knowledge of key risk areas. The scope of each audit will be defined in further detail following a more detailed risk assessment to be undertaken before each audit and an assignment brief will be produced to identify the key objectives of each audit. This will present a further opportunity for Executive Directors and Heads of Service to provide feedback on the proposed scope of work.

- 2.7 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.
- 2.8 In addition to the Internal Audit service, Stoke-on-Trent City Council also provide Fraud Investigation services to the council. This allows the service to focus on both proactive and reactive fraud work, with the primary aim of detecting (e.g. data-matching exercises), investigating and preventing fraud and where appropriate strengthen controls. The Council also continues to work with Stoke-on-Trent City Council to develop a Staffordshire wide partnership approach to counter fraud which includes joint working and data-matching.
- 2.9 Throughout the year the work programme at Appendix A will be reviewed, and detailed quarterly work programmes produced. Progress will be measured in order to report on the delivery of the audit plan. This will provide the opportunity to report on any ongoing impact of the pandemic on the internal audit service.
- 2.10 For assurance on key financial systems that have previously been assessed as Well or Adequately Controlled, the approach will be to undertake a health-check audit. A health-check provides a snapshot of key aspects and controls of a system, and explores the measures in place to ensure procedures; processes and management are in place to effectively achieve its objectives. This approach is the most efficient way for internal audit to provide assurance on well controlled systems and ensures available resources are used as efficiently as possible.
- 2.11 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 plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Whilst the audit plan must be detailed enough to identify in advance the specific areas to be audited it must also remain flexible enough to cope with unforeseen events and must reflect the changing risks and priorities of the council. 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 and 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.

3. **Proposal**

- 3.1 In agreeing the proposed Audit Plan for 2021/22, Members are agreeing to a review of all areas listed in Appendix A.
- 3.2 Once agreed the plan will be translated into an operational plan detailing the audit assignments to be carried out, the purpose of each assignment and the allocation of resources. Each assignment will have clear objectives and scope to be delivered within the allocated resources and will be supervised for quality and consistency.

4. **Reasons for Proposed Solution**

- 4.1 By agreeing to the proposed plan the Audit & Standards Committee are supporting the Internal Audit Section in fulfilling its responsibility to plan effectively and ensure that it contributes to the Council's objectives at strategic and operational levels. The plan will also enable Internal

Audit to demonstrate that they are making the best use of their resources balanced against the perceived risks to the Council.

5. **Options Considered**

5.1 The audit plan for 2021/22 will be the second year that a full internal audit service will be delivered by Stoke-on-Trent City Council. Due to the changing working environment as a result of the pandemic which has impacted on the council's risk profile, it is proposed that a revised IT audit needs assessment is undertaken to assess the requirement for IT audit work over the next 3 years. Consideration can then be given to the skills required and how these audits are best delivered. 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.

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 Head of Finance (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 from the proposal.

8. **Financial and Resource Implications**

8.1 The work outlined for 2021/22 will be carried out within the agreed price specified in the agreement with Stoke-on-Trent City Council for Internal Audit services which is in line with the budgeted cost. 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.

8.2 Internal Audit is directed by the Chief Internal Auditor provided through a service agreement by Stoke-on-Trent City Council. This agreement provides the Borough Council with access to a range of internal audit staff with specific areas of experience and knowledge. The number

of days to be delivered through this agreement has been set in line with previous years and has been allocated between the areas listed at 9.3 below. As mentioned in para 2.8 above, the internal audit service also work closely with the Corporate Fraud service to ensure a robust approach to fraud prevention and detection.

8.3 Available (direct) days will be allocated over the following areas:

- Proactive/planned assurance
- Assurance to External Stakeholders
- Advice & support to achieve improvements
- Verification of completed audit recommendations
- Proactive fraud prevention
- Third Party requests
- Ad hoc requests for assistance/consultancy/investigation

8.4 The following categories have been identified as the basis for inclusion in this year's work plan:-

- Work identified as still relevant from 2020/21 and in progress at year end
- Key systems assurance
- Funding body requirement as requested
- Priority from risk assessment of service area
- Management request/Discussions with management
- Emerging risks / changes to the council's systems and controls

9. **Major Risks**

9.1 The key risk to be considered in reviewing the attached plan is that the areas proposed for coverage do not sufficiently address the key risks faced by the council and therefore 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 council's system of internal controls, governance framework and the delivery of its objectives are not identified or acted upon.

9.2 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. Continual review of the work contained within the audit plan ensures that where necessary adjustments are made to provide the most appropriate coverage.

9.3 Due to the ongoing restrictions on the council's normal business operations due to the Covid 19 pandemic, there is a risk that the audit plan cannot be delivered in full as set out. This may be due to loss of audit staff, lack of access to conduct audit work and frontline staff being unable to prioritise audit reviews. It is therefore proposed that the plan is kept under careful review and updates provided to the Audit & Standards Committee as part of regular quarterly monitoring reports.

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 The Internal Audit and Counter Fraud Arrangement via Stoke-on-Trent City Council and the Fraud Hub supports UNSG and Climate Change objectives in a number of ways. Principally, through partnership working and supporting sustainable cities and communities via the correct use of public monies. The following UNSGs are supported.



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 – Proposed Internal Audit Plan 2021/22

13.2 Appendix B – Internal Audit Charter 2021/22

14. **Background Papers**

14.1 No background papers are required for this report.

Internal Audit Plan 2021/22

Audit Title	Days
Office of the Chief Executive	
Payroll	15
Purchase to Pay	15
Income Collection	15
Asset Management Capital	8
Council Tax	8
Treasury Management	8
Housing Benefits	8
General Ledger	8
NNDR	8
Sundry Debtors	8
Total Chief Executive	101
Operational Services	
Bereavement Services	15
Total Operational Services	15
Regeneration & Development	
Planning Enforcement	15
Major Projects (to include project management)	30
Total Regeneration & Development	45
Corporate	
Procurement and Contract Management	15
Commercial Investment Governance	15
Safeguarding	15
GDPR Compliance	15
Risk Management	20
Total Corporate	80
IT Audit Assurance	
IT Audit Needs Assessment	15
3 x IT Audits based on the above needs assessment	45
Total IT Audit Assurance	60
Total Plan Days	301

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Internal Audit Charter

<i>Title</i>	<i>Internal Audit Charter</i>
<i>Author</i>	<i>Clare Potts, Chief Internal Auditor, clare.potts@stoke.gov.uk</i>
<i>Date Created</i>	<i>28/02/2019 (Version 1.0)</i>
<i>Version</i>	<i>Version 1.1</i>
<i>Approval</i>	<i>Audit & Standards Committee</i>
<i>Description</i>	<i>A definition of Internal Audit's purpose, authority and responsibility</i>
<i>Subject Category</i>	<i>Management</i>
<i>Rights. Protective Marking</i>	<i>Official</i>
<i>Status</i>	<i>Approved</i>
<i>Review Date</i>	<i>01/03/2022</i>

1 Introduction

- 1.1 The Internal Audit Charter is a formal statement that defines the purpose, authority and responsibility of Internal Audit. The internal audit charter establishes Internal Audit's position within the organisation; authority, access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit to evaluate and report on the Authority's activities.

2. Statutory Role

- 2.1 The Accounts and Audit Regulations (England) 2015 states that:

“A relevant body shall maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Newcastle-under-Lyme Borough Council (The Authority) is a relevant body.

- 2.2 Public Sector Internal Audit Standards, originally issued in April 2013 and updated in April 2017, are mandatory and apply to all public sector internal audit service providers, whether in-house, shared or outsourced and encompass the required elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.

3. Mission of Internal Audit¹

- 3.1 The mission of the Authority's Internal Audit service is:

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

4. Internal Audit Purpose

- 4.1 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.
- 4.2 In doing this Internal Audit supports the Authority in the effective delivery of services and will implement the following core principles of effective internal auditing¹:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.

¹ As prescribed by the Public Sector Internal Audit Standards

- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4.3 Internal auditors in UK public sector organisations must conform to the Code of Ethics².

4.4 Internal Audit also assists the Audit & Standards Committee and the Executive Management Team to discharge their roles of accountability and stewardship.

5. Scope

5.1 Senior management and officers are responsible for putting in place proper arrangements in accordance with the relevant policies, regulations and best practice to secure the economy, efficiency and effectiveness of the Authority's resources; ensuring integrity, proper stewardship and governance.

5.2 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Authority's governance, risk management and internal processes as well as the quality of performance in carrying out assigned responsibilities to achieve the Authority's stated goals and objectives. This includes evaluating and providing assurance on:

- The reliability and integrity of information and the means used to identify, measure, classify and report such information.
- The systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the Authority.
- The means of safeguarding assets and as appropriate, verifying the existence of such assets.
- The effectiveness and efficiency with which resources are employed.
- Operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- The governance processes.
- The effectiveness of the Authority's risk management processes.
- Specific operations at the request of the Audit & Standards Committee or senior management as appropriate.

5.3 In doing this Internal Audit will:

- Report periodically on its purpose, authority, responsibility and performance relative to its plan.
- Report significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Audit & Standards Committee or senior management.
- Perform consulting and advisory services³ related to governance, risk management and control as appropriate for the Authority.

² As prescribed by the Public Sector Internal Audit Standards

³ **Consulting Services:** Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. [Public Sector Internal Audit Standards]

6. Authority

6.1 Internal Audit shall have authority to:

- Enter, at all reasonable times, any Council premises, property or land.
- Access all Council and partner records, information, correspondence and data, in whatever format or media, relating to the Council's activities.
- Access relevant third party records.
- Request and receive such explanations as they consider necessary concerning any matter under examination.
- Require any employee, Member or agent of the Council to produce or account for any cash, assets or other Council property under that person's control.

7. Independence & Objectivity

7.1 The Internal Audit service will remain free from interference by any element in the Council including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective attitude of mind.

7.2 Internal Audit services are provided by Stoke-on-Trent City Council and is the responsibility of the Chief Internal Auditor⁴. Internal Audit is accountable to the Head of Finance as the Section 151 Officer and also has a direct reporting line to the Chief Executive if required.

7.3 The Chief Internal Auditor must also establish effective communication with, and have free and unfettered access to the Chief Executive, the Chair of the Audit & Standards Committee, the Monitoring Officer and the Senior Information Risk Officer.

7.4 Where the internal audit team has or is expected to have roles and responsibilities that fall outside of internal auditing; safeguards will be put in place to limit the potential impairments to independence and objectivity. These responsibilities will be regularly reviewed and agreed with the Head of Finance as the Section 151 Officer and the Chief Executive.

7.5 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their independent judgment.

7.6 Internal auditors must have an impartial, unbiased attitude and therefore every effort is made to preserve objectivity by ensuring that all internal auditors are free from any conflicts of interest⁵. All potential conflicts of interest are to be disclosed to enable any potential conflict of interest to be avoided.

7.7 The Chief Internal Auditor must confirm to the Audit & Standards Committee, at least annually, the organisational independence of the internal audit activity.

8. Competence

8.1 The Chief Internal Auditor must hold a professional qualification (CCAB, CMIIA or equivalent) and be suitably experienced.

⁴ Chief Internal Auditor role is currently undertaken by the Strategic Manager – Audit & Fraud at Stoke-on-Trent City Council

⁵ This will be recorded through a declaration

- 8.2 The recruitment processes for Internal Audit provide for the appointment of individuals with the appropriate skills, competencies and qualifications to meet the Standards, either individually or as a combined team. Where officers are members of professional bodies, they must comply with any Continuing Professional Development (CPD) requirements of their membership. On an annual basis each auditor has a Performance Appraisal Review which identifies whether any training needs are required to improve skills.
- 8.3 The Chief Internal Auditor will obtain competent advice and assistance from external providers where Internal Audit lacks the resources, knowledge, skills or other competencies needed to perform all or part of an engagement.

9. Quality Assurance

- 9.1 To ensure the quality of audits, a structured review procedure exists before the final report is issued. This provides the opportunity for examination of the report and working papers to ensure that the audit has been conducted to the required standards. In addition, progress is subject to regular review.
- 9.2 Internal Audit is subject to a continual quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards and on-going performance monitoring, which forms an integral part of the day-to-day supervision.
- 9.3 An external assessment of Internal Audit is to be carried out at least once every five years by a suitably qualified, independent assessor. The scope of this external assessment is to be agreed by the Chief Internal Auditor and an appropriate sponsor e.g. Section 151 Officer, Chair of the Audit & Standards Committee, as well as with the external assessor. The last review was conducted in April 2017.
- 9.4 The results of quality and assurance programmes and processes against any improvement plans arising out of the internal and external assessments of Internal Audit will be reported to the Head of Finance (Section 151 Officer) and the Audit & Standards Committee. A summary of these results will be included in the Annual Internal Audit Report presented to Audit & Standards Committee. Instances of non-conformance with the UK Public Sector Internal Audit Standards will be reported to the Audit & Standards Committee and considered for inclusion in the annual governance statement.

10. Planning

- 10.1 The internal audit service is delivered in accordance with a risk-based approach. Consideration is given to the Authority's organisational objectives and priorities, risk registers, local knowledge of the key financial systems, the fraud risks, known strengths and weaknesses within the internal control environment and the requirements of External Audit.
- 10.2 The plan details the number of person days available for the forthcoming year. As resources are finite, priority is given to those areas with the highest risk. The plan needs also to be flexible, balancing the need to ensure that it is completed to an acceptable level against the number of requests for unplanned work.
- 10.3 Both the level of audit coverage to be provided and the resources required will be presented to the Audit & Standards Committee for approval. Any proposed significant variations to the plan will also be reported to the Audit & Standards Committee for approval. Progress against the plan is to be reported to the Audit & Standards Committee on a quarterly basis. The overall objective of the plan is to provide an annual opinion on the Authority's control environment.

11. Audit Approach

- 11.1 To ensure a consistent approach to auditing, officers follow the principles laid down in the Audit Manual. This document is regularly reviewed and updated where appropriate.
- 11.2 The Chief Internal Auditor shall ensure that their nominated representatives maintain appropriate levels of integrity and confidentiality during the course of reviews and investigations with due regard to any legislation of laws or codes of conduct applicable at the time including Human Rights Act 1998, Data Protection Act 1998, Freedom of Information Act 2000, General Data Protection Regulations 2018 and The Nolan Committee's Seven Principles of Public Life.
- 11.3 For each planned audit, the auditor will discuss the assignment with the responsible officers to help identify the potential risks and key priorities of the system. Each auditor will look to make practical, risk based recommendations based on their findings and discuss these with management to ensure that agreed actions are formulated to improve a system's control environment, risk management, and its effectiveness and efficiency. This is documented in a standardised audit report.
- 11.4 Effective management of the delivery of the audit plan is essential to ensure that sufficient coverage is achieved. To achieve this consideration is given to the timing of specific audits and also to ensure that work is allocated to those staff with the appropriate skills and experience to complete the task.
- 11.5 All internal audit reports are confidential and as such will not be routinely published. A summary of all reports will be presented quarterly to the Audit & Standards Committee. Should requests for internal audit reports be made under the freedom of information legislation, the Chief Internal Auditor must be consulted before making the report available and where necessary, elements of the report will be redacted.

12. Fraud and Corruption

- 12.1 Managers are responsible for preventing and detecting fraud and corruption, managing associated risks through effective internal controls and investigating frauds.
- 12.2 Internal Audit will provide support for the Authority's Anti-Fraud & Anti-Corruption Framework and Corporate Fraud service, and will investigate significant matters that are reported to it. Suspicions of fraud or corruption may be reported directly to Internal Audit through the Whistle-blowing policy.
- 12.3 Decisions to refer matters for prosecution or to the police will be taken by the Head of Finance (Section 151 Officer) in consultation with relevant senior managers.

13. Related Documents

- 13.1 The following related documents apply:
- Public Sector Internal Audit Standards
 - Constitution (Financial Regulations)
 - Whistle-blowing Policy
 - Officers Code of Conduct
 - Records Management Policy
 - Anti-Fraud and Anti-Corruption Framework

14. References

14.1 References to terms within the Public Sector Internal Audit Standards are as follows:

- The Chief Internal Auditor is the Chief Audit Executive.
- The Audit & Standards Committee is the Board.
- The Executive Management Team and those officers to whom responsibilities are delegated, are senior management.

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 4. Covid-19 impact
19 th April 2021	<ol style="list-style-type: none"> 1. Corporate Risk Policy and Strategy 2021/22 2. Risk Profiles – Air Quality, Financial Risk, Workforce 3. External Audit – Certification Work 4. Counter Fraud Arrangements 5. Internal Audit Plan and Charter 2021/22
28 th June 2021	<ol style="list-style-type: none"> 1. Code of Corporate Governance

*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/March 21

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