

Public Document Pack

Date of meeting Monday, 7th February, 2022
Time 7.00 pm
Venue Garden & Astley Rooms - 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 - 4)
To consider the Decision Record of the previous meeting held on 8 November 2021.
- 4 ANNUAL AUDIT LETTER 2020/21** (Pages 5 - 28)
This item includes a supplementary report.
- 5 INTERNAL AUDIT UPDATE QUARTER 3** (Pages 29 - 34)
- 6 APPOINTMENT OF EXTERNAL AUDITOR FOR THE FIVE YEAR PERIOD FROM 2023/24** (Pages 35 - 42)
- 7 QUARTER 3 2021/22 - CORPORATE RISK MANAGEMENT REPORT** (Pages 43 - 64)
- 8 WORK PLAN** (Pages 65 - 66)
- 9 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors Paul Waring (Chair), Barry Panter (Vice-Chair), Mark Holland, Sylvia Dymond, Sarah Pickup, Mike Stubbs and Bert Proctor

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:	Graham Hutton	Kyle Robinson
	Andrew Parker	Gillian Williams
	Gillian Burnett	Kenneth Owen

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.

Newcastle-under-Lyme Borough Council – Decisions taken by the Audit and Standards Committee on Monday, 8 November 2021

Agenda Item No	Topic	Decision
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Part A – Items considered in public

A1	APOLOGIES	An apology for absence was approved from Councillor Bert Proctor (substitute was Councillor Graham Hutton) and Mr Phil Butters.
A2	DECLARATIONS OF INTEREST	There were no declarations of interest stated.
A3	MINUTES OF PREVIOUS MEETING	That the minutes of the meeting held on 26 July 2021 be agreed as a correct record.
A4	AUDITED STATEMENT OF ACCOUNTS 2020/21	That: (a) The final accounts for the financial year 2020/21 be received and approved; (b) The audit findings report for the financial year 2020/21 be received; and (c) Delegated power be granted to the Head of Finance (Section 151 Officer) in consultation with the Chair to sign off the final accounts on completion of the audit.
A5	TREASURY MANAGEMENT HALF YEARLY REPORT 2021/22	That the Treasury Management half yearly report 2021/22 be received.
A6	INTERNAL AUDIT UPDATE QUARTER 2	That the report be received.
A7	QUARTER 2 2021/22 CORPORATE RISK MANAGEMENT REPORT	That the Committee: (a) Notes that there are 3 overdue risk reviews during Q2; (b) Notes that there was 1 risk level increase during Q2; (c) Notes that there were 6 new risks identified during Q2; and (d) Notes Appendix A – the update on the corporate risks.
A8	WALLEYS QUARRY RISK PROFILE	That the report and the reasons for the Walleys Quarry Risk Profile being contained in the confidential appendix to the report be noted.
A9	WORK PLAN	That the Work Plan be approved subject to one addition to the meeting of February 2022 to add in an item on Value for Money audit.

Newcastle-under-Lyme Borough Council – Decisions taken by the Audit and Standards Committee on Monday, 8 November 2021

Agenda Item No	Topic	Decision
A10	DISCLOSURE OF EXEMPT INFORMATION	That the public be excluded from the meeting during consideration of the following matter because it is likely that there will be disclosure of exempt information as defined in the paragraphs in Part 1 of Schedule 12A of the Local Government Act, 1972.
A11	WALLEYS QUARRY RISK PROFILE - CONFIDENTIAL APPENDIX	That the Risk Profile of Walleys Quarry as set out in the confidential appendix be received.
A12	URGENT BUSINESS	There was no Urgent Business.

Auditor's Annual Report

Newcastle-under-Lyme Borough Council

For the year end 31 March 2021
February 2022

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

- A – The responsibilities of the Council
- B – Risks of significant weaknesses – our procedures and findings
- C – An explanatory note on recommendations
- D - Use of formal auditor's powers

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. 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.

Executive summary

Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Newcastle-under-Lyme Council (the 'Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

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



Financial sustainability

We assessed the arrangements concerning Financial Sustainability and found no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans.



Governance

We assessed the arrangements concerning Governance and found no indications of potential significant weaknesses. However, we have made four improvement recommendations which can be found on pages 10-13.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3E's and found no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on a number of KPIs but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.

Opinion on the financial statements

We have audited the financial statements of Newcastle-under-Lyme Borough Council for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

page 8 Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has consistently demonstrated a track record of robust budget setting and delivery. We have reported previously that the processes in place incorporates an appropriate level of challenge and scrutiny from Committees to ensure budgets are achievable operationally, there a good level of support from finance to ensure budgets are achievable from a resourcing perspective and timely and accurate budget monitoring throughout the year to ensure budgets remain relevant with risks identified quickly. The strong processes underpinning financial management has allowed the Council to consistently identify significant financial pressures and build these into short and medium term plans.

In 2019/20, the Council recorded an overspend of £208k on its revenue account. Covid-19 did not particularly impact the 2019/20 financial position. Covid-19 evidently had a major impact on the Council's operations in 2020/21 and will continue to do so in 2021/22 and beyond. Before the official declaration of a pandemic in March 2020, the Council had already approved its 2020/21 budget and its Medium Term Financial Plan (MTFS) for 2020-25. These financial projections showed funding gaps of £4.446m over the period.

The initial projections at the start of the financial year projected that income losses of c£500k and additional costs of £164k per month due to Covid-19. However, once there was clarity that government would be providing significant grants to cover additional costs and also loss of income the Council was able to review its financial projections for the remainder of the year and ultimately was able to deliver a balanced budget. This was a result of receiving an additional £3.076m of government funding. The government funding for additional costs and income was obviously critical in allowing the Council to deliver the 2020/21 position however the Council also had to ensure it had appropriate arrangements in place to deliver revised operational strategies including the administration of grants to local businesses.

The Council has set a balance budget for 2021/22 budget and identified savings and funding strategies to address the funding gap of £1.275m identified in the previous MTFS.

As part of the 2021/22 budget setting process the Council have also updated its MTFS to 2022/23 - 2025/26 taking into account the current financial environment the Council is operating in. This updated MTFS has reduced the funding gaps over the period to £1.683m.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council has a track record of delivery saving plans. Before Covid-19, a saving requirement of £4.446m was identified over the life of the MTFS. In recognition of the pre-existing funding gaps along with the financial pressures arising from the pandemic, the Council have commenced on full organisational review. This review will look at how the Council delivers its services due to the changing demands on these services and need to protect the most vulnerable and disadvantaged in the community. The implementation of this process will be developed by the One Council Programme which will be undertaken over the two years in 2021/22 and 2022/23. This will involve extensive redesign or organisational structures, process and technology which are underpinned by changes in culture, leadership and governance. The programme will be overseen by the ICT and Digital Steering Group which is chaired by the Leader of the Council. The One Council Programme is expected to achieve efficiencies and recurring savings of £922k over a three year period.

Financial sustainability

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As part of the 2021/22 budget setting process, the Council have also updated its MTFS to 2022/23 - 2025/26 taking into account the current financial environment the Council is operating in and the One Council Programme. This updated MTFS has reduced the funding gaps over the period to £1.683m.

The Council has also updated its Capital Strategy for 2021-2030. This shows capital investment of £76.6m over the period. This will be funded through a mix of capital receipts (£40.2m), external contributions (£12.9m) and borrowing (£23.5m). The capital programme over the MTFS period is £31.057m with prudential borrowing of £19m. The impact of this borrowing has been incorporated into the MTFS as a pressure.

The Council has £59.7m of operational and investment properties and to date the value of these assets have held up despite uncertainties arising from the pandemic. The Council's investment property portfolio delivered net income of £900k in 2020/21, which is a reduction of £73k compared to 2019/20. Like many others in the sector, the Council will need to consider whether its existing strategies take into account changes in risk and the differing ways of working and providing services that could become permanent due to Covid-19, e.g. the need for office space given a potential continuation of hybrid/home working.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

We note there is a robust financial planning process in place which ties in with corporate objectives, service plans and workforce plans. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Council plan covers the period 2018-22 which has the vision of "a growing borough that is an attractive and welcoming place for all". The annual budget and MTFS clearly reference this vision and reflect the priorities within the plan. Whilst the Council plan was produced before Covid-19 the Council has continued to work towards the original objectives of the plan whilst understanding the need to manage the immediate requirements emerging due to the pandemic like managing grant distribution for business and supporting the most vulnerable.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

The pandemic has created challenges to routine financial management in 2020/21, with the temporary cessation of some services to deal with Covid demands and a changing profile of demands of other services. The Council had to be flexible and agile in terms of how it managed the changes in demand and needed to have sound reporting processes to understand what this meant for financial delivery. As noted already, the financial impact and potential income gaps moved significantly during 2020/21 with initial projections before government grant announcements of pressures of £634k per month from loss of income and additional expenditure to an outturn which saw an underspend of £5k. This therefore made the decision making process challenging. The ability to close the gap is primarily down to the support from government during the year but the Council but also needed to demonstrate flexibility and an understanding of its costs and service provision to manage the position.

Summary

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all fundamental elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

We have reviewed the processes the Authority has in place to assess and monitor risk. The Council annually approves a risk management strategy that sets out the Council's responsibilities and approach to managing risks facing the Council.

The Council defines four types of risk:

- Strategic
- Operational
- Project
- Partnership

The Council monitors and manages its risks through its risk management software GRACE (Governance Risk and Control Environment). Each risk identified is RAG rated based on a 3x3 scoring matrix based on upon the likelihood and impact (H/M/L).

All risk are allocated a risk owner and in the case of a strategic risk these are a member of the executive management team. The risk owners update GRACE to show the proposed treatment (tolerate / treat / transfer / terminate) along with key controls for the risk and an action plan for managing the risk.

The review period for each risks is dependant on the RAG rating assigned to the risk (Red – monthly, Amber – quarterly & Green – half yearly).

All strategic risks are include corporate risk register and are reported to the Audit & Standards Committee on a quarterly basis. The report sets out a variety of data for each risk including:

- Risk Owner
- Risk Score
- Target Risk Score
- Impact
- Proposed treatment (tolerate / treat / transfer / terminate)
- Key Controls
- Action plan to manage the risk

The quarterly report also includes the Council's risk review performance and whether there are overdue reviews. The Quarter 4 report for 2020/21 shows that there were no overdue risk reviews.

It is evident that the risks on the corporate risk register are changing from the prior year list of risks, for example there is a specific Covid-19 risk and a specific risk for Walley's Quarry was added in the first quarter of 2021/22. This demonstrates that the risk register is live and regularly updated as the risks facing the Council change.

We identified one potential enhancement to the corporate risk register. In line with best practice, we recommend that risks are clearly mapped to the Council's corporate objectives.

Page 12 Governance

2020/21 was the first year that internal audit services were outsourced and provided by Stoke-on-Trent City Council. An internal audit plan for 2020/21 was approved by the Audit & Standard Committee in April 2020. However, due to Covid-19, internal audit were unable to undertake any reviews in the first half of the year. As a result, the audit plan was revisited to ensure that the higher risk areas were prioritised during the latter half of 2020/21. Due to the lack of coverage caused by Covid-19 restrictions, the Chief Internal Audit was unable to gain sufficient assurance to give a Head of Internal Audit Opinion and had to issue a limitation of scope in line with CIPFA guidance.

As part of our review, we have not identified any issues with the scope of the Internal Audit function, how it is managed by management and via the Committee Structure or the delivery of the service. However, the Council should ensure that the coverage by Internal Audit returns to normal as soon as possible and ensure that areas of the Council not audited in the last three years are given priority.

How the body approaches and carries out its annual budget setting process

The financial landscape due to Covid-19 made 2020/21 a unique year in terms of financial planning. A pre-Covid 19 medium-term financial strategy had been produced based on prudent assumptions about future income streams. This was subsequently updated as part of the 2021/22 budget setting process.

The Council has effective arrangements in place, using analysis and scenario planning to understand its financial position and identify saving and investment options. Despite the pandemic, there is no evidence the arrangements in place have been compromised. Budgets were discussed with budget holders, senior leadership, other stakeholders and the Finance, Assets & Performance Scrutiny Committee. The budget is then presented to Cabinet for final review and their recommendation to full Council for approval. It is also evident from a review of the 2021/22 budget that the impact of Covid-19 on budgets was factored in revised saving plans.

How the body ensures effective processes and systems are in place to ensure budgetary control

There are appropriate systems and processes in place for oversight and monitoring of the budget. Budget holders receive monthly budget monitoring reports for the services they are responsible. These reports are broken down by cost centre and compare monthly income

and expenditure against budget. Reasons for all variances must be reported to the finance team along with explanations of any action being taken being taken

The Council's financial regulations clearly set out the responsibilities of directors for the financial performance of their directorate to control expenditure and income within their areas of responsibilities.

Quarterly finance and performance reports are presented to Cabinet and the Finance, Assets & Performance Scrutiny Committee. The reports are set out financial performance of the Council at an organisational level and details of significant variances that impact on the budget. The report also includes non-financial performance against the Council's KPIs. To improve reporting arrangements in line with best practice, we recommend that the report includes financial performance at a more detailed level such as directorate and service area. This will provide further information to members which will enable greater review and challenge.

Cabinet and the Finance, Assets & Performance Scrutiny Committee also received half yearly treasury management reports. These reports set out the Council's investment and borrowing position as well as performance against its prudential indicators agreed in the annual treasury management strategy.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

There is no evidence to suggest the Council's decision-making processes are not open or transparent. All major policy decisions are taken to Scrutiny Committees in accordance with the Council's Constitution. The Committee Report Template ensures all relevant considerations must be included. Committee members are provided opportunity to challenge and ask questions at Committee meetings, before voting on the decision. The report template for Committee decisions requires consideration of all stakeholders, including engagement as appropriate.

Covid-19 did impact on many organisation's ability to make all decisions in line with existing delegations (e.g. decisions often having to be made outside of Committee cycles due to urgency) however we have not identified any indication that existing arrangements were overridden at the expense of appropriate scrutiny and challenge.

Governance

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. The Council's Constitution sets out the framework for monitoring compliance with legislation. The Council has a Monitoring Officer who is responsible for reporting on the lawfulness of the Council's activities. The Constitution includes code of conducts for both officers and members that stipulate the expected behaviours of the staff and members including openness, transparency, personal ownership and engagement. These are consistent with the public sector Nolan principles.

The Constitution contains a policy for officers and members regarding gifts and hospitality and the responsibility to ensure interests are appropriately declared. These declarations are captured through a annual process and are also evidenced at the start of each Committee meeting. It is also possible to search the Council website for declarations made at meetings by meeting type, date and Councillor.

As part of audit procedures completed on the Statement of Accounts, via a search of Companies House, we identified instances where directorships were not disclosed by members . In once instance this resulted in a related party having to be disclosed in the financial statements. Improvements should be made to ensure that all interests of members and officers are declared and recorded.

Summary

We found no evidence or indication of significant risks in the Authority's governance arrangements as such no further risk-based work has been undertaken in this area. However, we have made four improvement recommendations. These related to:

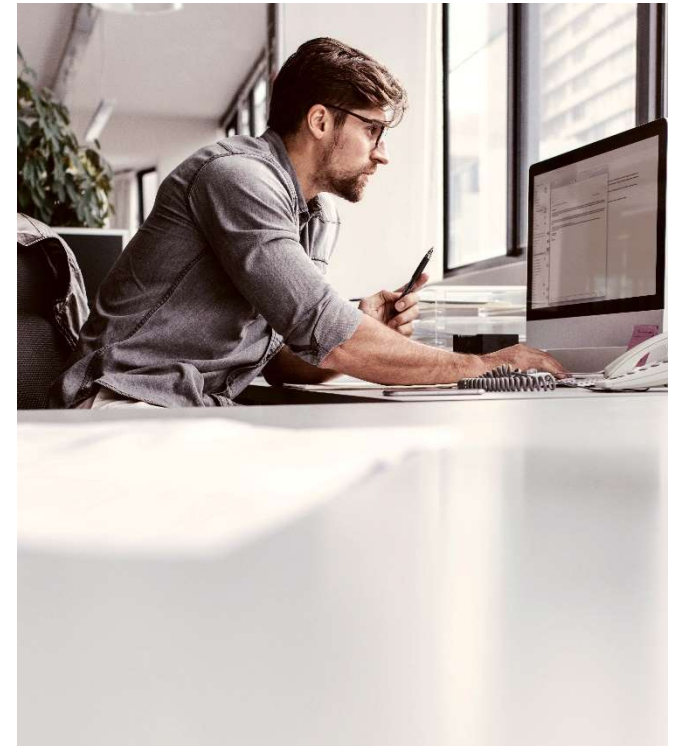
- linking risks in the corporate risk register to corporate objectives
- Internal audit coverage
- the level of detail within the quarterly financial performance reports
- completeness of the declarations on the register of interests

Improvement recommendations



Governance

1 Recommendation	Within the Corporate Risk Register, we recommend that each risk is clearly mapped to the relevant corporate objectives
Why/impact	Mapping the risks on the Corporate Risk Register will provide a clearer view on the corporate objectives that are most at risk of non-achievement.
Auditor judgement	Clear mapping between the Corporate Risk Register and the corporate objective will enable members to exercise scrutiny in better detail.
Summary findings	On the Corporate Risk Register, risks are not mapped against the corporate objectives.
Management comment	The Council will review the risk register and ensure risks are clearly mapped to relevant corporate objectives.

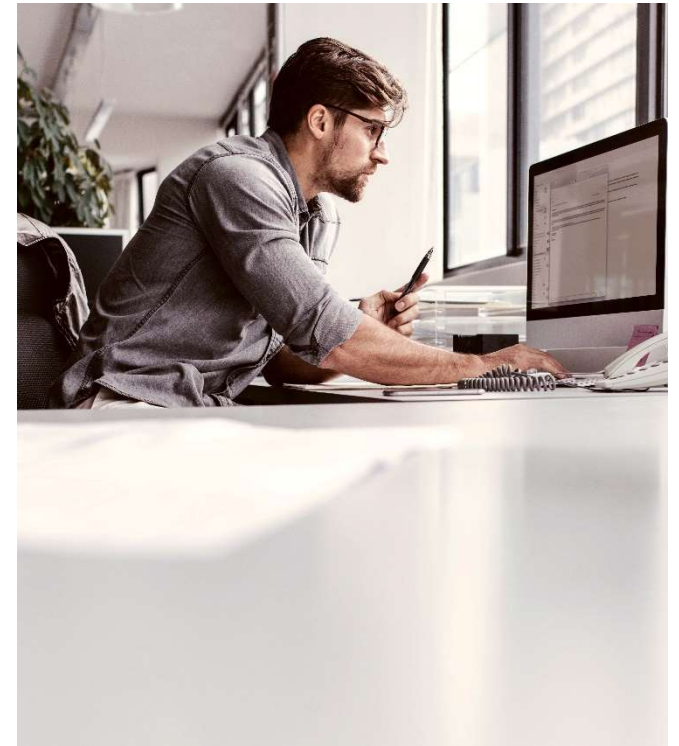


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

2 Recommendation	The Council should ensure Internal Audit coverage returns to normal as soon as possible to ensure that there is no impact on the Council's internal control environment. Areas of the Council that have not been audited in the last three years should be given priority.
Why/impact	Internal audit work forms a key part of the Council's governance framework in providing assurance that internal controls are operating effectively. Reduced internal audit coverage will reduce the assurance that can be given and may not detect where internal controls are not operating effectively. This could lead to the Council's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies not being met.
Auditor judgement	The work of internal audit and the Head of Internal Audit opinion is a key part of the Council's governance framework.
Summary findings	In 2020/21 due to the pandemic the Internal Audit plan was severely impacted. This resulted in a limitation of scope on the Head of Internal Audit opinion for the year.
Management comment	Due to Covid-19, the Council has been unable to complete all of the planned audits during 2020-21. However, arrangements are now in place to complete the planned audit work which will also include an Internal Auditor being on site when completing the audits.

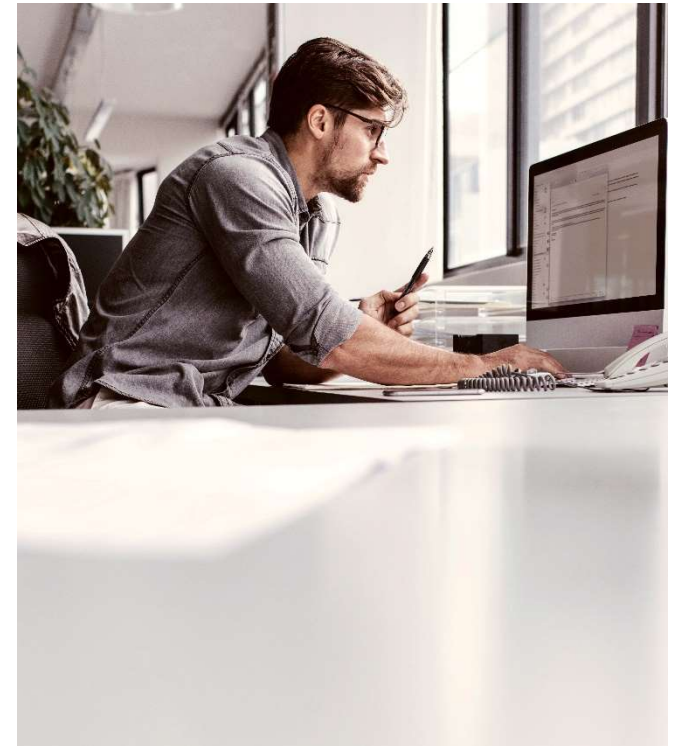


Improvement recommendations



Governance

3 Recommendation	The quarterly financial and performance review report include a breakdown of financial performance by directorate and service areas.
Why/impact	Providing financial performance information at a directorate and service area level will enable members to understand the financial performance of the Council at more detailed level and focus in on service areas that are facing the greatest financial pressure.
Auditor judgement	Clear reporting of financial performance at a directorate and service area level will enable members to exercise scrutiny in better detail.
Summary findings	As part of our work we reviewed the quarterly financial and performance review reports presented to Cabinet. These reports includes reporting of financial performance at organisational level but doesn't include a breakdown of financial performance at a lower level (e.g. directorate or service area)
Management comment	The quarterly financial and performance reports will be updated to include financial performance by directorate and service level.

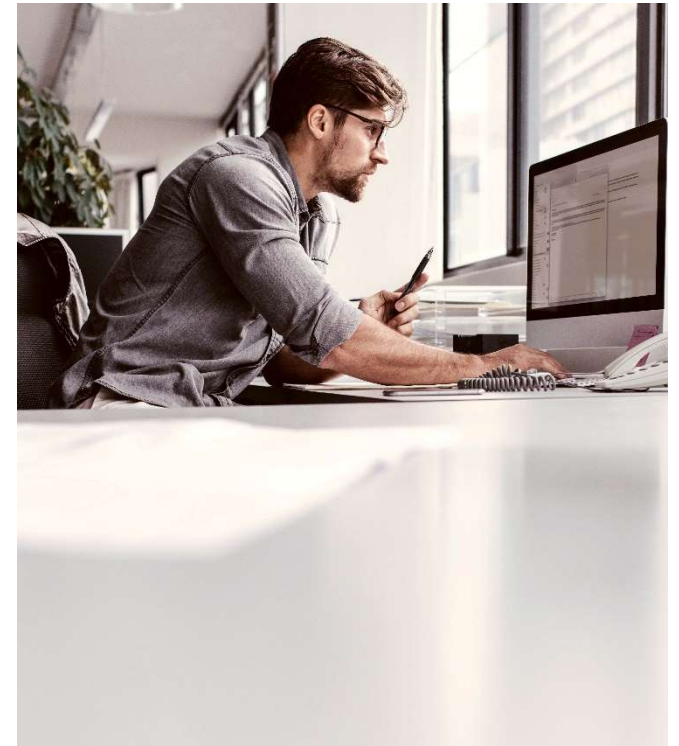


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

4 Recommendation	Review the adequacy of procedures around members declaring interests. Also, implement an annual completeness check to identify any gaps in declarations. For example, this may include a search of Companies House records to compare directorships held to those recorded on the register of interests.
Why/impact	Improved procedures will reduce the likelihood of further interests not being captured on the register of interests, which will support members in being able to demonstrate that they have remained impartial, and no conflict of interests have arisen in the completions of their duties.
Auditor judgement	Identifications of members' directorship that had not been declared on the register of interests indicates that the register is incomplete.
Summary findings	During work on the financial statements audits, we identified instances where members had not declared directorships in the register of interests. In once instance this results in a related party having to be disclosed in the financial statements.
Management comment	Procedures will be reviewed and improved to ensure all declarations of interest are completed and recorded timely.



Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a 4-Year Corporate Plan running from 2018-22 which sets out the strategies, priorities and services for the period. The purpose of the plan is to provide ‘a framework for decision making, which ensures that available resources are allocated to meet the needs of our communities. Having a clear vision for the future, aligned with strategic priorities and activities also provides a framework for managing the effectiveness of the organisation as a whole, as well as for managing individual services.’

As the plan covers four years, the context and actions change over time and as such the plan is reviewed annually to ensure it remains appropriate. As part of the annual cycle, the Council reports on the delivery of the key targets identified in the 4-Year Plan as part of its performance framework.

As a framework the Council’s approach to performance reporting is similar to others in the sector. Cabinet and Scrutiny Committees receive quarterly performance reports. As we explain on page 16 – Covid section, Covid-19 has impacted on both the cycle of reporting (with cancelled meetings) and with the actual achievement of performance. This was to be expected and the Council has still continued to collate its performance data and explain clearly where Covid-19 is specifically impacting on data during the year.

The quarterly performance reports include a summary and an Appendix with every KPI under the Council’s strategic priorities. Each KPI is colour coded for an easy visual presentation of performance, whether it is being achieved or not and the trajectory of the indicator.

The report also sets out overall performance and provides details for those KPIs not achieved along with a narrative of reasons for not achieving the target and actions being taken by officers.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council liaises regularly with other Staffordshire Districts and has a good knowledge of what others are doing and where good practice is in place.

The Council has engaged consultants to benchmarking the Council against other authorities to identify service areas with high level of spend. They have identified a number of high cost areas and these have been incorporated into the Council’s One Council Programme looking at how it delivers its services going forward.

In addition, service directors regularly meet with Finance to review financial performance of services within their remit. This involves challenging the way services are delivered. This includes reviewing each service to determine whether the focus should be on reducing costs or identifying opportunities to invest to improve or increase efficiency in service delivery.

Improving economy, efficiency and effectiveness

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The nature of the services provided by the Council means it is required to work closely with a range of partners. One of the Council's main partnership is the Newcastle Partnership. The partnership represents the public, private, voluntary and community sectors in Newcastle-under-Lyme, comprising of around 40 organisations and plays a vital role in bringing together the different organisations with a shared purpose through co-operative and co-ordinated joint working designed to improve the social, economic and environmental wellbeing in the Borough. The Council acts as the accountable body and lead partner for the Newcastle Partnership.

The partnership board meets every 6-8 weeks and with a special meeting held each February to discuss the available Partnership budget and to agree the work programme for the coming financial year. The partnership board is chaired by the Leader of the Council in their role as Chair of the Newcastle Partnership with support and the involvement of other Political Leaders.

Performance of partnerships is monitored through the Corporate Performance Scorecard, which is based upon the four strategic priorities set out in the Council Plan. Performance against the Council Plan is reported to Cabinet.

As previously mentioned, as part of the Council's approach to risk management, partnership risks are identified and recorded within the Council risk management system GRACE.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council has a detailed Procurement Strategy. The Strategy details the Council's approach to procurement and sets out the stages by which the Council procures goods or services. The Strategy has four key areas or "aims" which are:

- the Council makes effective procurement decisions that comply with regulatory requirements
- The Council's procurement activity must remain effective and developed further to support officers as part of a devolved structure
- Efficiency savings can be achieved through effective procurement
- The Council's procurement activity supports the local economy through transparent and inclusive procurement processes.

The Council has a Contract Manager in post to support and monitor major contracts, and budget managers have delegated responsibility for managing contracts. The Capital, Assets and Commercial Investment Review Group oversees performance of the major capital projects including reviewing actual spend vs budget.

We found no evidence that appropriate procurement processes were not followed during 2020/21.

Summary

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area.

COVID-19 arrangements

Page 20



Since March 2020, COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

Covid-19 has had a significant impact on the services Councils have been required to provide. The Council setup an Incident Response Management Team to plan the Council's responses, ensuring that support to local residents and businesses were provided, that Council services were maintained, and that the welfare of officers and was members protected.

At the same time the Council has to transition to remote working and deal with resourcing issues when staff were either unwell with Covid-19 or required to isolate.

The impact on finances to date has ultimately been limited due to government support but as we reported earlier in this report there were periods of uncertainty when it was unclear what support would be. The Council was able to deliver a budget that required minimal use of reserves in 2021/22 but as government support has reduced whilst the country has re-opened the Council has continued to find the financial landscape challenging because income streams are still impacted.

There is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has reworked future budgets but will need to wait for clarity on what support will be forthcoming in the medium term. Fortunately, the Council is in a good financial position with reasonable levels of reserves for its size but these cannot be utilised indefinitely and saving targets, service provision and commercial strategies will need to be revisited.

Governance

Governance arrangements were amended to meet the challenges of the pandemic. A specific cost centre was set up to allow for accurate recording of Covid related costs and reporting on the impact was incorporated into the quarterly budget monitoring reports

As soon as these were lawful, the Council started holding members' meetings online. This allowed for Council and key Committees to continue to meet, discuss and continue to be involved in decision making. Many corporate support staff began to working from home as the Council was required to transition to IT-enabled home working away from the office.

Cabinet received regular reports on the current Covid-19 situation and the Council's responses across four key areas:

- Support for the most vulnerable
- Support for Businesses
- Impact on Council Services
- Impact on Council Finances

The Council was required to act in response the government's 'Working safely during Coronavirus' guidance issued in May 2020. This created a significant amount of work to ensure buildings and services were subject to health and safety measures to be Covid Secure. To maintain essential services, the Council procured and supplied necessary PPE.

Improving economy, efficiency and effectiveness

During the pandemic the Council has continued to measure performance against its four year Corporate Plan 2018-22. Despite the obvious impact of Covid-19 on performance the Council did manage to meet 14 of its 18 performance targets (74%). A number of these indicators were not achieved because the teams responsible were re-deployed or working on other priority area.

Summary

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 23 November 2021.

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 8 November 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

The key issues were:

- Misclassification of one property as an investment property when it should have been classified as an asset held for sale
- Completeness of the register of interests. Testing identified that not all directorships had been disclosed by members.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Head of Finance (s151 Officer):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

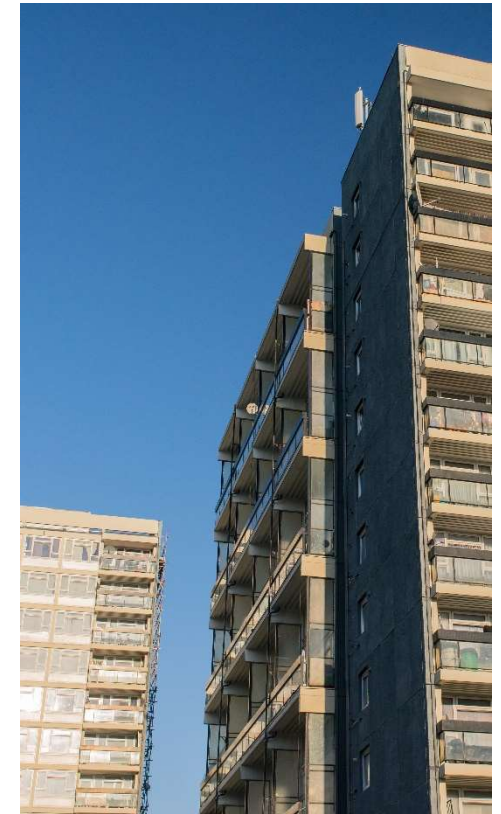
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Finance is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Head of Finance is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

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As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work.

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness	We have reviewed the Council's Medium Term Financial Strategy, financial monitoring reports and assessed the assumptions used and savings being achieved.	Our detailed findings can be found pages 5 & 6. The Council have worked hard to address the funding gaps identified within the MTFS. As part of the 2021/22 budget setting process the Council updated its MTFS and have reduced the funding gap from £4.446m to £1.683m. This is mainly due to the Council's One Council programme which is expected to achieve efficiencies and recurring savings of £922k over the next three years.	Appropriate arrangements are in place no further action taken.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Governance pages 10-13

Appendix D - Use of formal auditor's powers

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The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not required
<p>Public interest report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not required
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not required
<p>Advisory notice</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	Not required
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not required



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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
07 February 2022

Report Title: Internal Audit Update Quarter 3
Submitted by: Chief Internal Auditor, Clare Potts
Portfolios: Finance, Town Centres and Growth
Ward(s) affected: All

Purpose of the Report

To report on the position regarding Internal Audit during the period 1 October to 31 December 2021.

Recommendation

1. That Members consider the report.

Reasons

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

1. Background

- 1.1 The Internal Audit Plan for 2021/22 allows for 301 days of audit work.
- 1.2 This is the third progress report of the current financial year presented to the Committee.
- 1.3 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The internal audit plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit & Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

2. Issues

Audit reviews

- 2.1 During quarter 3 a number of reviews that began in previous quarters were finalised. See table 1 over for details.

Table 1 – Audits Completed at the end of December 2021

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Benefit Services Health Check	Good (Positive)	0	0	0	0
General Data Protection Regulations	Unsatisfactory (Negative)	1	4	1	6
Bereavement Services	Satisfactory (Positive)	0	6	3	9
Business Continuity (Covid-19 National Emergency)	Good (Positive)	0	2	1	3

2.2 Of the 4 reports issued in the quarter, one received an unsatisfactory opinion; the main weaknesses identified in this report are outlined below:

General Data Protection Regulations

At this audit 6 recommendations were made (one high risk, four medium risks and one low risk) with the resultant audit opinion of 'Unsatisfactory'. The key areas which required improvement were in respect of addressing gaps in data protection training, connecting officers with responsibility for GDPR to ensure efficient management and developing performance monitoring to assess and report on key areas of compliance.

2.3 At the end of quarter 3 a number of audit work remains in progress, details are provided in table 2 below.

Table 2 –Audits In Progress at the end of December 2021

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Payroll	Fieldwork
	Council Tax	Preparation
	NNDR	Preparation
	General Ledger	Preparation
Regeneration and Development	Planning Enforcement	Fieldwork
Corporate	Safeguarding	Fieldwork
	Procurement and Contract Management	Preparation
	Risk Management	Preparation

2.4 As in the previous quarters, the internal audit team continue to be available to provide advice and guidance to services as required. The annual internal audit plan also remains under regular review to support the production of the annual opinion at the year end.

Number of Recommendations Implemented

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

2.6 Up to the end of December 2021, 280 recommendations had been made, of which 252 have been implemented, which represents 90%; the target for the implementation of all recommendations is 96% by the end of the financial year. Appendix A provides further details.

3. **Proposal**

3.1 The internal audit plan for 2021/22 remains under review to ensure best use of available resources.

4. **Reasons for Proposed Solution**

4.1 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council.

5. **Options Considered**

5.1 None

6. **Legal and Statutory Implications**

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

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

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

9. **Major Risks**

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

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

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

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

10.1 Not applicable.

11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval of the Internal Audit Plan for 2021/22 (Audit and Standards Committee April 2021).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2021/22.

Summary of Overdue Audit Recommendations and Level of Assurance

Directorate	Total Number of Recommendations	Number of Recommendations Completed	Number of Recommendations Not Completed	Number of Recommendations Overdue for Implementation*			
				High	Medium	Low	Total
Chief Executives	164	146	18	1	6	4	11
Regeneration & Development Services	12	12	0	0	0	0	0
Operational Services	68	58	10	0	2	1	3
Corporate Reviews	36	36	0	0	0	0	0
Total	280	252	28	1	8	5	14

* includes recommendations where extensions have been agreed

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

**Audit & Standards Committee
07 February 2022**

Report Title: Appointment of External Auditor for the five year period from 2023/24

Submitted by: Head of Finance (S151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

This report sets out proposals for appointing the external auditor to the Council for the Statement of Accounts for the five-year period from 2023/24.

Recommendation

That the Audit and Standards Committee review the report Cabinet recommends to Full Council in respect of the Council accepting the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Reasons

The national offer provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other Councils to optimise the opportunity to influence the market that a national procurement provides.

1. Background

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 1.2 The PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. Authorities have the option to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or to join and take advantage of the national collective scheme administered by PSAA.

2. Issues

- 2.1 Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options;
 - To appoint its own auditor, which requires it to follow the procedure set out in the Act.

- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

2.2 In order to opt in to the national scheme, a council must make a decision at a meeting of the Full Council.

The Appointed Auditor

2.3 The auditor appointed at the end of the procurement process will undertake the statutory audit of the Statement of Accounts and Value for Money assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

2.4 The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.

2.5 The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.

2.6 Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.

2.7 Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the Council itself or jointly with other authorities

2.8 The Council may elect to appoint its own external auditor under the Act, which would require the Council to;

- Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council external audit.
- Manage the contract for its duration, overseen by the Auditor Panel.

2.9 Alternatively, the Act enables the Council to join with other authorities to establish a joint procurement and auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Initial discussions have taken place amongst the Staffordshire Chief Finance Officers and there was no appetite expressed for such an arrangement.

The National Auditor Appointment Scheme

2.10 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk;
- ongoing contract and performance management of the contracts once these have been let.

Pressures in the current local audit market and delays in issuing opinions

2.11 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

2.12 During 2018 a series of financial crises and failures in the private sector led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and

arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

2.13 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

2.14 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.

The invitation

2.15 PSAA is now inviting the Council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.

3. Proposal

3.1 The sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- if the Council does not use the national appointment arrangements, the Council would be required to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way to ensuring there is a continuing and sustainable public audit market into the medium and long term.

3.2 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at Full Council. The opt-in period started on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to formally make that decision and return the completed opt-in documents to PSAA by 11 March 2022.

3.3 The Cabinet considered this report on 2 February 2022 where it agreed to recommend to Council that the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

4. **Reasons for Proposed Solution**

4.1 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:

- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
- continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
- continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned, with the Council's share being £5,120k and £8,350k respectively.

4.2 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

4.3 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.

4.4 There are currently only nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

5. **Options Considered**

5.1 If the Council did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees,

excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council/Authority's external audit.

- 5.2 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. However there has been no appetite for such an arrangement locally.
- 5.3 These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Council is unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality. The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
- 5.4 The national offer provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other Councils to optimise the opportunity to influence the market that a national procurement provides.

6. **Legal and Statutory Implications**

- 6.1 Section 7 of the Local Audit and Accountability Act 2014 requires the Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 6.2 Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor (when not opting into the national arrangements). Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
- 6.3 Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
- 6.4 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

7. **Equality Impact Assessment**

- 7.1 Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably due to protected characteristics. There are no differential equality issues arising directly from this report.

8. **Financial and Resource Implications**

- 8.1 There are no direct financial implications arising from the recommendation within this report, however there is a risk that current external audit fee levels could increase when the current contract ends. It is clear that the scope of audit has increased since the previous procurement

exercise, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

8.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.

8.3 It should be noted that if the national scheme is not used some additional resource would be needed to establish an auditor panel and conduct a local procurement, however until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required or the potential increase in External Auditor fees by not procuring collectively.

9. **Major Risks**

9.1 Failure to appoint an auditor due to a lack of market appetite.

9.2 By Opting into the national sector led scheme places the Council in the best position to secure the appointment of an auditor within the specified timescales and requirements and achievement of the overall value for money.

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

10.1 Opting into the national scheme provides partnership working whilst seeking to encourage market sustainability in its procurement.



11. **Key Decision Information**

11.1 This is a key decision as the 5-year contract for the provision of External Auditors will be circa £300,000.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Cabinet approval on 2 February 2022

13. **List of Appendices**

13.1 None

14. **Background Papers**

14.1 PSAA Opt-in invitation.

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- 1.4 Risk owners are challenged by the Council's Risk Champions in respect of the controls, further actions, ratings and emerging risks related to their risk profiles, and are also challenged on the reasons for inclusion or non-inclusion and amendments of these.
- 1.5 Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy (i.e. at least monthly). Any specific projects, where required can also have their risks monitored, maintained and managed in the Project Board meetings, in line with whichever risk management process they wish to use – this will stop 'double reporting' and enable officers to manage the project risks accordingly, but escalating any requirements via the process in the Risk Management Strategy.

2. **Issues**

- 2.1 Further to an Audit Assurance recommendation your officers have been asked to report on overdue risk reviews that are 6 months out of date.
 - 2.1.1 At the time of running the report, there are 9 overdue risk reviews in Q3 (2021/22). One is in the Asset Services risk profile; and two are in Community Centres – these were reported to the last meeting and have been reported to the relevant Executive Director.
 - 2.1.2 The other overdue reviews are as follows: one in Castle House profile; two in the Carbon Reduction Plan; one in Commercial Development; one in the Asset Management Strategy; and the final one in The Midway.
 - 2.1.2 In line with the risk management strategy the escalation process will be followed, until such time that involvement of this Committee is required.
- 2.2 Following a previous meeting a brief point is now produced to show any risks where the risk level has increased to a Medium 7, 8 or High 9.
 - 2.2.1 Your officer can report that there were no risk level increases during Q3 (2021/22).
 - 2.2.2 There were however, new identified risks for Q3 (2021/22). These are in relation to
 - New Risk Profile for Future High Street Fund
 - New Risk Profile for Newcastle Town Deal
 - New Risk profile for Kidsgrove Town Deal
 - 2.2.3 The new risk profiles above are regularly monitored by the relevant project boards and reported accordingly to Officers and Member Committees where required.
 - 2.2.4 Appendix A highlights the Corporate risks following a review on 17 December 2021.

3. **Proposal**

- 3.1 To accept the recommendations.
- 3.2 To accept Appendix A.

4. **Reasons for Preferred Solution**

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

5. **Options Considered**

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

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 8 November 2021.

13. **List of Appendices**

13.1 Appendix A – Corporate risks with heat map.

14. **Background Papers**

14.1 None.

Corporate Risks

Risk Air Quality

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

Impact Measures

Risk Description Failure to comply with the Government Directive Timetable

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

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

Risk Owners Dave Adams

Risk Rating Medium Amber 6 **Last Review** 17/12/2021

Final Risk Rating Medium Amber 6 **Next Review** 17/03/2022

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

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Air Quality project

Action Plans

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

Breach of health and safety

Likelihood	H			G
	M			R
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description

Failure to comply with relevant health and safety legislation.

Potential Consequences

Death or harm to staff, contractors or members of the public. Reputation damage. Adverse financial implications. Third party intervention.

Implication

Risk Owners

Martin Hamilton

Risk Rating

High Red 9

Last Review

17/12/2021

Final Risk Rating

Medium Amber 6

Next Review

17/03/2022

Target Risk Level

Medium Amber 3

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Key Controls Identified

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

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Ongoing	Dave Adams Martin Hamilton Simon McEneny Sarah Wilkes	31/01/2022	Note continuation of H&S Thursdays.

Risk

Likelihood

Civil emergency

H			
M			
L		R/T/G	
	L	M	H

Impact

Impact Measures

Risk Description Civil emergency

Potential Consequences Possible unbudgeted costs; service delivery affected

Implication Fall in usual service delivery; complaints;

Risk Owners Martin Hamilton

Risk Rating Low Green 2 **Last Review** 17/12/2021

Final Risk Rating Low Green 2 **Next Review** 15/06/2022

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

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Bellwin Scheme should meet 85% of cost
- Insurance provision established
- General Fund Reserve available

Action Plans

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

Risk Corporate Governance

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

Impact Measures

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

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

Implication

Risk Owners Daniel Dickinson

Risk Rating Medium Amber 6

Last Review 17/12/2021

Final Risk Rating Medium Amber 3

Next Review 17/03/2022

Target Risk Level Medium Amber 3

Treatment Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

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

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Scrutiny Protocol and Toolkit	Scrutiny Protocol and Toolkit to be written for implementation	Planned	Denise French	31/03/2022	
Training	To be arranged for all Members of Audit & Standards Committee	Planned	Daniel Dickinson Sarah Wilkes	31/03/2022	

Covid-19

Likelihood	H			G
M			R	
L			T	
	L	M	H	
	Impact			

Impact Measures

Risk Description Pandemic leading to disruption of service delivery and local economic impact

Potential Consequences Higher mortality rates
Local economic impacts
Customer dissatisfaction and service complaints

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

Risk Owners Martin Hamilton

Risk Rating High Red 9 **Last Review** 17/12/2021

Final Risk Rating Medium Amber 6 **Next Review** 17/03/2022

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

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

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

Action Plans

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

Risk Cyber risk

Likelihood	H			G
	M			R
	L		T	
		L	M	H
	Impact			

Impact Measures

Risk Description

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

Potential Consequences

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

Implication

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

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

Risk Owners

Martin Hamilton

Risk Rating

High Red 9

Last Review

17/12/2021

Final Risk Rating

Medium Amber 6

Next Review

17/03/2022

Target Risk Level

Low Green 2

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Key Controls Identified

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

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Risk assessment based process via insurance Brokers to be completed	Planned	Annette Bailey Mark Bradshaw Diana Litherland	28/01/2022	

Risk Data Breach

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

Impact Measures

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

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

Implication Severe

Risk Owners Daniel Dickinson

Risk Rating Medium Amber 6

Last Review 17/12/2021

Final Risk Rating Medium Amber 6

Next Review 17/03/2022

Target Risk Level Medium Amber 3

Treatment Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Information Governance Officer

Action plan produced

Information Governance Group Formed

Training available

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Review mandatory DPA/GDPR training across the Council		Planned	Daniel Dickinson	31/03/2022	
Review of GDPR policies	To ensure that information governance processes are in place and up to date inc. DHR & SAR etc.	Ongoing	Matthew Gratton Diana Litherland	17/12/2021	

Risk **Financial Risk**

Likelihood	H			G
	M			R
	L			T
		L	M	H
	Impact			

Impact Measures

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

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

Implication

Risk Owners Sarah Wilkes

Risk Rating High Red 9 **Last Review** 17/12/2021

Final Risk Rating Medium Amber 6 **Next Review** 17/03/2022

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

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

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

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Increase reserves and balances	Monthly review and update of financial risk assessments reserves and balances	Ongoing	Sarah Wilkes	31/03/2022	

Risk Loss of major contractor

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

Impact Measures

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

Potential Consequences Disruption to service; Reputation damage; Financial costs; Potential claims

Implication

Risk Owners Martin Hamilton

Risk Rating Medium Amber 6 **Last Review** 17/12/2021

Final Risk Rating Medium Amber 6 **Next Review** 17/03/2022

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

Path Corporate Risks/Newcastle Under Lyme

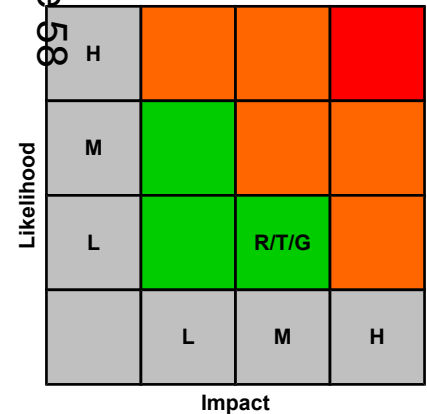
Key Controls Identified

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

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Critical supplier lists monitor and review	Planned	Simon Sowerby	31/01/2022	Review and update to Council's contract register has commenced; On completion a request will be made to Heads of Service to review and highlight their major/critical contractors for their service; Upon receipt of this information credit checks will be completed for each of the major/critical suppliers.

Risk



Loss of operating building

Impact Measures

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

Potential Consequences Service failure; Business interruption; Financial costs; Reputation damage.

Implication

Risk Owners Martin Hamilton

Risk Rating Low Green 2 **Last Review** 17/12/2021

Final Risk Rating Low Green 2 **Next Review** 15/06/2022

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

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

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

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Castle House Business Continuity Plan development	Work to be undertaken to develop the BCP for the specific Castle House operation of Newcastle Borough Council employees	Planned	Elaine Burgess Martin Hamilton	20/01/2022	Revise in the current Covid working conditions - may change if return to office is more mainstream..

Risk Safeguarding

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

Impact Measures

Risk Description

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

Potential Consequences

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

Implication

Risk Owners

Simon McEneny

Risk Rating

Medium Amber 6

Last Review

17/12/2021

Final Risk Rating

Medium Amber 6

Next Review

17/03/2022

Target Risk Level

Medium Amber 3

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Policy and Procedures

Personnel

Partners and Partnership working

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate awareness raising across the business to recognise Safeguarding as each persons responsibility where required.	Ongoing	Dave Adams Martin Hamilton Simon McEneny Sarah Wilkes	31/03/2022	

Strategic Priorities

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

Impact Measures

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

Potential Consequences Strategic priorities not delivered.
Reputation damage.

Implication

Risk Owners Martin Hamilton

Risk Rating High Red 9

Last Review 17/12/2021

Final Risk Rating Medium Amber 5

Next Review 17/03/2022

Target Risk Level Medium Amber 5

Treatment Tolerate

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

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

Action Plans

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

Risk Strategic Projects

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

Impact Measures

Risk Description Failure to deliver key strategic project or projects, including One Council

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

Implication

Risk Owners Simon McEneny

Risk Rating Medium Amber 6 **Last Review** 17/12/2021

Final Risk Rating Medium Amber 6 **Next Review** 17/03/2022

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

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

- Advice obtained from external bodies as and when required
- Governance
- Resources

Action Plans

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

Wallys Quarry

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

Impact Measures

Risk Description Current air quality issues in respect of the quarry and the contractor

Potential Consequences Reputation damage to the Council and the Borough.
Finance and Officer resource

Implication

Risk Owners Dave Adams; Daniel Dickinson; Martin Hamilton; Sarah Wilkes

Risk Rating High Red 9 **Last Review** 17/12/2021

Final Risk Rating High Red 9 **Next Review** 16/01/2022

Target Risk Level Medium Amber 6 **Treatment** Treat

Path Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Odour Incident Management Team

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Continue with IMT works	Ongoing	Dave Adams	28/01/2022	

Risk Workforce

	H			
Likelihood	M		R	G
	L		T	
		L	M	H
	Impact			

Impact Measures

Risk Description

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

Potential Consequences

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

Implication

Legislation implications. Employee relation implications.

Risk Owners

Martin Hamilton

Risk Rating

Medium Amber 6

Last Review

17/12/2021

Final Risk Rating

Medium Amber 5

Next Review

17/03/2022

Target Risk Level

Low Green 2

Treatment

Path

Corporate Risks/Newcastle Under Lyme

Key Controls Identified

Workforce policies in place

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Develop workforce strategy and development plan	Planned	Helen Smith	31/03/2022	Final plan to be developed.

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Audit and Standards Committee

Work Plan 2021/2022

Committee Date	Reports
28 th June 2021	1. CANCELLED
26 th July 2021	<ol style="list-style-type: none"> 1. Annual Governance Statement 2. Draft Statement of Accounts 2020/21 3. Treasury Management Annual Report 2020/21 4. Internal Audit Annual Report 2020/21 5. Q1 Internal Audit Progress Report 6. Q4 & Q1 Corporate Risk Management Report 7. Health and Safety Report 2020/21 8. Work Plan
27 th September 2021	CANCELLED
8 th November 2021	<ol style="list-style-type: none"> 1. Audited Accounts for 2020/21 2. Treasury Management Half Yearly Report 2021/22 3. Q2 Internal Audit Progress Report 4. Q2 Corporate Risk Management Report 5. Walley's Quarry Corporate Risk Report
7 th February 2022	<ol style="list-style-type: none"> 1. Q3 Internal Audit Progress Report 2. Q3 Corporate Risk Management Report 3. Annual Audit Letter 2020/21 including Value for Money Audit 4. Appointment of External Auditor
25 th April 2022	<ol style="list-style-type: none"> 1. Q4 Internal Audit Progress Report 2. Internal Audit Charter 2022/23 3. Internal Audit Plan 2022/23 4. Corporate Fraud Arrangements 5. Q4 Corporate Risk Management Report 6. Risk Management Policy & Strategy 2022/23 7. Code of Corporate Governance
27 th June 2022	<ol style="list-style-type: none"> 1. Health and Safety Report 2021/22 2. Treasury Management Annual Report 2021/22

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

DJF/January 2022

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