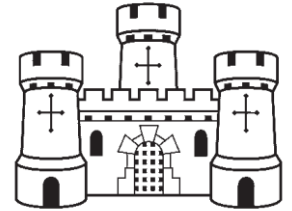


# Public Document Pack

**Date of meeting** Friday, 1st May, 2020  
**Time** 2.00 pm  
**Venue** via Video - Conference  
**Contact** Geoff Durham



**NEWCASTLE  
UNDER LYME**  
**BOROUGH COUNCIL**

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

## **Audit and Standards Committee**

### **AGENDA**

#### **PART 1 – OPEN AGENDA**

- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**  
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETING** **(Pages 3 - 8)**  
To consider the minutes of the previous meeting(s).
- 4 INTERNAL AUDIT PLAN 2020/21** **(Pages 9 - 24)**
- 5 REVIEW OF SCHEME OF DELEGATION FOR LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT 1976 and TOWN POLICE CLAUSES ACT 1847** **(Pages 25 - 28)**
- 6 UPDATE ON PROPOSED CHANGES TO FINANCIAL REGULATIONS**  
A verbal update will be given.
- 7 URGENT BUSINESS**  
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972
- 8 UPDATE TO AUDIT PLAN AND SCOPING LETTER** **(Pages 29 - 38)**  
**Item of Urgent Business – Published 28 April, 2020.**

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

The meeting of the Audit and Standards Committee will begin at 2pm on Friday, May 1<sup>st</sup>. This meeting will be held virtually using Zoom.

## Watching the Meeting

You can attend the meeting in the following ways:

Web: <https://zoom.us/j/97762459738>

Using the Zoom App

Telephone: 0330 088 5830 or 0131 460 1196

The Conference ID for telephone and Zoom App users is: 977 6245 9738

You do not require a password or pre-registration to access this committee meeting. Please note, as an attendee you will only be able to watch the meeting. You will not be able to vote, ask questions or discuss the materials presented to the committee.

## Questions and Representations

If you would like to ask a question or make a representation during the meeting, please inform our Democratic Services team by emailing [geoff.durham@newcastle-staffs.gov.uk](mailto:geoff.durham@newcastle-staffs.gov.uk)

All requests to ask questions or make representations should be submitted by 5pm on the evening before the meeting and would require the approval of the Chair.

In your email, please include details of the item you would like to speak on and, if you are asking a question, the question itself. If you cannot be identified to ask your question during the meeting, the meeting Chairperson will ask the question for you.

When joining the webinar using the App or Web link, please ensure that you enter your full name as your screen name, so that you can be identified during the meeting and asked to speak at the appropriate time.

If you will be joining the webinar by phone please ensure that you inform our Committee Services team of the number you will be using and make sure that your Caller ID is not blocked – this will allow us to identify you during the meeting and facilitate you speaking to the committee.

## AUDIT AND STANDARDS COMMITTEE

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

**Present:** Councillor Paul Waring (Chair)

**Councillors:** K. Owen M. Stubbs B. Panter  
S. Pickup G. Burnett

**Officers:** Geoff Durham Mayor's Secretary / Member Support Officer  
Jan Willis Interim Executive Director - Resources and Support Services and Section 151 Officer  
Daniel Dickinson Head of Legal /Monitoring Officer  
Sarah Wilkes Head of Finance

Also in attendance: Grant Thornton  
University of Keele

### 1. APOLOGIES

Apologies were received from Councillor Dymond who was on mandatory Planning training.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest stated.

### 3. MINUTES OF PREVIOUS MEETING

**Resolved:** That the minutes of the meeting held on 11 November, 2020 be agreed as a correct record.

### 4. MATTERS ARISING FROM THE MINUTES

ITEM 7. Resolution (iii)

The Chair advised Members that the revised Code of Conduct would be brought to a future meeting. This was because the Local Government Association had announced that a new national model code would be issued on 30 June which the Council was likely to adopt. Currently it was anticipated that the matter would return to the Committee on 27 July on route to Council on 23 September.

### 5. CORPORATE RISK MANAGEMENT REPORT- QUARTER THREE

Consideration was given to a report informing Members of the progress made by the Council in enhancing and embedding risk management for the period October to December, 2019.

The Interim Executive Director – Resources and Support Services and Section 151 Officer, Jan Willis advised that there had been a lot of work done since the previous period. Members' attention was drawn to the last item on page 16 of the agenda – 'major infectious disease'. The Council's Executive Management Team had held a number of lengthy meetings in light of the Corona Virus outbreak and the Pandemic Flu Plan was being updated as a result. It was hoped that this would be completed within the next few days.

The scenario of losing up to twenty percent of the Council's workforce had been looked at as to how to prioritise services in the event. Also, the loss of access to buildings had been considered. There was still a lot of work required which was ongoing. The Country was still in containment phase at present so it was not expected that there would be mass absences in the next few weeks.

The Chair added that there was a necessity to keep the situation monitored.

Councillor Stubbs stated that it was important that the residents were kept informed and that Councillors had the information to pass on. Councillor Panter asked if a public statement would be going out from this Council.

Jan Willis advised that information may need to be communicated in the next few weeks.

Councillor Sweeney made reference to item 14 on the chart which related to 'workforce', advising that several new members of staff in key posts had been recruited and had started work at the Authority.

- Resolved:**
- (i) That it be noted **that** there are no overdue risk reviews (point 2.1.1).
  - (ii) That it be noted that there are no risk level increases (point 2.2.1).
  - (iii) That it be noted that there are 14 new identified risks (point 2.2.2).**
  - (iv) That the managed additional risk in relation to Major Infectious Diseases be noted. (point 2.2.3).**
  - (v) That Appendix A be noted.**

## 6. **INTERNAL AUDIT PROGRESS REPORT - QUARTER THREE**

Consideration was given to a report updating Members on the work undertaken by the Internal Audit section during October to December, 2019.

Jan Willis advised that, at the previous meeting of this Committee a number of audits had been deferred as there had been further matters which had required attention.

Members' attention was drawn to Table 2 of the report on page 18 of the agenda which showed deferral of a further two audits and the reasons for doing so.

Arrangements were in place to ensure that the rest of the plan would be delivered by the end of March.

Councillor Stubbs stated that he understood why the Brexit audit had been deferred but asked if an interim report could be produced, explaining what had been done to date.

Jan Willis explained that there had been discussions about doing a light touch audit regarding a 'no-deal' but that was no longer an issue. However, at the end of the year there could be issues if no trade deal is reached.

A light touch audit could be prioritised for the first quarter of the new financial year but would only be based on what was currently known and predictions. Furthermore, April may be too soon with June being a better option.

Councillor Stubbs stated that he would be happy to push it to the June meeting but added that it needed to be more than a light touch audit.

The Chair suggested that it was more important to know what the preparations were.

Jan Willis stated that she would circulate a response to Members after the meeting.

- Resolved:**
- (i) That the report be received.
  - (ii) That the deferral of the audits listed in section 3.2 of Table 2, be agreed.

## **7. EXTERNAL AUDIT PLAN 2019-20**

Mr Andrew Smith of Grant Thornton gave a presentation to Members outlining what was happening in the external audit market at the current time. The presentation covered FRC Regulations; the length and complexity of accounts; audit deadlines; audit fees; recruitment and retention and reviews of the audit market (Redmond Review).

Mr Smith advised Members that Grant Thornton had asked for the target date for the issue of audit certificates to be put back to the original September deadline instead of July as it was putting undue pressure on audit resources and gave no room for contingency.

The Chair agreed that moving the date back to September was a good idea as logistical problems could create a target date which was unfeasible.

Mr Smith explained the External Audit Plan for the year ending 31 March, 2020.

Members' attention was drawn to page 31 of the agenda which outlined the significant audit risks. Mr Smith added that these were standard risks which all auditors must have regard to and not specific to any Authority.

Page 34 of the agenda listed 'other risks' and reference was made to the outsourcing of the Payroll system which would need further assessment by Grant Thornton.

Page 40 of the agenda gave the reasons for the Audit Fee variations.

Councillor Stubbs understood the need for increases in fees and asked if Grant Thornton were asking the Council to accept the fee increase or telling that they had.

Mr Smith stated that it was technically a request. However, should the request be refused, Grant Thornton would effectively be in dispute with the Council and this would undermine their independence. In these circumstances they would not be able to continue as the Council's auditors and PSAA would have to appoint another firm to undertake the audit.

Mr Smith recommended that Members read the PSAA report and Jan Willis advised that a copy was available if Members wished to see it.

**Resolved:** That the report be received, comments noted and the external audit plan be approved.

**8. INFORMING THE AUDIT RISK ASSESSMENT FOR NEWCASTLE UNDER LYME BOROUGH COUNCIL 2019 -20**

Mr Parker introduced this report, drawing members' attention to the purpose of the report on page 49 of the agenda – to contribute towards effective two way communication.

The report looked at fraud, laws and regulations, going concern, accounting estimates and related parties.

Members were advised that this was an information only item which contained a standard number of items which had been responded to.

**Resolved:** That the information be received and the comments noted.

**9. UPDATE OF FINANCIAL REGULATIONS**

The Council's Head of Finance, Mrs Sarah Wilkes introduced a report advising on proposed revisions to the Council's Financial Regulations and Procedures which would need to be presented to Full Council for adoption.

The amendments were shown as tracked changes on pages 83 to 147 of the agenda. Page 80 of the agenda outlined the amendments made.

Members' attention was drawn to page 104 of the agenda which, at paragraph 1.5 showed changes to monetary limits.

A new Section, (7) Commercialisation Governance had been added in line with the Council's Commercial Strategy.

Councillor Stubbs referred to the changes outlined on page 104 of the agenda and asked if the new figures were still liable for call-in to the Cabinet.

The Monitoring Officer advised that this type of decision was a Treasury Management decision,, not subject to call-in.

Financial limits for Key Decisions had been increased by Full Council in 2019.

**Resolved:** That it be recommended to Council that the revised Financial

Regulations and Procedures, asset out in Appendix 1 of the report, be adopted.

10. **URGENT BUSINESS**

There was no Urgent Business.

**CLLR PAUL WARING**  
**Chair**

Meeting concluded at 8.05 pm

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**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

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

**20<sup>th</sup> April 2020**

**1. INTERNAL AUDIT PLAN 2020/21**

**Submitted by:** Chief Internal Auditor, Clare Potts

**Portfolio:** Finance and Efficiency

**Ward(s) affected:** All

**Purpose of the Report**

To inform Members of the proposed Internal Audit Plan for 2020/21 and to seek their approval on its contents.

**Recommendations**

**A That in accordance with the Committee's terms of reference, the Internal Audit Plan for 2020/21 be approved.**

**B That the Internal Audit Charter for 2020/21 which sets out how the plan will be delivered be approved.**

**C That the Committee agree to receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.**

**Reasons**

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

**1. Background**

1.1 The primary purpose of an Internal Audit service is to provide an independent, objective assurance and consulting service to the organisation; and through the efficient delivery of this service seeks to add value and improve the organisation's operations and controls to effectively deliver the council's Strategic Priorities. Internal Audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Internal Audit is an independent appraisal function within the Borough Council under the control of the Executive Director Resources & Support Services (and Section 151 Officer).

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

- 1.3 The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function and they specify that compliance with the relevant standards is required to demonstrate an appropriate standard of audit provision. The requirement to produce an audit plan is also specified in the Standards.
2. **Internal Audit Plan 2020/21**
- 2.1 The Internal Audit Plan for 2020/21 (Appendix A) has been produced by Stoke-on-Trent City Council who have an agreement in place to provide the Borough Council's Internal Audit team and undertake the role of Chief Internal Auditor as defined by the PSIAS.
- 2.2 The annual Internal Audit Plan for 2020/21 outlines the audits that are planned for the coming financial year and has been produced using a risk based approach. The results of this work will contribute to the annual internal audit opinion, which will then be included within the Annual Governance Statement (AGS).
- 2.3 The council's Internal Audit Charter sets out how the Internal Audit service will be delivered and this has been reviewed as part of producing the latest internal audit plan. To demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS) the internal audit activity must be formally defined in an Internal Audit Charter. The Committee are therefore asked to approve this Charter, at Appendix 2.
- 2.4 The internal audit service focuses on the way in which the key risks faced by the services and ultimately the council can be incorporated and addressed through the planned reviews set out in the proposed plan. In exploring the areas to include within the 2020/21 plan a number of factors have been considered. These include the strategic risks faced by the council and also operational risks that its service areas are facing in the context of the objectives (both strategic and operational) they are striving to achieve. It also includes the controls that are currently in place and therefore the level of internal audit coverage that is appropriate for these areas of the business. A key objective has been to produce a plan that is aligned to the council's objectives and perceived risks. This approach acknowledges the council's risk management framework and open and forthright discussions have taken place with senior officers.
- 2.5 A risk assessment methodology continues to be developed in order to better inform the audit planning process. A significant factor within the audit planning process is the recognition and identification of emerging issues at both local and national level. Topical issues are monitored and tracked throughout the year by the Audit Team and, where relevant, highlighted for consideration or review. During 2019/20 there was a need to defer a number of audits due to the need for use audit resources to support a special investigation. A risk assessment has therefore been conducted for these areas and where required, these have been added into the 2020/21 plan.
- 2.6 Executive Directors have provided valuable input into the plan based on their knowledge of key risk areas. The scope of each audit will be defined in further detail following a more detailed risk assessment to be undertaken before each audit and an assignment brief will be produced to identify the key objectives of each audit. This will present a further opportunity for Executive Directors and Heads of Service to provide feedback on the proposed scope of work.
- 2.7 The planning and delivery of a robust audit plan ensures that an annual opinion and overall level of assurance can be provided by the Chief Internal Auditor to those charged with governance, thereby complying with constitutional requirements and sector standards. This opinion is one of the elements of the assurance framework which is reported in the annual

governance statement.

- 2.8 The Internal Audit team also includes a Fraud Investigator. This post allows the team to focus on both proactive and reactive work, with the primary aim of detecting (e.g. data-matching exercises), investigating and preventing fraud and where appropriate strengthen controls. The Council continues to work with Stoke-on-Trent City Council to develop a partnership approach to counter fraud which includes joint working and data-matching.
- 2.9 Throughout the year the work programme at Appendix 1 will be reviewed, and detailed quarterly work programmes produced. Progress will be measured in order to report on the delivery of the audit plan.
- 2.10 For assurance on key financial systems that have previously been assessed as Well or Adequately Controlled, the approach will be to undertake a health-check audit. A health-check provides a snapshot of key aspects and controls of a system, and explores the measures in place to ensure procedures; processes and management are in place to effectively achieve its objectives. This approach is the most efficient way for internal audit to provide assurance on well controlled systems and ensures available resources are used as efficiently as possible.
- 2.11 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Whilst the audit plan must be detailed enough to identify in advance the specific areas to be audited it must also remain flexible enough to cope with unforeseen events and must reflect the changing risks and priorities of the council. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

### 3. **Options Considered**

- 3.1 The audit plan for 2020/21 will be the first year that a full internal audit service will be delivered by Stoke-on-Trent City Council. It is therefore proposed that an IT audit needs assessment is undertaken to assist with assessing the requirement for IT audit work over the next 3 years. Consideration can then be given to the skills required and whether these are best delivered internally, or by external companies. The provision of IT Audit skills is a specialist area and one that is constantly changing. However, it is anticipated the majority of IT audit needs can be delivered internally by Stoke-on-Trent City Council auditors.

### 4. **Proposal**

- 4.1 In agreeing the proposed Audit Plan for 2020/21, Members are agreeing to a review of all areas listed in Appendix 1.
- 4.2 Once agreed the plan will be translated into an operational plan detailing the audit assignments to be carried out, the purpose of each assignment and the allocation of resources. Each assignment will have clear objectives and scope to be delivered within the allocated resources and will be supervised for quality and consistency.

5. **Reasons for Preferred Solution**

- 5.1 By agreeing to the proposed plan the Audit & Standards Committee are supporting the Internal Audit Section in fulfilling its responsibility to plan effectively and ensure that it contributes to the Council's objectives at strategic and operational levels. The plan will also enable Internal Audit to demonstrate that they are making the best use of their resources balanced against the perceived risks to the Council.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 The proposed plan directly contributes to the corporate priority "transforming our Council to achieve excellence". The mission of internal audit is "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight." (Public Sector Internal Audit Standards). The Council's internal audit charter states that Internal Audit supports the Authority in the effective delivery of services. The results derived from completing the attached risk based plan of work for the forthcoming year will contribute to the overall annual internal audit opinion and by reporting on the outcome of this work, assists the Audit & Standards Committee and the Executive Management Team to discharge their roles of accountability and stewardship which represents a key element within the Authority's governance framework.
- 6.2 The Internal Audit function also contributes to the prevention, detection and investigation of potential fraud and corruption incidents as well as giving assurance on the effectiveness of services in terms of value for money. Therefore ensuring the best use of the Council's resources and improving efficiency where weaknesses are identified. By managers ensuring that they have strong controls in all their systems, processes and activities the potential for crime can be reduced whilst providing best value for money.

7. **Legal and Statutory Implications**

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

8. **Equality Impact Assessment**

- 8.1 There are no equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

9.1 The work outlined for 2020/21 will be carried out within the agreed price specified in the agreement with Stoke-on-Trent City Council for Internal Audit services which is in line with the budgeted cost. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

9.2 Internal Audit is directed by the Chief Internal Auditor provided through a service agreement by Stoke-on-Trent City Council. This agreement provides the Borough Council with access to a range of internal audit staff with specific areas of experience and knowledge. The number of days to be delivered through this agreement has been set in line with previous years and has been allocated between the areas listed at 9.3 below. As mentioned in para 2.8 above, the internal audit team also work closely with the Corporate Fraud Investigator to ensure a robust approach to fraud prevention and detection.

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

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

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

- Work identified as still relevant from 2019/20 and in progress at year end
- Key systems assurance
- Funding body requirement as requested
- Priority from risk assessment of service area
- Management request/Discussions with management
- Emerging risks / changes to the council's systems and controls

10. **Major Risks**

10.1 The key risk to be considered in reviewing the attached plan is that the areas proposed for coverage do not sufficiently address the key risks faced by the council and therefore the independent and objective assurance provided by Internal Audit is, or is perceived to be, compromised. The consequence of which is that opportunities to improve the council's system of internal controls, governance framework and the delivery of its objectives are not identified or acted upon.

10.2 This risk is managed through a combination of the governance and reporting frameworks within which Internal Audit operates and the overview carried out by this Committee. No risks have been identified that are not within acceptable tolerances. Continual review of the work contained within the audit plan ensures that where necessary adjustments are made to provide the most appropriate coverage.

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

11. **Sustainability and Climate Change Implications**

11.1 There are no sustainability or climate change implications of the proposals.

12. **Key Decision Information**

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

13. **Earlier Cabinet/Committee Resolutions**

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

14. **List of Appendices**

Appendix A – Proposed Internal Audit Plan 2020/21  
Appendix B – Draft Internal Audit Charter 2020/21

15. **Background Papers**

15.1 No background papers are required for this report.

**Internal Audit Plan 2020/21**

<b>Audit Title</b>	<b>Days</b>
<b>Chief Executives</b>	
Health & Safety	15
<b>Total Chief Executives</b>	<b>15</b>
<b>Resources &amp; Support Services</b>	
Payroll	15
Purchase to Pay	15
Income Collection including Cash Handling	15
Asset Management Capital	8
Council Tax	8
Treasury Management	8
Housing Benefits	8
General Ledger	8
NDR	8
Sundry Debtors	8
<b>Total Resources &amp; Support Services</b>	<b>101</b>
<b>Operational Services</b>	
Jubilee 2	15
<b>Total Operational Services</b>	<b>15</b>
<b>Regen &amp; Dev</b>	
Planning	10
Major Projects (to include project management)	40
<b>Total Regeneration &amp; Development</b>	<b>50</b>
<b>Corporate</b>	
Procurement and Contract Management	10
Commercial Investment Governance	10
Financial Resilience	20
Safeguarding	15
GDPR Compliance	15
Business Continuity	20
Brexit	5
<b>Total Corporate</b>	<b>95</b>
<b>IT Audit Assurance</b>	
IT Audit Needs Assessment	15
3 x IT Audits based on the above needs assessment	45
<b>Total IT Audit Assurance</b>	<b>60</b>
<b>Total Plan Days</b>	<b>336</b>

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# Internal Audit Charter

<i>Title</i>	<i>Internal Audit Charter</i>
<i>Author</i>	<i>Clare Potts, Chief Internal Auditor, <a href="mailto:clare.potts@stoke.gov.uk">clare.potts@stoke.gov.uk</a></i>
<i>Date Created</i>	<i>28/02/2019 (Version 1.0)</i>
<i>Version</i>	<i>Version 1.1</i>
<i>Approval</i>	<i>Audit &amp; Standards Committee</i>
<i>Description</i>	<i>A definition of Internal Audit's purpose, authority and responsibility</i>
<i>Subject Category</i>	<i>Management</i>
<i>Rights. Protective Marking</i>	<i>Official</i>
<i>Status</i>	<i>Approved</i>
<i>Review Date</i>	<i>01/03/2021</i>

## 1 Introduction

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

## 2. Statutory Role

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

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

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

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

## 3. Mission of Internal Audit<sup>1</sup>

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

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

## 4. Internal Audit Purpose

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

4.2 In doing this Internal Audit supports the Authority in the effective delivery of services and will implement the following core principles of effective internal auditing<sup>1</sup>:

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

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<sup>1</sup> As prescribed by the Public Sector Internal Audit Standards

- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4.3 Internal auditors in UK public sector organisations must conform to the Code of Ethics<sup>2</sup>.

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

## 5. Scope

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

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

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

5.3 In doing this Internal Audit will:

- Report periodically on its purpose, authority, responsibility and performance relative to its plan.
- Report significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Audit & Standards Committee or senior management.
- Perform consulting and advisory services<sup>3</sup> related to governance, risk management and control as appropriate for the Authority.

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<sup>2</sup> As prescribed by the Public Sector Internal Audit Standards

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

## **6. Authority**

6.1 Internal Audit shall have authority to:

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

## **7. Independence & Objectivity**

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

7.2 Internal Audit services are provided by Stoke-on-Trent City Council and is the responsibility of the Chief Internal Auditor<sup>4</sup>. Internal Audit is accountable to the Executive Director (Resources & Support Services) as the Section 151 Officer and also has a direct reporting line to the Chief Executive if required.

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

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

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

7.6 Internal auditors must have an impartial, unbiased attitude and therefore every effort is made to preserve objectivity by ensuring that all internal auditors are free from any conflicts of interest<sup>5</sup>. All potential conflicts of interest are to be disclosed to enable any potential conflict of interest to be avoided.

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

## **8. Competence**

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

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

<sup>5</sup> This role is recorded through a declaration

8.2 The recruitment processes for Internal Audit provide for the appointment of individuals with the appropriate skills, competencies and qualifications to meet the Standards, either individually or as a combined team. Where officers are members of professional bodies, they must comply with any Continuing Professional Development (CPD) requirements of their membership. On an annual basis each auditor has a Performance Appraisal Review which identifies whether any training needs are required to improve skills.

8.3 The Chief Internal Auditor will obtain competent advice and assistance from external providers where Internal Audit lacks the resources, knowledge, skills or other competencies needed to perform all or part of an engagement.

## **9. Quality Assurance**

9.1 To ensure the quality of audits, a structured review procedure exists before the final report is issued. This provides the opportunity for examination of the report and working papers to ensure that the audit has been conducted to the required standards. In addition, progress is subject to regular review.

9.2 Internal Audit is subject to a continual quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards and on-going performance monitoring, which forms an integral part of the day-to-day supervision.

9.3 An external assessment of Internal Audit is to be carried out at least once every five years by a suitably qualified, independent assessor. The scope of this external assessment is to be agreed by the Chief Internal Auditor and an appropriate sponsor e.g. Section 151 Officer, Chair of the Audit & Standards Committee, as well as with the external assessor. The last review was conducted in April 2017.

9.4 The results of quality and assurance programmes and processes against any improvement plans arising out of the internal and external assessments of Internal Audit will be reported to the Executive Director (Resources & Support Services) and the Audit & Standards Committee. A summary of these results will be included in the Annual Internal Audit Report presented to Audit & Standards Committee. Instances of non-conformance with the UK Public Sector Internal Audit Standards will be reported to the Audit & Standards Committee and considered for inclusion in the annual governance statement.

## **10. Planning**

10.1 The internal audit service is delivered in accordance with a risk-based approach. Consideration is given to the Authority's organisational objectives and priorities, risk registers, local knowledge of the key financial systems, the fraud risks, known strengths and weaknesses within the internal control environment and the requirements of External Audit.

10.2 The plan details the number of person days available for the forthcoming year. As resources are finite, priority is given to those areas with the highest risk. The plan needs also to be flexible, balancing the need to ensure that it is completed to an acceptable level against the number of requests for unplanned work.

10.3 Both the level of audit coverage to be provided and the resources required will be presented to the Audit & Standards Committee for approval. Any proposed significant variations to the plan will also be reported to the Audit & Standards Committee for approval. Progress against the plan is to be reported to the Audit & Standards Committee on a quarterly basis. The overall objective of the plan is to provide an annual opinion on the Authority's control environment.

## **11. Audit Approach**

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

## **12. Fraud and Corruption**

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

## **13. Related Documents**

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

## 14. References

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

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

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## NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

### EXECUTIVE MANAGEMENT TEAM'S

### REPORT TO AUDIT AND STANDARDS COMMITTEE

01 May 2020

**Report Title:** Review of Scheme of Delegation for Local Government (Miscellaneous Provisions) Act 1976 and Town Police Clauses Act 1847

**Submitted by:** Head of Environmental Health Services

**Portfolios:** Finance & Efficiency

**Ward(s) affected:** Not Applicable

#### **Purpose of the Report**

To consider a proposed amendment to the scheme of delegation in respect of taxi and private hire licensing. The amendment would allow officers to deal with certain types of applications received that are not fully compliant with the current licensing policy.

#### **Recommendation**

**That Committee supports and recommends to Council the proposed amendments to the scheme of delegation.**

#### **Reasons**

To improve efficiency in dealing with non-compliances with the taxi licensing policy.

### 1. **Background**

- 1.1 Licensing and Public Protection Committee (LPPC) has many delegated functions including the power to make decisions in respect of hackney carriage and private hire drivers, vehicles and operators which are not in full compliance with the Councils current 'Taxi and Private Hire Policy 2019'.
- 1.2 Officers of the Council also have specific delegated functions for the issuing of licences which are in compliance with the Councils current 'Taxi and Private Hire Policy 2019'. In addition, officers have delegated responsibilities to undertake some enforcement activities.
- 1.3 Members at the LPPC on 8<sup>th</sup> January 2020 requested officers to review delegated powers in respect of non-compliance with the Taxi Policy 2019 to improve efficiency in dealing with certain types of non-compliances.

### 2. **Issues**

- 2.1 Committee business, particularly in respect of the Local Government (Miscellaneous Provisions) Act 1976 and the Town Police Clauses Act 1847, is high and there is an element of core business relating to some breaches of the Taxi Policy.

- 2.2 The area of concern for LPPC members relates to the volume of business taken before sub-committees to consider licence applications where there are aged or relatively minor issues which, whilst technically amounting to a non-compliance with policy, aren't always sufficient to justify a refusal to grant the licence sought.
- 2.3 LPPC Members have frequently found themselves considering lengthy agendas populated with such matters on account of the way in which the delegations are currently set out. They expressed a desire for that issue to be considered with a view to altering the delegations to provide greater flexibility for such matters to be dealt with at Officer level.
- 2.4 In the current scheme of delegation, the following is detailed:

Detail	Responsibility
Power to grant, renew and transfer Private Hire and Hackney Carriage: Vehicle Licences, Driver Licences and Operators NOT in compliance with policy.	Public Protection Committee or Public Protection Sub Committee

- 2.3 It is proposed that the delegation is amended to the following (additional text underlined):

Detail	Responsibility
Power to grant, renew and transfer Private Hire and Hackney Carriage: Vehicle licences, Driver licences and Operators NOT in compliance with policy	Public Protection Committee, Public Protection Sub Committee <u>or Executive Director (Operational Services)/Head of Environmental Health in agreement with the Chair and Vice Chair of Public Protection Committee.</u>

- 2.4 This proposed amendment to the scheme of delegation requires a change to the Constitution so there is a requirement to seek the views of the Constitution and Member Support Working Group (CMSWG) and the Audit & Standards Committee (A&S).
- 2.5 CMSWG, on 17 March 2020, considered and supported a proposal to allow further delegation to officers by enabling the LPPC to set and amend its own local scheme of delegation. However, since that meeting a more efficient approach has been identified, which is described below.
- 2.6 CMSWG members have been consulted on the revised approach and, to date, the Conservative, Labour and Liberal Democrat members have expressed themselves supportive of the revised approach. The views of the Independent member of CMSWG will be reported verbally to A&S on 1 May 2020. The Portfolio Holder is also content with what is proposed below.
- 2.7 LPPC will consider the proposal on 27 April 2020 and its views will also be reported to A&S on 1 May 2020.
- 2.8 The A&S committee will be consulted on these proposals at meeting on 1 May 2020 and the views of A&S, CMSWG and LPPC will be reported to the next full Council meeting through a recommendation that Council amends the scheme of delegation to achieve the flexibility sought.

### 3. **Options Considered**

- 3.1 There are numerous options available in respect of the Scheme of Delegation. These would include:
- 3.1.1 Delegating all functions to Officers;
  - 3.1.2 Creating a set of bespoke delegations in the Constitution for Committee, Sub-committee and Officers commensurate with roles and responsibilities.
  - 3.1.3 Allow the Licensing and Public Protection Committee to establish (and amend from time to time) its own scheme of delegation down to officers.
- 3.2 After very careful consideration, it is considered that none of these alternative options strike the optimal balance achieved by the proposal set out below, namely the balance between ensuring that only appropriate business comes before the sub-committee, whilst maintaining strong member oversight of the types of cases delegated to officers to determine.

### 4. **Proposal**

- 4.1 Where an application of the type contemplated here is received, the flexibility introduced by the proposed change to the scheme of delegation set out at paragraph 2.3 above would allow a new process to be applied. The way the new process would work is as follows.
- 4.2 Officers would write a short summary of the application, the issue that has arisen which renders the application in breach of policy and the rationale for why, in their professional opinion, there is sufficient grounds to exercise discretion and grant the application notwithstanding the breach of policy identified. That analysis would be shared with both the Chair and Vice Chair of the Licensing & Public Protection Committee.
- 4.3 If both the Chair and Vice Chair were in agreement, the matter would stand delegated to officers to decide under the new text proposed in paragraph 2.3 above. If either or both the Chair and Vice Chair were not in agreement then the matter would be referred for consideration at a hearing before the sub-committee in the usual way.
- 4.4 Applications which clearly warrant a refusal, those which were judged to be “borderline” and those which officers and/or the Chair and Vice Chair were not entirely comfortable with officer delegations applying would all be referred to the sub-committee in the usual way.
- 4.5 This revised proposal has a number of advantages over the proposal originally considered by CMSWG, which involved LPPC setting and amending its own scheme of delegation. Chiefly, under this proposal there is member involvement in each case where a decision has to be made about whether a matter is determined by officers or the sub-committee. That removes any room for misinterpretation of a local scheme of delegation whereby matters might be determined by officers which members may have wished to hear at sub-committee. It also avoids the need for LPPC to try and devise a local scheme of delegation, and the need to keep the same under constant review.
- 4.6 For these reasons, A&S is asked to endorse the change to the scheme of delegation proposed at 2.3 above.

### 5. **Reasons for Preferred Solution**

- 5.1 To enable committee to determine applications and enforcement sanctions in the most effective and practical manner.

5.2 To ensure that the council continue to provide safe transport for those wishing to use private hire and Hackney Carriage vehicles.

## 6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

6.1 In line with the Council's objectives –

- Local Services that work for local people
- Growing our people and places
- A healthy, active and safe borough
- A town centre for all

## 7. **Legal and Statutory Implications**

7.1 The Local Government Act 1972, section 101 allows the Council to arrange for a Committee, sub-committee or an officer or another local authority to carry out its powers and duties.

## 8. **Equality Impact Assessment**

8.1 Decisions will be taken in accordance with the Human Rights Act 1998, Article 6(1) which guarantees an applicant a fair hearing and Article 14 guarantees no discrimination.

## 9. **Financial and Resource Implications**

9.1 There will be no direct financial costs associated with the proposals.

## 10. **Major Risks**

10.1 There are no major risks associated with this report.

## 11. **Sustainability and Climate Change Implications**

11.1 Not applicable.

## 12. **Earlier Cabinet/Committee Resolutions**

12.1 LPPC on 8 January 2020

12.2 CMSWG on 17 March 2020

12.3 LPPC on 27 April 2020

## 13. **List of Appendices**

13.1 None.

## 14. **Background Papers**

14.1 Not applicable.

**Grant Thornton**

An instinct for growth™

Jan Willis  
Interim Director (Resources and Support Services)  
Newcastle-under-Lyme Borough Council  
Castle House  
Barracks Road  
Newcastle-under-Lyme  
Staffordshire  
ST5 1BL

24 April 2020

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Dear Jan

**Update to our 2019/20 audit scope and additional work letter**

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times. In this letter, I want to update you on our plans to work with you over the coming months, and to ensure that we plan our audit effectively, to provide assurance for those charged with governance, and to deliver a high quality audit to all users of the audit, whilst also seeking to maintain our fee within the envelope which we discussed previously.

I wrote to you previously regarding our detailed audit proposals on 16 January 2020, to outline how the increased regulatory focus facing all audit suppliers was impacting on our planned audit programme. I set out in my letter my expectation of what this would mean for our audit coverage for 2019/20, as well as for the audit fee. Items I highlighted in particular included the impact of 'raising the bar' to meet the FRC's expectation that all audits would now achieve a level of 2a (acceptable with limited improvements only) or above. I explained that we would need to increase our managerial oversight to achieve this audit standard. In addition, I outlined how you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. I also outlined the specific additional work which we would need to undertake in complex areas of the accounts with high estimation uncertainty, such as Property, Plant and Equipment and Pensions valuations. I set out full details in my audit plan dated February 2020, where I advised that my estimate was that an additional fee of £7,500 would be required to complete the audit.

Subsequent to the above, global events have moved in an unexpected and tragic direction. None of us could have foreseen in January the impact that the Covid-19 crisis has had on the world. As a local government body, you are at the forefront of efforts to support local people, and clearly the focus of the Authority will be directed to supporting local communities as best you can in these exceptionally difficult circumstances. As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. At these challenging times it is even more important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face.

With this in mind we have prepared an update to our Audit Plan for 2019/20 and I attach this for your consideration. The following are the key points which I particularly wish to highlight for your attention.

### Additional significant audit risk in respect of Covid-19

The crisis has increased audit risk factors in the following areas:

- Remote working arrangements and redeployment of staff to critical front-line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management's estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and their overall financial resilience and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We have set out in the Audit Plan update the additional work we propose to undertake in respect of this new significant risk. Fundamental to our response will be working with you to understand the arrangements the Authority has in place to address relevant risks in respect of Covid-19 in its accounts preparation. We will also review the appropriateness of your disclosures, including in respect of any estimation uncertainties around for example PPE and Pensions asset valuations.

### Value for Money and Financial Standing

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019/20, although we will keep this under review for 2020/21. We will also review your assessment of going concern and financial stability in the light of increased uncertainties around for example Council Tax and NNDR collection rates, car park income, and investment properties. We envisage linking the additional VfM work around financial standing with our Going Concern opinion work.

### Regulatory changes

As you will be aware, earlier this month, CIPFA decided to adopt a small number of presentational changes to its Accounting Code of Practice for 2019/20. The changes which are now proposed to the Code, for example around disclosure, will have only a marginal impact on the audit. The additional audit risk factors that I highlighted in my January 2020 letter regarding raising the bar, PPE and Pensions work, for example, will therefore all still be required this year. You will also be aware that the Government accounting Financial Reporting Advisory Board (FRAB) has deferred the implementation of IFRS 16 by a year. Whilst IAS 8 disclosures will be required, this change will lead to some reduction in preparatory work required by both you and us, for this year at least.

Finally, MHCLG has revised the publication date for the draft accounts to 31 August and set a target date for publication of audited accounts of 30 November. Whilst flexibility in moving away from July is welcome, a number of authorities have highlighted the risk that a delayed closedown process could impact on their budget programme for 2021/22. We are keen to agree a timetable that works for you, and that we can both commit too. I will contact you to arrange a meeting to discuss.

### Fee impact

As I set out in my previous letter, final audit fees are determined by PSAA, after the audit has been completed. At this stage, it is difficult to quantify the impact of the additional work required in respect of Covid-19. My best estimate is that, taking into account increased work in respect of Covid-19, and reduced work on IFRS 16, the fee set out in our Audit Plan of February 2020, totalling £49,852, remains appropriate, and we will do our best to work within this envelope. Should circumstances change, we will let you know.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. I attach a copy of our Audit Plan update for your comment. We look forward to working with you again this year.

Yours sincerely

*Andrew Smith*

**Andrew Smith**  
**Engagement Lead and Key Audit Partner**  
For and on behalf of Grant Thornton UK LLP

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

# External Audit Plan

*Year ending 31 March 2020*

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Newcastle-under-Lyme Borough Council

April 2020



## Introduction & headlines

### Purpose

This document provides an update to the planned scope and timing of the statutory audit of Newcastle-under-Lyme Borough Council ('the Authority') as reported in our Audit Plan dated February 2020, for those charged with governance.

### The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 9<sup>th</sup> March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far as we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

### Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2020/21.

### Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk relating to Covid-19, as described overleaf; and
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

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## Introduction & headlines

### Key changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

### Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

# Significant audit risks

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Covid-19</b>	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:</p> <ul style="list-style-type: none"> <li>• Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;</li> <li>• Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates;</li> <li>• Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</li> <li>• Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach;</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise;</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic;</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely;</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances;</li> <li>• Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.</li> </ul>

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