

Public Document Pack

Date of meeting Monday, 6th February, 2023
Time 7.00 pm
Venue Astley Room - Castle
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 - 6)
To consider the minutes of the previous meeting(s).
- 4 **INTERNAL AUDIT UPDATE QUARTER THREE** (Pages 7 - 12)
- 5 **CORPORATE RISK MANAGEMENT REPORT** (Pages 13 - 36)
- 6 **INDEPENDENT AUDITOR'S REPORT & AUDIT FINDINGS 2021/22** (Pages 37 - 72)
- 7 **EXTERNAL REVIEW OF INTERNAL AUDIT** (Pages 73 - 104)
- 8 **COMMITTEE WORK PLAN** (Pages 105 - 106)
- 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 P Waring (Chair), Panter (Vice-Chair), Holland, Whieldon, Stubbs, Brockie and Talbot

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:	Parker	Lawley
	Gorton	Northcott
	Hutchison	Reece
	S Jones	

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

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

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

NOTE: THERE ARE NO FIRE DRILLS PLANNED FOR THIS EVENING SO IF THE FIRE ALARM DOES SOUND, PLEASE LEAVE THE BUILDING IMMEDIATELY THROUGH THE FIRE EXIT DOORS.

ON EXITING THE BUILDING, PLEASE ASSEMBLE AT THE FRONT OF THE BUILDING BY THE STATUE OF QUEEN VICTORIA. DO NOT RE-ENTER THE BUILDING UNTIL ADVISED TO DO SO.

Agenda Item 3

Audit and Standards Committee - 14/11/22

AUDIT AND STANDARDS COMMITTEE

Monday, 14th November, 2022
Time of Commencement: 7.00 pm

[View the agenda here](#)

[Watch the meeting here](#)

Present:	Councillor Paul Waring (Chair)		
Councillors:	Panter Whieldon	Stubbs Brockie	Talbot
Apologies:	Councillor(s) Holland		
Substitutes:	Councillor David Hutchison (In place of Councillor Mark Holland)		
Officers:	Sarah Wilkes Clare Potts Denise French Craig Turner	Head of Finance / S151 Officer Chief Internal Auditor Democratic Services Team Leader Finance Manager	
Also in attendance:	Phil Butters Mr Andrew Smith Harkamal S Vaid Councillor Stephen Sweeney	Independent Member on Audit and Risk Grant Thornton Grant Thornton Deputy Leader of the Council and Portfolio Holder - Finance, Town Centres and Growth	

37. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

38. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 7 September 2022 be agreed as a correct record.

39. **AUDITED STATEMENT OF ACCOUNTS 2021/22**

The committee considered the final accounts and draft audit findings report for the financial year 2021/22.

Andrew Smith of Grant Thornton presented the audit report and explained that the work was substantially complete. He expected to issue an unmodified audit opinion subject to the resolution of a number of queries that were set out and included the completion of operational land and buildings revaluations testing and a response being obtained from the actuary regarding a query raised on the valuation of the pension fund liability.

Audit and Standards Committee - 14/11/22

At this stage there were 3 recommendations to the council relating to access to the general ledger, journal authorisation and lack of segregation of duties and capital accounting cut-off procedures.

Members raised queries and issues as follows:

- Page 7 of the Statement of Accounts referred to Town Deals monies for Kidsgrove and stated a sum towards “enhanced enterprise infrastructure in Kidsgrove (the development of Chatterley Valley West £3.68m). It was stated that the infrastructure was not in Kidsgrove but in Bradwell and this should be rewritten to be accurate.
- Page 8 referred to movement in useable reserves of £2,533,000 and clarification was sought. Members’ attention was drawn to note 9 on page 51 which showed the breakdown of the total sum; officers were happy to discuss this with Members individually if required.
- Could an explanation be given of the revisions to the Capital Programme as outlined on page 17 of the pack. Members were advised the revisions were through the Efficiency Board process and included those projects funded through the Town Deals and Future High Streets Fund.
- What were the strategic risks referred to on page 21 of the pack which were stated as possibly impacting the revenue budget on a worst case basis? Members were advised that this included risks such as had arisen from the Covid pandemic which had severely impacted income. The council would look at both global and local factors that could impact risk areas and apply a risk rating which would be constantly reviewed.
- It was noted that the report stated the Value for Money (VFM) work had not yet been completed and an audit letter explaining the delay had been shared with management and the Chair of the committee. Members asked why the letter had not been shared with the members of the committee as soon as it was received and requested that the letter be circulated. Andrew Smith of Grant Thornton explained that the delay was due to a resource issue and it was a requirement that any delay be explained to the Chair of the Committee. It was also confirmed that the Annual Report would be issued by 31 January 2023 not 2013 as in the report.
- In relation to prior year recommendations a query was raised around the completeness of register of interests. The committee was advised that this recommendation had led to officers carrying out checks on Companies House and officers were satisfied there were no risk areas.
- Further information was sought on Note 3 under the heading “Audit Adjustments” which referred to the council making a disclosure with regards to the estimation of the net pension liability and that the audit team did not consider this to meet the definition of a critical judgement. What was the reason for the audit view and had the council followed the Chartered Institute of Public Finance and Accountancy (CIPFA) Code? Andrew Smith explained that this was a minor issue which was incorrectly badge and the audit team did not consider it was a critical judgement, it was a requirement under the CIPFA Code to report on it. The council could be considered to be over disclosing. Andrew confirmed he was comfortable that the council had followed the CIPFA Code.
- A query was raised around whether fees may increase above the proposed fee level. Andrew advised fee levels would only increase if additional work was needed.
- The committee congratulated officers on the successful accounts and audit.

Resolved: that:

- (a) The final accounts for the financial year 2021/22 be received and approved;
and
- (b) The audit findings report for the financial year 2021/22 be received.

40. TREASURY MANAGEMENT HALF YEARLY REPORT 2022/23

The committee considered the Treasury Management Half Yearly Report 2022/23. The CIPFA Code of Practice on Treasury Management recommended that half yearly reports be submitted to Members to monitor and oversee delivery of the Treasury Management Strategy.

The report outlined the Council's Investment Portfolio which amounted to £30.3m as at 30 September 2022 and £117k interest had been earned for the half year.

Resolved: that the report be received.

41. INTERNAL AUDIT UPDATE QUARTER 2

The Chief Internal Auditor presented the Quarter 2 internal audit update covering the period 1 July – 30 September 2022.

During the period, 4 audits had been completed, two of which received marginal opinions – planning enforcement and trade waste. The opinion definitions were set out in the report.

A number of audits remained in progress as set out in the report. The report listed the total number of recommendations made compared to those outstanding; there had been 325 recommendations of which 274 had been implemented. Members noted a high number of outstanding recommendations fell within the Chief Executive's department and asked for detail of the two classed as high risk. The auditor explained that these related to IT Governance and the need to identify staff as Chief Information Security Officer and Chief Information Officer. The other high risk related to GDPR and training for all staff; the training had now been procured and was available. An update would be made to the next meeting.

Resolved: that the report be received.

42. COMMITTEE WORK PLAN

The committee considered the work plan for the year. The Chair suggested an item be added to the February agenda relating to the External Review of Internal Audit. He also suggested that the Risk Review reports be presented in a simplified and more user friendly format. The format would be considered before the next meeting and a proposal presented to the February committee.

Resolved: that February agenda includes items on External Review of the Internal Audit and a proposed new format for the Risk Review report.

43. URGENT BUSINESS

There was no Urgent Business.

Audit and Standards Committee - 14/11/22

**Councillor Paul Waring
Chair**

Meeting concluded at 7.50 pm

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
06 February 2023

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 2022.

Recommendation

That

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 2022/23 allows for 291 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 work continued to progress reviews and a review that began in a previous quarter was finalised. See table 1 over for details.

Table 1 – Audits Completed in the Quarter Ending September 2022

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Disabled Facilities Grant 2021/2022	Marginal (Neutral)	0	4	0	4

2.2 The report issued received a marginal opinion; the main weaknesses identified in this report are outlined below:

Disabled Facilities Grant 2021/2022

At this audit four recommendations were made (four medium risks), with the resultant audit opinion of 'Marginal'. The key areas which required improvement were in respect of the management and administration of information and supporting records and documentation.

2.3 Opinions for the above reviews are classified as follows:

Table 2 – Opinion Definitions

Level of Assurance	Detailed definition of level of assurance
Good (Positive)	A good level of effective control, which allows reliance to be placed on the management of the system.
Satisfactory (Positive)	A satisfactory level of control. However, some control weaknesses have been identified which need to be corrected in order to move up to a good level of control.
Marginal (Neutral)	A number of weaknesses have been identified which make it difficult to place reliance on the operation of the internal control framework. Improvements are required to increase the adequacy and effectiveness of control.
Unsatisfactory (negative)	A number of significant weaknesses have been identified which make it difficult to place reliance on the operation of the internal controls. Significant improvements are required to increase the adequacy and effectiveness of control.
Unsound (negative)	At least one fundamental absence or weakness exists which places the system open to major error, waste, loss or abuse. Fundamental weaknesses need immediate action to improve the control environment.

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

Table 3 –Audits In Progress at the end of December 2022

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	Payroll	Draft
	Income Health Check	Preparation
	Purchase to Pay Health Check	Fieldwork
IT Audit	Cyber Security Data Security and Monitoring, Configuration and Vulnerability	Fieldwork
	IT – Home Working	Preparation
Corporate	Procurement and Contract Management	Fieldwork
	Project Governance	Draft

2.5 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

2.6 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.

2.7 Up to the end of December 2022, 329 recommendations had been made, of which 287 have been implemented, which represents 87%; the target for the implementation of all recommendations is 96% by the end of the financial year. Of the remaining 42 recommendations, 16 are in progress and 19 have not yet received their due date for completion. Appendix A provides further details.

3. **Proposal**

3.1 The internal audit plan for 2022/23 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 2022/23 (Audit and Standards Committee April 2022).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2022/23.

Summary of Overdue Audit Recommendations at the end of December 2022

Directorate	Total Number of Recommendations	Number of Recommendations Completed	Number of Recommendations Not Completed	Number of Recommendations Not Completed				
				Not Yet Due	Overdue for Implementation*			Total
					High	Medium	Low	
Chief Executives	178	162	16	0	1	11	4	16
Regeneration & Development Services	25	14	11	8	0	2	1	11
Operational Services	81	72	9	5	0	4	0	9
Corporate Reviews	45	39	6	6	0	0	0	6
Total	329	287	42	19	1	17	5	42

* includes recommendations where extensions have been agreed

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & STANDARDS COMMITTEE**

Date 06 February 2023

REPORT TITLE Corporate Risk Management Report

Submitted by: Executive Management Team

Portfolio: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

Purpose of the Report

To update Members on the current position in respect of risk management controls and identified corporate risks.

Recommendation

That the Audit & Standards Committee:-

- 1.Note that there currently 9 risks that are more than 6 months overdue for a review (Appendix A)**
- 2.Note the risks on the Corporate Risk profile (Appendix B)**
- 3.Advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting**
- 4.Note that whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change**

Reason

To comply with Audit and Risk Management Strategy requirements to report to committee: risk reviews that are more than 6 months overdue; the Corporate Risk Register; and any risks that have been increased in rating to a medium 7/8 or high 9 or are new risks.

Background

- 1.1 The Council's Risk Management Strategy (RMS) sets out how it identifies, records, manages and reports on risk. It uses the GRACE software (Governance Risk and Control Environment) to monitor and manage all of its risks by creating individual risk profiles which rank risk based on likely occurrence and impact, after applying relevant mitigation measures. The system allows for the creation and monitoring of mitigation action plans and the assignment of risk owners.
- 1.2 The system allows risks to be managed in this way at service and directorate level and, where warranted, corporately through the Executive Management Team and this committee. The RMS describes how risks are escalated and reported through that hierarchy depending on the

nature of the risk, and in light of any delays in reviewing risk profiles or applying mitigation measures.

- 1.3 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly. The RMS and good audit practice requires that amber 7/8 and red 9 risks are reported to this committee, along with the Corporate Risk Register any risk profiles that are overdue for review by 6 months or more. This set of measures was last reported to this Committee on 07 September 2022.
- 1.4 GRACE automatically prompts Risk Owners to review their risk profiles at the required intervals, and will escalate overdue reviews. The review process involves the Council's Risk Champion challenging Risk Owners in respect of the controls, further actions, ratings and emerging risks related to their risk profiles. They are also challenged on the reasons for inclusion or non-inclusion of risks and amendments made to profiles. The Risk Champion has a direct reporting line to the Monitoring Officer and into the Executive Management Team.
- 1.5 Project specific risks are managed to a high level in project specific risk registers and are reviewed in accordance with the RMS at least monthly. Any specific projects can, where required, also have their risks monitored, maintained and managed in the Project Board meetings, but remain subject to the escalation requirements in the RMS.

Issues

- 2.1 At the time of this report, there are 9 overdue risk reviews. These are still overdue due to officers work priorities being diverted in to the Walley's Quarry investigations; the re-alignment of services from restructure, and decisions still being required on where these specific risks may remain. Please see APPENDIX A for the list of risks.
- 2.2 There are risk level changes – increasing to either a medium 7/8 or high 9. These are listed as follows:
 - Civil Emergency – Animal Disease raised from Low 4 to Medium 7, due to the increase of Avian Flu within the Borough and close proximity to other council areas.
- 2.3 APPENDIX B is the current Corporate Risk profile. There has been no movement in these risks in the past 6 months.

Proposal

- 3.1 Note that there currently 9 risks that are more than 6 months overdue for a review (Appendix A)
- 3.2 Note the risks on the Corporate Risk profile (Appendix B)
- 3.3 Advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting
- 3.4 Note that whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change

Reasons for Preferred Solution

- 4.1 To comply with Audit and Risk Management Strategy requirements to report to committee: risk reviews that are more than 6 months overdue; the Corporate Risk Register; and any risks that have been increased in rating to a medium 7/8 or high 9 or are new risks.

Options Considered

- 5.1 N/A. Reporting is undertaken in accordance with the RMS.

Legal and Statutory Implications

- 6.1 It is considered that the RMS and the procedures it sets out, including the escalation of risks and reporting to this committee satisfies the requirements of the Accounts and Audit (England) Regulations 2015 which 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”.*

Equality Impact Assessment

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

Financial and Resource Implications

- 8.1 There are no resource implications in respect of the management and reporting of risk, outside of usual establishment provision for the costs of delivering that service. Finance and resource implications arising from particular risks are identified and managed as part of the risk profile in question.

Major Risks

- 9.1 Inadequate resource and/or expertise to comply with the processes in the RMS leaves the council unable to appropriately identify and manage a potentially significant wide range of risks.
- 9.2 That could lead to a wide range of organisational governance and service or project delivery failures. Impacts could be profound in financial and health and wellbeing terms for the organisation, its employees and partners and the people and organisations it delivers services to. It would mean the Council is unable to comply with the legal requirements set out above in respect of the management of risk.

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.



Key Decision Information

11.1 N/A.

Earlier Cabinet/Committee Resolutions

12.1 Previous Minutes from Committee meeting held on 07 September 2022.

List of Appendices

13.1 Appendix A – Overdue risk reviews

13.3 Appendix B - Corporate risks with heat map.

Background Papers

14.1 None.

APPENDIX A

Profile	Risk	Date Due	Status	Editor(s)
Environmental Protection Service	Air Quality - North Staffs Local Air Quality Plan (NSLAQP)	11/01/22 00:00	Overdue	Darren Walters; Nesta Barker
Licensing Enforcement	Failure of residents and/or businesses to maintain the standard of their land/gardens	27/01/22 00:00	Overdue	Matthew Burton
Licensing Enforcement	Increases in flytipping/fly posting	27/01/22 00:00	Overdue	Matthew Burton
Licensing Enforcement	Illegal sales of vehicles from the highway by residents/businesses in the borough	27/01/22 00:00	Overdue	Matthew Burton
Regulatory Services	Environmental Health back office system replacement	23/03/22 00:00	Overdue	Nesta Barker
LEP	Failure to adequately influence the Local Economic Partnership to adopt NBC Priorities	05/04/22 00:00	Overdue	Joanne Halliday; Martin Hamilton; Simon McEneny
Environmental Protection Service	Environmental Damage Regulations	11/04/22 00:00	Overdue	Darren Walters; Nesta Barker
Licensing Enforcement	Increases in littering within the borough	24/04/22 00:00	Overdue	Matthew Burton
Regulatory Services	Loss of operational base	31/05/22 00:00	Overdue	Nesta Barker

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Corporate Risks

Risk Air Quality

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

Impact Measures

Risk Description Failure to 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** 13/01/2023

Final Risk Rating Medium Amber 6 **Next Review** 13/04/2023

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

Path Corporate Risks/Newcastle Under Lyme

Objectives

1 - One Council delivering for Local People Corporate

3 - Healthy, Active and Safe communities Corporate

Key Controls Identified

Air Quality project

Action Plans

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

13/01/2023

Final Risk Rating

Medium Amber 6

Next Review

13/04/2023

Target Risk Level

Medium Amber 3

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

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	31/03/2023	Due date revised to reflect ongoing nature of this action.
Refresher IOSH training for managers		Planned	Sarah Blakeway	28/02/2023	

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

13/01/2023

Final Risk Rating

Low Green 2

Next Review

12/07/2023

Target Risk Level

Low Green 2

Treatment

Tolerate

Path

Corporate Risks/Newcastle Under Lyme

Objectives

3 - Healthy, Active and Safe communities

Corporate

Key Controls Identified

- Civil Contingencies Business Working Group in place
- 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** 13/01/2023

Final Risk Rating Medium Amber 3 **Next Review** 13/04/2023

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

Path Corporate Risks/Newcastle Under Lyme

Objectives

1 - One Council delivering for Local People Corporate

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	Daniel Dickinson	31/03/2023	To fall in line with Council sign off of the Constitution. The Scrutiny protocol and toolkit is written in to the Constitution. 1/3 members trained - rest to be contacted and trained.

Risk
 24
 Likelihood

Covid-19

H			
M			G
L		R/T	
	L	M	H

Impact

Impact Measures

Risk Description Endemic 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 Medium Amber 6 **Last Review** 13/01/2023

Final Risk Rating Low Green 2 **Next Review** 12/07/2023

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

Path Corporate Risks/Newcastle Under Lyme

Objectives

- 2 - A successful and sustainable growing Borough Corporate
- 3 - Healthy, Active and Safe communities Corporate
- 4 - Town Centres for all Corporate

Key Controls Identified

- Business Continuity Plans in place
- Financial assistance

Action Plans

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

13/01/2023

Final Risk Rating

Medium Amber 6

Next Review

13/04/2023

Target Risk Level

Medium Amber 3

Treatment

Tolerate

Path

Corporate Risks/Newcastle Under Lyme

Objectives

- 1 - One Council delivering for Local People Corporate
- 2 - A successful and sustainable growing Borough Corporate
- 3 - Healthy, Active and Safe communities Corporate
- 4 - Town Centres for all Corporate

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 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 Very significant fines and damage to reputation.

Implication Severe

Risk Owners Daniel Dickinson

Risk Rating Medium Amber 6

Last Review 13/01/2023

Final Risk Rating Medium Amber 6

Next Review 13/04/2023

Target Risk Level Medium Amber 3

Treatment Treat

Path Corporate Risks/Newcastle Under Lyme

Objectives

1 - One Council delivering for Local People

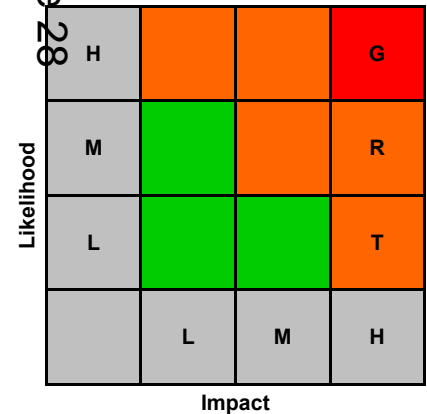
Corporate

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
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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** 13/01/2023

Final Risk Rating Medium Amber 6 **Next Review** 13/04/2023

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

Path Corporate Risks/Newcastle Under Lyme

Objectives

- 1 - One Council delivering for Local People Corporate
- 2 - A successful and sustainable growing Borough Corporate
- 3 - Healthy, Active and Safe communities Corporate
- 4 - Town Centres for all Corporate

Key Controls Identified

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

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	31/03/2023	

Risk Kidsgrove Sports Centre

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

Impact Measures	
Risk Description	Financial failure of new operator and financial risk of step-in by Council
Potential Consequences	Financial implications
Implication	
Risk Owners	Simon McEneny
Risk Rating	Medium Amber 3
Final Risk Rating	Medium Amber 3
Target Risk Level	Medium Amber 3
Path	Corporate Risks/Newcastle Under Lyme
Last Review	13/01/2023
Next Review	13/04/2023
Treatment	Treat

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

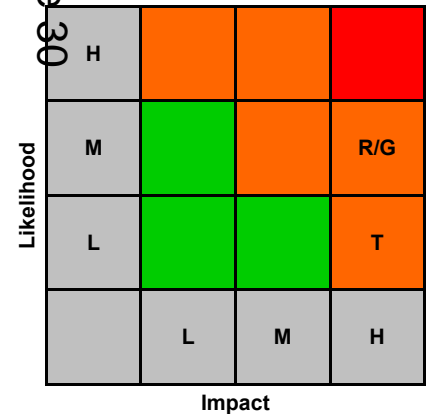
Key Controls Identified

Draw-down fund
Management Agreement

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Ensure contract management takes place	Planned	Louise Beeby Craig Turner	27/01/2023	

Risk



Loss of major contractor

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** 13/01/2023

Final Risk Rating Medium Amber 6 **Next Review** 13/04/2023

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

Path Corporate Risks/Newcastle Under Lyme

Objectives

- 1 - One Council delivering for Local People Corporate
- 2 - A successful and sustainable growing Borough Corporate
- 3 - Healthy, Active and Safe communities Corporate
- 4 - Town Centres for all Corporate

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	31/03/2023	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 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

Dave Adams

Risk Rating

Medium Amber 6

Last Review

13/01/2023

Final Risk Rating

Medium Amber 6

Next Review

13/04/2023

Target Risk Level

Medium Amber 3

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Objectives

3 - Healthy, Active and Safe communities

Corporate

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.	EMT to cascade reminders down to staff	Ongoing	Dave Adams Georgina Evans-Stadward Catherine Fox Martin Hamilton Simon McEneny Sarah Wilkes	31/03/2023	
Review Safeguarding training	To roll-out across the board	Planned	Dave Adams Georgina Evans-Stadward Catherine Fox	28/02/2023	First stage review between action owners to look at drafting timetable and training requirements, with partner delivery services.

Risk Strategic Priorities

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

Impact Measures

Risk Description Lack of capacity and resources 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** 13/01/2023

Final Risk Rating Medium Amber 5 **Next Review** 13/04/2023

Target Risk Level Medium Amber 5 **Treatment** Tolerate

Path Corporate Risks/Newcastle Under Lyme

Objectives

- 1 - One Council delivering for Local People Corporate
- 2 - A successful and sustainable growing Borough Corporate
- 3 - Healthy, Active and Safe communities Corporate
- 4 - Town Centres for all Corporate

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 Martin Hamilton; Simon McEneny

Risk Rating Medium Amber 6

Last Review 13/01/2023

Final Risk Rating Medium Amber 6

Next Review 13/04/2023

Target Risk Level Medium Amber 3

Treatment Tolerate

Path Corporate Risks/Newcastle Under Lyme

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

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
Develop programme of commercial delivers/investments	Planned	Joanne Halliday	31/03/2023	

Wallys Quarry

Likelihood	H			G
	M			R/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** 13/01/2023

Final Risk Rating Medium Amber 6 **Next Review** 13/04/2023

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

Path Corporate Risks/Newcastle Under Lyme

Objectives

- 1 - One Council delivering for Local People Corporate
- 3 - Healthy, Active and Safe communities Corporate

Key Controls Identified

- Odour Incident Management Team
- Specific Walley's Quarry risk profile in place
- Abatement Notice

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Continue with IMT works	Ongoing	Dave Adams	31/03/2023	
Regular liaison with WQ Ltd Following agreement reached through formal mediation process regular liaison with WQ Ltd will be taking place.	Ongoing	Nesta Barker Martin Hamilton	31/03/2023	

Risk Workforce

	H			
	M		R	G
	L		T	
Likelihood		L	M	H
		Impact		

Impact Measures

Risk Description

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

Potential Consequences

Staff not treated fairly - implications for staff morale, effective recruitment and retention. Skills shortages both locally and nationally. 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

Georgina Evans-Stadward

Risk Rating

Medium Amber 6

Last Review

13/01/2023

Final Risk Rating

Medium Amber 5

Next Review

13/04/2023

Target Risk Level

Low Green 2

Treatment

Treat

Path

Corporate Risks/Newcastle Under Lyme

Objectives

1 - One Council delivering for Local People

Corporate

2 - A successful and sustainable growing Borough

Corporate

Key Controls Identified

Actively reviewing pay scales

Apprenticeship levy available

EMT are maintaining an overview

EMT looking Vacancy Approval Forms

Interim posts available

Leadership Development Programme

Staff surveys

Updating recruitment procedures

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	31/03/2023	Final plan to be developed.

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Independent auditor's report to the members of Newcastle under Lyme Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Newcastle under Lyme (the 'Authority') for the year ended 31 March 2022, 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its 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 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Head of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance.

The Head of Finance is responsible for the preparation of the Statement of Accounts, which includes 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 2021/22, 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.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).
- We enquired of senior officers and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - Journals
 - Management bias in significant accounting estimates
- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Head of Finance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on material and unusual journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
 - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
 - Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
 - In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Newcastle under Lyme Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Smith

Andrew Smith, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham

30 November 2022

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The Audit Findings for Newcastle Under Lyme Borough Council

Year ended 31 March 2022

November 2022



Contents



Your key Grant Thornton team members are:

Andrew Smith

Key Audit Partner

T 0161 953 6472

E Andrew.J.Smith@uk.gt.com

Harkamal Vaid

Manager

T 0115 697 9365

E Harkamal.S.Vaid@uk.gt.com

Lisa Morrey

Assistant Manager

T 0121 232 5302

E Lisa.Morrey@uk.gt.com

Section

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3. Value for money arrangements
4. Independence and ethics

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- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Standards Committee.

Andrew Smith

Name : Andrew Smith

For Grant Thornton UK LLP

Date : 30th November 2022

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Newcastle Under Lyme Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site/remotely during July-November. Our findings are summarised on pages 5 to 17.

Our audit testing has not identified adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit unadjusted misstatements are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our audit report opinion is unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to 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 the following specified criteria:

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been shared with management and the Chair of the Audit and Standards committee. We expect to issue our Auditor's Annual Report by 31st January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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 have not identified any risks at this stage of the audit. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in January 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have completed our audit of your financial statements and have issued an unmodified audit opinion following the Audit and Standards Committee meeting on 14 November 2022.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2022.

We detail in the table our determination of materiality for Newcastle Under Lyme Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,200,000	We determined materiality for the audit of the Council's financial statements as a whole to be £1.2m in our audit plan, which equated to approximately 2% of the Council's budgeted gross operating expenses in 2021/22. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	840,000	Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> We are not aware of a history of deficiencies in the control environment. Senior financial management and key reporting personnel have remained stable from the prior -year audit
Trivial matters	60,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.
Materiality for senior officer's remuneration	19,000	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements - Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- obtained the listing of journal entries and other adjustments in the year and reconciled this back to the trial balance to ensure it was complete
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested 38 unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness
- reviewed material estimates and judgements for evidence of material bias
- reviewed the accounting policies adopted by the Council.

No misstatements, management override of control or fraud was identified from our testing of unusual journals.

We have reviewed the Council's material accounting estimates and have found these to be reasonable, with further details on pages 11 to 13. We note that the Council has disclosed estimation uncertainties for the recoverability of debtors and the business rates retention scheme in note 4. The audit team does not consider these items to have material estimation uncertainties therefore the Council should remove these disclosures to avoid obscuring material information. From our review of critical judgements in applying accounting policies, the Council has disclosed a critical judgement in note 3 in relation to the estimation of the net pension liability. The audit team does not consider this to be a critical judgement made by the Council. More detail on these items can be found in Appendix C.

Our review of the accounting policies concluded that they were reasonable.

From our testing we identified two control deficiencies, which are included in the action plan in Appendix A.

During our review of journal user access rights in March 2022, we identified an individual who was due to start work at the Council and had access to the General ledger. This individual appointed never actually commenced work at the Council, however from our review of the users, their access was not removed until July 2022. From our review of the journals posted in 2021/22, we noted that this individual had not posted any journals, however we believe their access should have been removed in a more timely manner. The Council should review users with access to the general ledger periodically and remove access where it is not required.

From our review of authorisation of journals, we identified 8 journals that had been posted and authorised by the same individual, who does not have self-authorisation access. We also identified 2 journals authorised by another individual, who does not have authorisation access. Management has confirmed that the system has controls in place to limit the authorisation function and prevent inappropriate instances of journal authorisation, which we have corroborated to supporting evidence, and has therefore contacted service provider Civica for further details.

We have subsequently tested these journals and we are satisfied that these were legitimate journals and do not indicate management override of control.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraudulent revenue recognition (rebutted)
£81.832m

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore, we did not consider this to be a significant risk for Newcastle under Lyme Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.

Fraudulent expenditure recognition (rebutted) £84.520m

Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Newcastle under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore, we did not consider this to be a significant risk for Newcastle under Lyme Borough Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Whilst not a significant risk, as part of our audit work we have undertaken work on material expenditure items. Our completeness of expenditure testing identified two invoices that related to 2021/22 and no accrual was made. The value of this is an understatement of expenditure of £185,433. This error is not material.

Our work has not identified any matters that would indicate our rebuttal was incorrect.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (inc Investment Properties and Surplus assets)

Other Land and Buildings £31.309m
Investment Properties £11.554m
Surplus Assets £4.033m

The Authority revalues its land and buildings on a rolling five-yearly basis and investment properties on an annual basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement;
- assessed the competence, capabilities and objectivity of management's experts [valuers] who carried out your PPE valuations; evaluated the instructions issued by management to their management expert [a valuer] for this estimate and the scope of the valuer's work;
- communicated with the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly around obsolescence of assets, build costs, floor areas for DRC assets and yields and rents/market values for non-specialised properties.
- tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value

Our findings include:

- From our testing on the valuation of operational land and buildings and investment properties, we have identified some minor errors and misclassifications, however individually and collectively these have a trivial impact on the financial statements.
- We have noted some errors within our PPE disposals testing, which effected the prior year comparator figures in note 19. Disposals with a net book value of £693k were made in 2020/21, but not processed within the 2020/21 financial statements. This does not effect the closing balance of PPE as at 31st March 2022.
- We have identified that the Council has used the valuation of an asset provided by its previous valuation expert from 2019 as the valuation as at 31 March 2022. We have uplifted the assumptions used in the 2019 valuation to estimate the asset's valuation as at 31 March 2022, resulting in an estimated understatement of the asset's valuation of £96k. We are satisfied that the carrying amount is not materially different from the uplifted potential value at the balance sheet date.
- For assets valued using the depreciated replacement cost (DRC) basis, one of the key inputs into the valuation is the build cost per square metre, taken from national data ranges adjusted for local factors. When determining the value an asset, the valuer is required to use their judgement when considering an appropriate build cost to use, based on the nature and type of the asset. Whilst we are satisfied that the appropriate type of build costs have been applied to each asset, the valuer has used the mean build cost for every asset. We believe that the valuer should consider the range of data available and tailor the build cost used for each asset based on the condition of the building.

Overall, we are satisfied that the valuation of land and buildings is not materially misstated.

We have also considered the key judgements and estimates in relation to the valuation of land and buildings. Our findings can be found on pages 11 to 12.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability £45.239m

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£45.239m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have:

relied where appropriate on work carried out by EY as auditors of the Staffordshire Pension Fund:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued to the management expert [actuary] for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary, through the Pension Fund, to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and documented and evaluated the controls surrounding the validity and accuracy of membership data;
- contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our testing has not identified any material issues in respect of the pension fund net liability.

Our work has identified a difference between the Actuary's assumption for the salary increase rate and the rate at which our auditor's expert states should be the salary increase rate. The Actuary have stated the rate used is 3.6%. Our expert has stated that this rate should be between CPI + (0.5% - 2.5%) meaning at least 3.7%. The Actuary have included a sensitivity analysis within their report which states that if the salary increase rate increased by 0.1% the difference in the net liability would equate to approximately £394k. This is also reported in Note 4 of the financial statements. We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic and will be reported as an unadjusted misstatement in Appendix C.

We have also considered the key judgements and estimates in relation to the pension fund liability. Our findings can be found on page 13.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations (including Surplus Assets) – £35.342m</p>	<p>Other land and buildings comprises £26.292m of specialised assets are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£5.015m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged their internal RICS qualified valuer to complete the valuation of properties as at 31st March 2022 on a five yearly cyclical basis. Surplus Assets of £4.033m are measured at fair value and are required to be revalued annually. 100% of total assets were revalued during 2021/22.</p> <p>The total year end valuation of land and buildings was £35.342m, a net increase of £5.433m from 2020/21 (£28.909m).</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuations were carried out tested on a sample basis revaluations of the Council's land and buildings during the year to ensure they have been input correctly into the Council's asset register and financial statements considered the appropriateness of the source date and key assumptions including comparable rental income and yields for the properties. <p>Our findings include:</p> <ul style="list-style-type: none"> From our testing on the valuation of operational land and buildings, we identified some minor errors. However, individually and collectively these have a trivial impact on the estimate made. We have identified that the Council has used the valuation of an asset provided by its previous valuation expert from 2019 as the valuation as at 31 March 2022. We have uplifted the assumptions used in the 2019 valuation to estimate the asset's valuation as at 31 March 2022, resulting in an estimated understatement of the asset's valuation of £96k. We are satisfied that the carrying amount is not materially different from the uplifted potential value at the balance sheet date. For assets valued using the depreciated replacement cost (DRC) basis, one of the key inputs into the valuation is the build cost per square metre, taken from national data ranges adjusted for local factors. When determining the value an asset, the valuer is required to use their judgement when considering an appropriate build cost to use, based on the nature and type of the asset. Whilst we are satisfied that the appropriate type of build costs have been applied to each asset, the valuer has used the mean build cost for every asset. We believe that the valuer should consider the range of data available and tailor the build cost used for each asset based on the condition of the building. <p>We have satisfied ourselves in respect of the reasonableness of:</p> <ul style="list-style-type: none"> the Council's valuations of land and buildings of the increase in the estimate the adequacy of the disclosure of estimate in the financial statements 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - key judgements and estimates

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £11.554m	<p>The Council has engaged their internal RICS qualified valuer to complete the valuation of properties as at 31st March 2022. Investment Properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between the market participant at the measurement date).</p> <p>100% of total assets were revalued during 2021/22.</p> <p>The total year end valuation of investment property was £11.554m, a net decrease of £3.750m from 2020/21 (£15.304m).</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuations were carried out tested on a sample basis revaluations of the Council's investment properties during the year to ensure they have been input correctly into the Council's asset register and financial statements considered the appropriateness of the source data and key assumptions including comparable rental income and yields for the properties. <p>From our testing on the valuation of investment properties, we identified some minor errors and misclassifications, however these collectively have a trivial impact on the estimate made.</p> <p>We have satisfied ourselves in respect of the reasonableness of:</p> <ul style="list-style-type: none"> the Council's valuations of investment properties of the decrease in the estimate the adequacy of the disclosure of estimate in the financial statements 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £45.239m	<p>The Council's net pension liability at 31 March 2022 is £45.239m (PY £71.636m) comprising the Staffordshire Local Government Pension Scheme.</p> <p>The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £26.397m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> Undertaken an assessment of management's expert Reviewed and assessed the actuary's approach taken and detailed work undertaken to confirm reasonableness of approach Used an auditors expert (PwC) to assess the actuary and assumptions made by the actuary. This led to further detailed discussions with the Pension Fund and Actuary whereby we challenged the assumptions and calculation methods applied <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.7%</td> <td>2.7 – 2.75%</td> <td>● Appropriate</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.15 – 3.3%</td> <td>● Appropriate</td> </tr> <tr> <td>Salary growth</td> <td>3.6%</td> <td>3.7 – 5.7%</td> <td>● Optimistic</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.2 / 21.2 years</td> <td>21.4 – 24.3 / 20.1 – 22.7</td> <td>● Appropriate</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.5 / 23.8 years</td> <td>24.8 – 26.7 / 22.9 – 24.9</td> <td>● Appropriate</td> </tr> </tbody> </table> <p>As identified above, the assumption used for salary growth is considered to be optimistic and is lower than our auditors expert's range. This leads to a lower net liability. The potential effect is assessed as £394k by the actuary and this is deemed to be immaterial. This will however be reported as an unadjusted misstatement in Appendix C.</p> <ul style="list-style-type: none"> Identified no issues with the completeness and accuracy of the underlying information used to determine the estimate We have confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7 – 2.75%	● Appropriate	Pension increase rate	3.2%	3.15 – 3.3%	● Appropriate	Salary growth	3.6%	3.7 – 5.7%	● Optimistic	Life expectancy – Males currently aged 45 / 65	22.2 / 21.2 years	21.4 – 24.3 / 20.1 – 22.7	● Appropriate	Life expectancy – Females currently aged 45 / 65	25.5 / 23.8 years	24.8 – 26.7 / 22.9 – 24.9	● Appropriate	<p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.7%	2.7 – 2.75%	● Appropriate																								
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2. Financial Statements - other communication requirements

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We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	<p>We are not aware of any related parties or related party transactions which have not been disclosed. In our 2020/21 audit, we identified directorships that were not disclosed by members via a search of Companies House. A control recommendation was made that the Council should undertake a completeness review to ensure all disclosure returns are received from Councillors and Senior officers. The Council also undertakes searches on Companies House to identify any undeclared directorships.</p> <p>In our testing this year, we have identified 4 members with directorships that were not disclosed or identified by the Council from their searches. Although we accept that there were no such transactions with the Council that would require them to be disclosed as Related Parties, the Council's processes should be stronger to identify undisclosed declarations. This has been reported in Appendix B.</p>
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send a confirmation request to your bank. This permission was granted and the requests were sent and the appropriate confirmation was obtained.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

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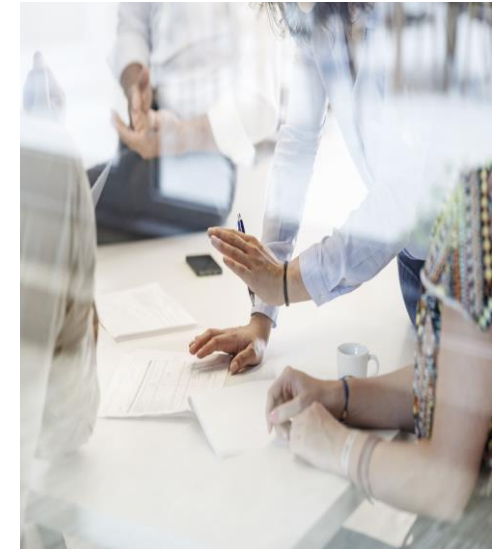
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We have issued an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the reporting threshold.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Newcastle Under Lyme Borough Council in the audit report, as our work on VFM is still to be completed.</p>



3. Value for Money arrangements

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Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been shared with management and the Chair of the Audit and Standards committee. We expect to issue our Auditor's Annual Report by 31st January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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. Our work on this risk is underway and we have not identified any risks at this stage of the audit.

4. Independence and ethics

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We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2021)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to November 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	18,000	<p>Self-Interest (because this is a recurring fee)</p> <p>Self review (because GT provides audit services)</p>	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,000 in comparison to the total fee for the audit of £68,952 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>

Appendices

A. Action plan – Audit of Financial Statements

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>Journal user access rights</p> <p>During our review of journal user access rights in March 2022, we identified an individual who was due to start work at the Council and had access to the General ledger. This individual appointed never actually commenced work at the Council, however from our review of the users, their access was not removed until July 2022. From our review of the journals posted in 2021/22, we noted that this individual had not posted any journals, however we believe their access should have been removed in a more timely manner</p>	<p>The Council should review users with access to the general ledger periodically and remove access where it is not required.</p> <p>Management response</p> <p>Users are reviewed on a regular basis, users are unable to access the system without access to their main Council account – these are suspended immediately when a member of staff leaves the authority</p>
High	<p>Journals authorisation and lack of segregation of duties</p> <p>From our review of authorisation of journals, we identified 8 journals that had been posted and authorised by the same individual, who does not have self-authorisation access. We also identified 2 journals authorised by another individual, who does not have authorisation access. Management has confirmed that the system has controls in place to limit the authorisation function and prevent inappropriate instances of journal authorisation, which we have corroborated to supporting evidence, and has therefore contacted service provider Civica for further details.</p>	<p>The Council need to investigate how journals were authorised by those without sufficient authority.</p> <p>Management response</p> <p>Civica have been contacted and the system has been updated, it is no longer possible for this to occur.</p>
Medium	<p>Capital accounting cut-off procedures</p> <p>From our testing of PPE disposals, we identified 15 assets that were included within the 2021/22 account, which were disposed of in the previous financial year. These assets did not have a material net book value that would warrant a Prior Period Adjustment, however the Council should review processes and controls in place to ensure the completeness of their accounts.</p>	<p>The Council should improve their processes for identifying asset disposals for accounts purposes. This will promote improved communication processes between the relevant departments and the finance team.</p> <p>Management response</p> <p>Officers will be reminded of their responsibilities for ensuring that assets for which they are responsible on the asset register are fully reviewed. A full review was undertaken as part of the 2021/22 accounts which identified and appropriately accounted for the assets being referred to.</p>

B. Follow up of prior year recommendations

Page 66

We identified the following issues in the audit of Newcastle Under Lyme Borough Council's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report.

We have followed up on the implementation of our recommendation and note that this has been partially addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially addressed	<p>Completeness of register of interests</p> <p>Our testing on related parties identified directorships that were not disclosed by members via a search of Companies House. From a review of these identified financial interests, we identified one transaction with a community centre, where a member is a related party, that was not disclosed in the financial statements.</p> <p>Recommendations:</p> <p>At least once per year, the Council should undertake a completeness review of related parties including: Ensuring all disclosure returns are received from Councillors and Senior Officers including nil declarations. . Undertaking searches on Companies House to identify any undeclared directorships.</p>	<p>The Council undertakes a completeness review of related parties including ensuring all disclosure returns are received from Councillors and Senior Officers including nil declarations. The Council also undertakes searches on companies house to identify any undeclared directorships.</p> <p>From our testing, we have identified 4 members with directorships that were not disclosed or identified by the Council from their searches of Companies House. Although we accept that there were no such transactions with the Council that would require them to be disclosed as Related Parties, the Council's processes should be stronger to identify undisclosed declarations.</p>

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below. We have identified the following unadjusted misstatements:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on Net costs of services £'000	Reason for not adjusting
<p>Completeness of Expenditure</p> <p>Our invoice received testing identified two invoices that related to 2021/22 and no accrual was made. The value of this is an understatement of expenditure of £185k.</p>	Debit - Expenditure £185	Credit - Payables £185	Decrease Surplus £185	These transactions are not material to warrant an adjustment.
<p>Net Pension Liability</p> <p>As on page 10, we believe the managements estimation process contains assumptions we consider optimistic.</p>	Credit - Remeasurement of the defined benefit liability/asset £394	Debit - Pension Liability £394		The impact is considered to be immaterial.
Overall impact	(£209)	£209	£185	

Impact of adjusted misstatements

No adjusted misstatements have been identified from our audit.

C. Audit Adjustments

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Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which are to be made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Narrative Report	We have identified a figure within the Narrative Report relating to the pension liability, which was not consistent with the financial statements. This was an error within the narrative report as the figure had not been updated accordingly and has been agreed to be amended by management.	Yes
Accounting Policies	Accounting policy vii – Employee Benefits states that liabilities are discounted to their value at current prices, using a discount rate of 2%. We have reviewed the IAS19 report, which discloses the discount rate at 2.7%. The accounting policy was incorrect rolled forward from the prior year, for which management have agreed to update the accounting policy to be consistent with the IAS19 report.	Yes
Accounting Policies	From our work on the depreciation figure within the financial statements, we have identified that the Council depreciated assets in the year of acquisition. We deem this to be reasonable, however this is not clearly documented within the Council's accounting policy for Property, Plant and Equipment. We have recommended for the accounting policy to be updated for which management have agreed.	Yes
Expenditure and Funding analysis (EFA)	From our work on Note 6 – EFA, we have identified a number of inconsistencies between the figures within this note and Note 8 – Adjustments between accounting basis and funding basis, where we would expect figures to be consistent. This has been raised with management who have agreed to amend note 6, note 8 and note 27 (Capital expenditure and financing) to ensure that the disclosure notes are all consistent.	Yes
Note 3 - Critical Judgements in Applying Accounting Policies	As per the CIPFA code, this note should only include items where management make critical judgements in applying accounting policies. The Council have made a disclosure with regards to the estimation of the net pension liability. The audit team do not consider this to meet the definition of a critical judgement. Management have decided not to remove these estimates given that these items were reported to Audit and Standards committee for inclusion on the same basis for the 2020/21 financial statements and will recommend to the committee for a lesser disclosure in future years	No

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	As per the CIPFA Code, this note should only include estimates that have a significant risk of resulting in material adjustments to the carrying amount of assets/liabilities within the financial year. We have identified that the Council have disclosed estimation uncertainty for the recoverability of debtors and the business rates retention scheme, which the audit team do not consider to have a material uncertainty, therefore should remove these disclosures to avoid obscuring material information. Management have decided not to remove these estimates given that these items were reported to Audit and Standards committee for inclusion on the same basis for the 2020/21 financial statements and will recommend to the committee for a lesser disclosure in future years	No
Cash Flow Statement	We noted that the 'Other receipts from investing activities' was incorrectly disclosed as £4,085k rather than £4,058k. This was a transposition error which has now been updated.	Yes

C. Audit Adjustments

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Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Testing of the source data used for the revaluation of other land and buildings identified four properties where the internal area used in the valuation was incorrect. This resulted in the valuations for these properties being understated.		Cr Other Land and Building 140		Not considered material – will be addressed as part of the 2021/22 revaluation process
		Dr Revaluation Reserve 140		
Testing of Other Land and Buildings identified one property that did not meet the criteria for being classified as a Other Land and Buildings and should have been recorded as an Investment Property as it is being held for capital appreciation.		Dr Other Land and Building 165		Not considered material – will be addressed as part of the 2021/22 revaluation process
		Dr Investment Properties 165		
Overall impact	£0	£0	£0	

D. Fees

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

Audit fees	Final 2020/21 fee	Proposed 2021/22 fee	Final 2021/22 fee
Council Audit	£66,352	£68,952	£68,952
Total audit fees (excluding VAT)	£66,352	£68,952	£68,952

Non-audit fees for other services	Proposed 2021/22 fee
Audit Related Services – Certification of Housing Benefit Claim	£18,000
Total non-audit fees (excluding VAT)	£18,000

Details of variations in final fees from the proposed fee per the audit plan

We have provided a reconciliation between the audit fee and the financial statements. See note 14 of the financial statements:

- External audit services carried out £69k – this agrees to our external audit fee.
- Certification of grant claims and returns £13k – this agrees to the 2020/21 certification fee so has been assumed to be carried forward by the Council.
- Total fees per above are £82k.
- Differences relates to the uplifted housing benefit claim fee in 2021/22 of £6k.



NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
06 February 2023

Report Title: External Review of Internal Audit

Submitted by: Chief Internal Auditor, Clare Potts

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To update the Committee on the results of the external review of Internal Audit undertaken in November 2022 as required by the Public Sector Internal Audit Standards (PSIAS) and to highlight the proposed actions as a result of the review's findings.

Recommendation

That

1. **The report and positive outcome be noted and that the Committee agree to the actions proposed as a result of the review.**

Reasons

To ensure the Internal Audit function continues to comply with Public Sector Internal Audit Standards (PSIAS).

1. **Background**

- 1.1 The Public Sector Internal Audit Standards were developed following a two year collaboration between the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). For public sector internal audit functions this replaced the CIPIFA Code of Practice for Internal Audit in the UK. The PSIAS requires an external review to be carried out at least once every five years.
- 1.2 Following this, local authorities had until 31 March 2018 to complete their first external quality assessment. The assessment could be delivered in several ways, including the validation of a self-assessment, having a peer review or using an external assessor. For Newcastle Borough Council, the first review was conducted by CIPFA in April 2017 and the results of the review were reported to the Audit & Standards Committee.
- 1.3 As part of the annual reporting process, Internal Audit reports have included the overall results of self-assessment exercises conducted against the PSIAS and the additional standards set out in the Local Government Application Note published by CIPFA. An action plan has also been maintained highlighting progress against the areas where improvements have been undertaken.

2. **Issues**

External Review

2.1 The PSIAS set out a requirement for an external review to be undertaken once every five years therefore a further review for Newcastle Borough Council now required. Following an evaluation of external reviews conducted at other Staffordshire local authorities, Business Solutions Ltd were chosen to conduct the next review.

2.2 The review was conducted on 7th to 18th November 2022 and included interviews with the Chief Internal Auditor and members of the internal audit team. A sample of internal audit clients and the Chair of the Audit & Standards Committee received a survey to complete to support the review. The review also included an evaluation of a sample of the reports produced by the service and other policies and procedures. The reviewer prepared a draft report for discussion and the final agreed report is attached at Appendix A and will be included in the Annual Internal Audit Report.

2.3 The outcome of the review, as detailed on page 5 of the report, can be one of three opinions:

1. Generally Conforms
2. Partially Conforms
3. Does Not Conform

The opinion for the city council's Internal Audit Service is that it has achieved the top standard of 'Generally Conforms' to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note (see page 3 of the report).

2.4 Part one of the report (page 9) details eleven recommendations to ensure continued compliance with PSIAS. Six of these are review points to better reflect application of the PSIAS and five recommendations are for consideration only. No recommendations have been made that must be undertaken to enhance the service's practice and demonstrate transparent alignment to the standards. See page 27 of the report for details of the grading used.

2.5 Part two of the report (page 16) details four suggestions for the enhancement of the service and Part three provides benchmarking details comparing the service to other internal audit providers including the private sector.

3. **Proposal**

3.1 Progress against the actions arising from the review will be monitored and reported to the Committee at regular intervals.

4. **Reasons for Proposed Solution**

4.1 To provide the Committee with continued assurance that the internal audit service complies with the PSIAS.

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 cost of the external review are within the Internal Audit budget allocation.

9. **Major Risks**

9.1 The key risk to be considered in noting the attached report is that the quality of the independent and objective assurance provided by Internal Audit falls below, or is perceived to fall below the level required by the PSIAS. The consequence of which is that opportunities to improve the Authority's system of internal controls, governance framework and the delivery of its objectives are not identified or acted upon. This risk is managed through a combination of the governance and reporting frameworks within which Internal Audit operates and the overview carried out by this Committee. No risks have been identified that are not within acceptable tolerances.

10. **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 Not applicable

13. **List of Appendices**

13.1 Appendix A – External Review of Newcastle Borough Council's Internal Audit Service

14. **Background Papers**

14.1 Not applicable

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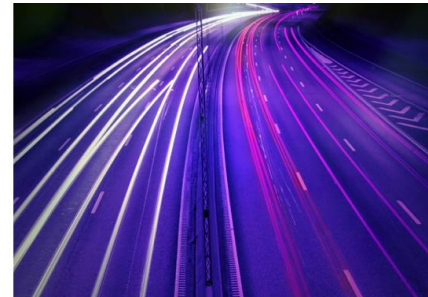
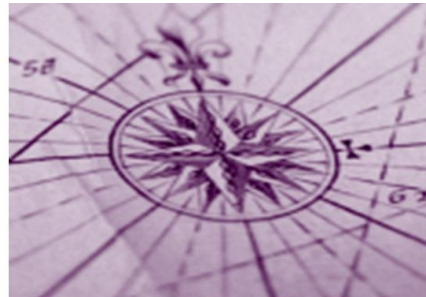


NEWCASTLE UNDER LYME
BOROUGH COUNCIL

External Quality Assessment

Internal Audit Services

Executive report – November 2022





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External Quality Assessment

Newcastle Under Lyme Borough Council

**BUSINESS
RISK
SOLUTIONS**

Opinion: The Internal Audit services received by Newcastle Under Lyme Borough Council are delivered to a standard that **generally conforms** with the Public Sector Internal Audit Standards.

Key matters arising from the review:

- Increasing integration of the use by internal audit of risk-based techniques with the risk appetite of the Council particularly in terms of planning at a strategic and engagement level would be mutually beneficial,
- Ensuring clear logic within the use of inherent and residual risk assessments through working papers for each assignment to focus on agreed management objectives, significant risks and relevant key controls contained within the Council risk management system, will support the assurance provided in the final audit report would enhance the focus of engagements.
- Consideration should be given to increasing the prominence of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by the Council within the Risk Management Policy within all aspects of the internal audit process.

Good Practice identified during the review

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit, guides delivery and establishes the basis of the Head of Internal Audit's Annual Opinion.
- The service has developed a documented internal audit methodology, which includes analysis of risk using a Heat Map process and supporting templates that delivers a consistent risk-based service.
- Self-assessment identifies areas in which future development will be beneficial and is based upon the development of job descriptions, performance appraisals, the establishment of a training needs and client feedback.
Routine reporting informs clients and the Audit Committee regarding progress regarding completion of the internal audit plan, findings and the follow up of recommendations.
Reporting is encouraged to provide a balanced view of risk and control within each engagement.
A diary record of progress within an engagement is maintained within the Audit Engagement Brief.

Executive summary

Internal Audit Services are delivered by an in-house team from Stoke-on Trent City Council managed by Clare Potts as Strategic Manager - Audit & Fraud, who assumes the role of Chief Audit Executive (CAE) for the purposes of this review.

The service has responded to the changes of focus in professional standards by developing a risk based approach with regard to planning and the completion of assignment work; the Internal Audit Manual has been updated in October 2021 to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS) and better align content to its current methodology.

From an internal audit perspective, considerable advantage is to be gained from increasing development and recognition of the client Risk Management processes, which reflect a 'Three lines of Defence approach' and therefore provide a basis for risk-based internal audit as required by the standards. Further development of the process at an operational level would allow further enhancement of internal audit services.

With regard to planning, it would be beneficial to continue to align services with the Council's risk appetite. The current process defines key controls and those further mitigating actions which are required, these could be more effectively used to drive the focus of engagements in conjunction with the 'Risk Heat Maps' developed by internal audit within each engagement.

The degree to which risk appetite is embedded within assessment can be developed in order that internal audit can provide an assurance opinion in relation to risk management, governance and control. Ensuring clear alignment with the risk matrix will enable internal audit plans and assignments to focus on the value of 'Control Risk' and thereby increasingly concentrate its attention on management objectives, significant risk, key controls and the assurances available to mitigate risk. Continuing to develop this thread will enhance both the efficiency and effectiveness of internal audit as well as its benefit to the Council.

Consequently, with a constantly changing risk environment, particularly as the service responds to the changing needs of the Council, there is a need and opportunity for the internal audit service to continue to enhance delivery through acting as a catalyst to ensure that robust risk management systems are operational, increasing its awareness of the assessment of risk and as a consequence informing its own approach. This will help ensure that internal audit focuses on the most appropriate areas and can demonstrate that it continues to provide a service that effectively contributes towards the achievement of the Council stated objectives, through the provision of independent assurance.

Current services are assessed to '**generally conform**' with the PSIAS standards with the service demonstrating a high standard of delivery within its peer group. A series of specific recommendations are made in the report that follows which reflect building on the existing strengths in relation to resources, competency and delivery in order to enhance future services and as a result enhance the benefit of the service to the Council.

Basis for overall opinion

Generally Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Partially Conforms means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

Does Not Conform means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

Overall assessment

1	RESOURCES		Excelling – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations.
2	COMPETENCY		Established – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where further development would be beneficial.
3	DELIVERY		Established – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where a more consistent approach and further development would be beneficial.

Summary of good practice identified within EQA

Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and agreed with management and the Audit and Standards Committee (ASC).	The combination of the Charter, supported by the Internal Audit Manual is comprehensive and establishes an appropriate framework against which internal audit services can be delivered in accordance with the PSIAS.
1100	Independence and objectivity	A process is in place regarding the identification and management of potential conflicts and/or declarations of interest.
1311	The service has conducted internal assessment exercises regarding its performance.	Performance review is embedded within quality control procedures and supported by a staff appraisal process which identifies and supports performance development needs. Further quality assurance is undertaken which has highlighted a number of areas where the team feel development would be beneficial.
2020	Active engagement at Member and management level	Represents the establishment of a good understanding of key issues through routine interaction with Officers and Members.
2030	The need for appropriate internal audit resources can be supported by support from appropriate other external sources, including in cases where a conflict may exist.	This represents a firm basis for the successful delivery of the internal audit plan and the use of support, if required.
2040	A detailed internal audit manual is in place which aligns with the PSIAS.	Provides for a consistent methodology, within which the service is delivered through a series of templates.
2060	Reports are produced using a standard template which is consistently applied.	Demonstration of a consistent approach to communication which is well received by management and the ASC's – effective follow-up ensures that issues are not lost.
2300	Internal auditors identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.	Effective supervision and review of progress ensures a consistent approach and delivery of the approved methodology.
2400	Internal auditors communicate results of engagements.	The internal audit team routinely conducts exit meetings with regard to the findings emerging from engagements.

Compliance with the Public Sector Internal Audit Standards

Business Vision and Mission, Governance arrangements, Recognition of standards, Charter, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

	Issue identified	Recommended action	
1	<p>Internal Audit Charter (IAC)</p> <p>The IAC requires an annual assurance opinion to be provided to the Audit and Standards Committee regarding the 'Control Environment', interpreted within the PSIAS as that relating to governance, risk management and control.</p> <p>Para 10.1 correctly states the basis for planning in the context of the full knowledge of the CAE however this contrasts with the narrower basis for the Annual Opinion.</p> <p>The Annual Opinion for 2021/22 para 2.4 stated that "From the evaluation and testing of systems during 2021/22 there appears to be a Satisfactory level of control".</p> <p>Best practice reflects using a wider basis for the opinion reflecting the full knowledge of the CAE including significant risks which the client is facing and information from other assurance sources.</p>	<p>The annual internal audit planning process is based upon a continuous assessment of the risk environment faced by the Council, therefore the opinion is not based on the current years work as stated. It would be more accurate to reflect on the full knowledge of the CAE in providing an opinion on risk management, governance and control.</p> <p>Consider documenting how internal audit will determine its opinion relating to risk management and governance in relation to the need for the Councils to demonstrate compliance with CIPFA Solace and the Council's Code of Governance.</p> <p>Additionally, the Annual Opinion is based upon wider knowledge of significant risks and the various sources of assurance that exist, including the risk management processes and this should be clarified or reflected in the Annual Report.</p> <p style="text-align: right;">PSIAS 1000</p>	Yellow
2	<p>Performance appraisal</p> <p>The self-assessment identified that the CAE's appraisal which is undertaken by the Monitoring Officer at Stoke-on-Trent City Council, could beneficially include input from both the Chair of Audit and Standards Committee and the Head of Finance.</p>	<p>Inviting observations from both the Chair of Audit and Standards Committee and the Head of Finance at Newcastle Under Lyme Borough Council in advance of the performance appraisal undertaken by the Monitoring Officer would be good practice.</p> <p style="text-align: right;">PSIAS 1110</p>	Green

	Issue identified	Recommended action
1.	<p>Audit Universe</p> <p>The current internal audit planning model reflects use of a “standard audit universe’ to which are applied a number of factors which represent a judgement of risk from an internal audit perspective.</p> <p>This is appropriate in circumstances where the client risk management system cannot be relied upon.</p> <p>Further development of this approach through increasing alignment with the Council’s risk environment at strategic and operational levels would enhance internal audits’ ability to demonstrate a commitment to helping the Council achieve its objectives.</p>	<p>The development of a comprehensive internal audit plan that reflects the significant risks that are recorded with the Councils risk management system represents an essential feature of both strategic and operational internal audit planning as it acts as a basis for both ensuring attention on significant risks on a priority basis, as well as providing an indication of the resources required to provide continuous independent assurance.</p> <p>Internal Audit works with each client manager at the time of an engagement to identify significant risks; it would be opportune to increasingly recognise and promote the value of ‘Control Risk’ at an operational level and transparently integrate this within the planning process.</p> <p>It would be beneficial therefore to increasingly align development of the internal audit planning system with the Council’s risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level.</p> <p>The need to review key systems on a rotational basis should be reconsidered and in future aligned with the risk based approach and previous assurance opinions.</p> <p>It may be that such an approach would also help embed effective risk management within the Council’s governance processes at an operational level as this has been the subject of negative comment in the most recent reviews by both internal and external audit.</p>

Competency continued

	Issue identified	Recommended action
2.	<p>Audit objectives</p> <p>The Audit Engagement Brief currently contains a statement which reflects the 'purpose' of the review as providing assurance regarding the area subject to review.</p> <p>In accordance with PSIAS requirements, which recognise the value of focusing on the objectives of the area under review; it may be beneficial to re-focus the statement on Management Objectives as this would align directly with the significant risks which are then identified.</p>	<p>It may be beneficial to increasing capture the Management Objectives for the area subject to review as this will help identify nature of the significant risks being and will assist with the discussions with client managers at the planning and reporting stages.</p> <p>Consequently determination of the key controls that will provide mitigation of the identified significant risks will provide the basis upon which the assurance opinion is provided.</p> <p style="text-align: right;">PSIAS 2201</p>
3.	<p>Use of the risk matrix and 'Heat Map'</p> <p>The current methodology requires identification at the commencement of an audit of the significant risks to be considered. The gross risk is then assessed with input from management in terms of its likelihood and impact and the outcome recorded on a Heat Map.</p> <p>Where available the assessment is informed by client risk management processes.</p> <p>The review then aims to identify appropriate policies, procedures and controls, concluding with an opinion based upon the residual risk in each area.</p> <p>The logic of this process represents good practice.</p>	<p>The PSIAS promotes the use of risk based techniques and the focus on significant risk. The Heat Map supports this process, although its value is then diminished by focusing on all risks, including those of a 'negligible/minor' nature.</p> <p>Consider re-focusing each engagement on those significant risks which threaten achievement of management objectives. This may both add value as well as allow more efficient use of resources.</p> <p>The single learning point from the client survey indicates that the service might provide increased focus on significant risk and introducing best practice from elsewhere within the audit approach. This may promote understanding of risk throughout the process and produce outcomes which are regarded as adding value by clients.</p> <p style="text-align: right;">PSIAS 2010</p>

Competency continued

	Issue identified	Recommended action
4.	<p>Supervision</p> <p>Supervision is shown on the Working Paper (diary section) and as comments within the document which are responded to by the auditor.</p> <p>Evidence of review is contained with email process.</p> <p>File review is completed at end of engagement and before release of draft report.</p>	<p>Ensure supervisory processes provide robust evidence of review throughout the audit engagement.</p> <p>Consider hyperlinking relevant documentation within the diary included as part of the 'Working paper'..</p> <p style="text-align: right;">PSIAS 2340</p>

Competency continued

Issue identified

Recommended action

5. Recognition of risk appetite

As mentioned above use of the Heat Map within internal audit planning represents good practice and recognises the mitigation processes that support the identification of risk appetite,

The assessment of gradings could do likewise by directly aligning definitions of risk assessment with the gradings allocated to recommendations and within opinions.

NULBC uses that shown below:

Final Risk Rating	Management Action required	Review/Reporting required
High	This level of risk is not acceptable and requires action to be considered in order to reduce the risk. Unless the Board agrees that the risk is acceptable, the risk must be reduced to a level that is acceptable to the Board.	The appropriate Executive Director must be made aware immediately and this risk must be escalated to the Board. The appropriate Management Board (MB) or Board of Directors (BoD) must be made aware of the risk and the Board must be kept informed of the risk until it is acceptable to the Board. If the risk is not acceptable to the Board, the risk must be reduced to a level that is acceptable to the Board.
Medium	Acceptable risk. This level of risk is acceptable and requires action to be considered in order to reduce the risk. Unless the Board agrees that the risk is acceptable, the risk must be reduced to a level that is acceptable to the Board.	The appropriate Board of Directors must be made aware of the risk and this must be included in the minutes of the next meeting of the Board. The Board must be kept informed of the risk until it is acceptable to the Board.
Low	Acceptable risk. This level of risk is acceptable and requires action to be considered in order to reduce the risk. Unless the Board agrees that the risk is acceptable, the risk must be reduced to a level that is acceptable to the Board.	The appropriate Board of Directors must be made aware of the risk and this must be included in the minutes of the next meeting of the Board. The Board must be kept informed of the risk until it is acceptable to the Board.

In matrix form being:

LIKELIHOOD	HIGH	Amber 7	Amber 8	RED 9
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
		Low	Medium	High
		IMPACT		

Consider aligning internal audit grading structures with the recognised processes – although recognising that the approach would need adoption across all clients.

Rec' grade	NULBC
High	9
Medium	5, 6, 8
Low	3,7 1,2,4

The approach would then allow alignment between the level and volume of recommendations being made with the overall opinion.

Opinion	Link
Good: "A good level of effective control, which allows reliance to be placed on the management of the system."	Green
Satisfactory: "A satisfactory level of control. However, some control weaknesses have been identified which need to be corrected in order to move up to a good level of control."	Green, Amber
Marginal: "A number of weaknesses have been identified which make it difficult to place reliance on the operation of the internal control framework. Improvements are required to increase the adequacy and effectiveness of control."	Amber, Green
Unsatisfactory: "A number of significant weaknesses have been identified which make it difficult to place reliance on the operation of the internal controls. Significant improvements are required to increase the adequacy and effectiveness of control."	Amber, Green, Red
Unsound: "At least one fundamental absence or weakness exists which places the system open to major error, waste, loss or abuse. Fundamental weaknesses need immediate action to improve the control environment."	Red

In this respect consider reducing the levels of opinion to at least four on basis that Marginal and Satisfactory opinions appear very similar.

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

	Issue identified	Recommended action	
1.	<p>Governance</p> <p>The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements.</p> <p>Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.</p>	<p>In Local Government the Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to map internal audit activity to the content of the Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.</p> <p>This would provide transparency regarding the basis upon which the opinion has been based.</p> <p style="text-align: right;">PSIAS 2110</p>	
2.	<p>Risk Management</p> <p>The review of systems at NULBC in 2022 followed observations by the External Auditor regarding the benefits of further developing the system.</p> <p>The system methodology is fundamentally sound with the core principles regarding:</p> <ul style="list-style-type: none"> • Identification of risk • Analysis and evaluation in relation to existing controls • Mitigation, and • Monitoring <p>forming the basis of the risk management process.</p> <p>Consequently, the internal audit opinion can be compiled by assessment of both the overall approach and separately within each audit, and combined to form an overall opinion.</p>	<p>The standards require an annual opinion to be provided in the Head of Internal Audit’s Annual Report regarding the effectiveness of the risk management process.</p> <p>Given the reviews in this area it would be beneficial to support the opinion with specific evidence regarding how the combination of the assurances gained at both strategic and at an operational level within engagements have been assessed.</p> <p>This would include progress on the implementation of recommendations having being made.</p> <p style="text-align: right;">PSIAS 2120</p>	

	Issue identified	Recommended action	
3.	<p>Release of draft and final reports Reports are currently issued to clients by the auditor responsible for the engagement following approval by the CAE.</p> <p>Approval for release is authorised under cover of an email.</p> <p>Reports are issued in the name of the Auditor.</p>	<p>Consideration should be given to either:</p> <p>a) showing the process for approval of each report by redesign of the existing front cover of the reporting template, or b) Including the name of the Head of Internal Audit above that of the Auditor on the front cover.</p> <p style="text-align: right;">PSIAS 2420</p>	
4.	<p>Internal Audit Risk Based Strategy Audit Engagement Plans and Reports do not contain an explanation of how the Internal Audit Team relate the levels of risk evaluation to the conduct of the audit, and the grading of recommendations, leading to an opinion.</p> <p>It would be beneficial to include a summary of the grading processes used within all client communications as this would help embed both internal audit's approach and improve familiarity with risk management throughout the client.</p>	<p>Definitions of the grading of risks and the basis for opinions should be included within the Internal Audit Manual (through cross-reference to client Risk Management Policies), Audit Engagement Plans and Audit Reports as this would help to ensure a consistent approach and understanding of risk is embedded throughout both internal audit and the Council.</p> <p style="text-align: right;">PSIAS 2420</p>	



Suggested enhancements for consideration

Suggested Enhancements for consideration

	Issue identified	Recommended action
1.	<p>Key Performance Indicators Completion of the Internal Audit Plan is regarded as the current focus of performance monitoring, although other indicators based on recommendations and opinions are recorded in the Head of Internal Audit's Annual Report.</p> <p>Good practice elsewhere utilises a range of quantitative and qualitative measures to demonstrate performance against the Internal Audit Charter.</p> <p>The future introduction of Pentana software may be beneficial in this respect.</p>	<p>Consideration could be given to devising a more comprehensive list of indicators and including these within the QAIP process to be summarised in the Head of Internal Audit's Annual Report of performance and client feedback received. This may include both KPI's already produced and others which may be available and include:</p> <ul style="list-style-type: none"> • Reports issued to agreed timescales • Recommendations accepted/not accepted by risk rating • Recommendations acted upon in a timely manner • Client satisfaction • Staffing levels and qualifications • Planned training completed <p style="text-align: right;">PSIAS 1310</p>
2.	<p>Training The Internal Audit Team has developed a comprehensive training and skills matrix which includes reference to mandatory requirements although this has not been maintained.</p> <p>As the internal audit planning process is based on a continuous review of the Council's assurances needs and devises a forward looking plan based on need and priority, it would be beneficial to consider the future training needs of internal audit staff and include these in future resource planning.</p>	<p>Consider the benefits of using the priorities included in internal audit planning process to identify potential courses or seminars which may provide increased understanding of the risk environment that will require review in the medium term.</p> <p>Ensure that training records are maintained and used to inform the QAIP.</p> <p style="text-align: right;">PSIAS 1210</p>
	<p>Fraud Survey The Internal Audit Team participates in the CIPFA Fraud Survey which reflects good practice regarding the consideration of fraud risk within the PSIAS.</p>	<p>When completed it would be beneficial to align outcomes with the significance of fraud risk in relation to achievement of the management objectives agreed within each engagement.</p>

Suggested Enhancements for consideration

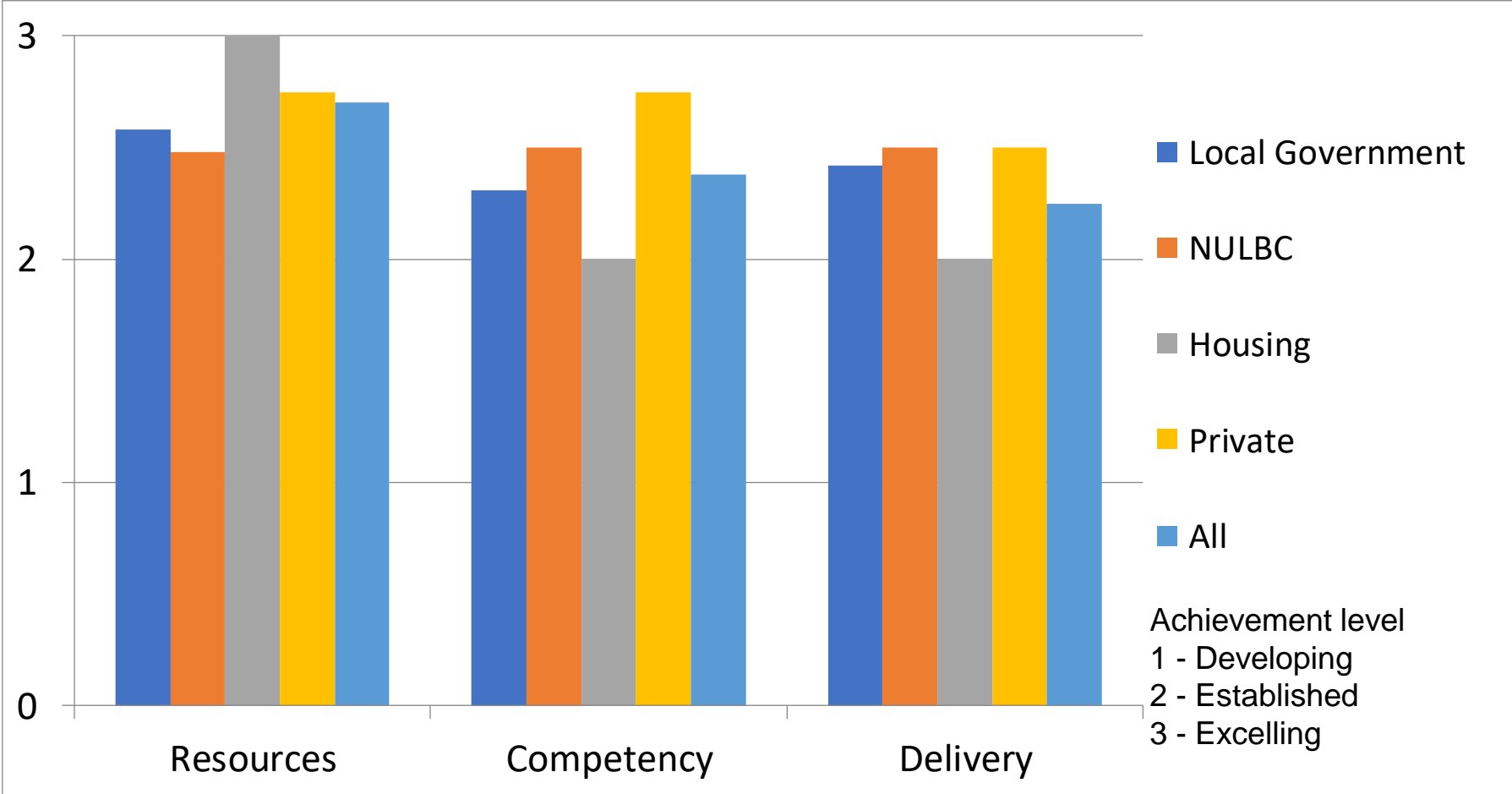
	Issue identified	Recommended action
4.	<p>Confidentiality and liability There is an occasional need to share an internal audit report outside of the organisation and in which case the legal implications should be considered.</p> <p>Current reports contain a statement regarding confidentiality and Freedom of Information.</p>	<p>The Internal Audit Team should consider the need to also include an appropriate limitation of liability clause in reports which may be shared with third parties, including external audit.</p> <p style="text-align: right;">PSIAS 2440</p>

Part three

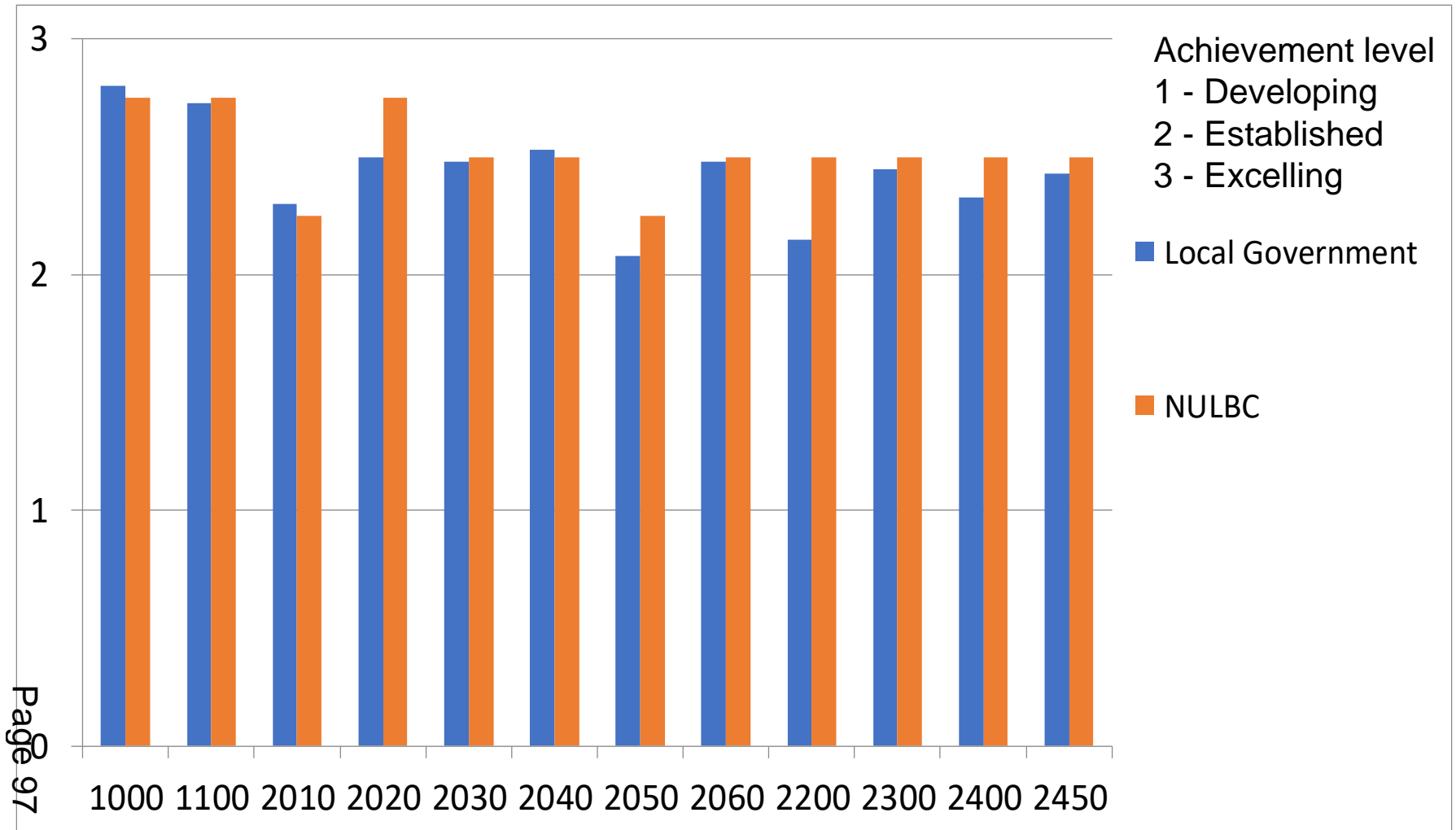


Benchmarking

Benchmarking - Sector analysis



Benchmarking - Industry analysis



1. Summary of client feedback
2. Key IPPF/PSIAS standards assessed
3. Basis for EQA
4. Grading of recommendations

Summary stakeholder feedback

Question	Positive (%)	Negative (%)
I understand Internal Audit's role in the organisation and its purpose.	100	
Internal Audit is customer focused and understands what the organisation is trying to achieve.	100	
Internal Audit considers the viewpoints of the organisation when planning and undertaking reviews and aims to provide a good balance between assurance and good practice with opportunities for improvement.	100	
Internal audit has a presence in the organisation which is visible and approachable.	100	
The Internal Audit team provides a flexible and reliable service which adds value through the assurance audits and additional work it undertakes.	100	
Internal Audit makes you aware of any significant issues that occur during an audit on a timely basis and you have the opportunity to respond or provide additional information.	100	
Internal audit has the skills to provide appropriate assurance and advice to meet our needs?	100	
Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods.	100	
Average	100	

Conclusion:

Feedback from stakeholders confirms that the Internal Audit Shared Service is considered to provide a good quality internal audit service whose brief is clearly understood and the assurance and advice that is provided is well regarded.

Other relevant observations

The current arrangement with SoTCC's internal audit team works well for NBC. It provides the required level of expertise, independence and resilience.

The Head of Internal Audit engages with Newcastle-under-Lyme Borough Council's Council Members, and has provided Audit and Standards training which was very well received.

Issued	7	Returned	7	Response rate	100%
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Client representative	No'
Audit Committee	1
Main Client contact	1
Client Manager	5

Key PSIAS Standards assessed

(for benchmarking purposes)

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
3000	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
4000	Communicating results	Internal auditors must communicate the results of engagements
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Basis for EQA

Compliance with IPPF/PSIAS

- **Resources**

Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

- **Competency**

Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

- **Delivery**

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

Grading of recommendations

- The grading of recommendations is intended to reflect the relative importance to the relevant standard within the Public Sector Internal Audit Standards (PSIAS).

Recommendation grading	Explanation
Enhance	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
Review	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
Consider	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services

- In grading our recommendations, we have considered the wider environment in terms of both the degree of transformation that is currently taking place as well as our assessment of the level of risk maturity that currently exists, as these will have a consequence for the conduct of internal audit planning as well as subsequent communication.

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Audit and Standards Committee

Work Plan 2022/2023

Committee Date	Reports
27 June 2022	<ol style="list-style-type: none"> 1. Health and Safety Annual Report 2. Annual Governance Statement 3. Proposed Accounting Policies, Critical Accounting Judgements and Sources of Estimation Uncertainty for the 2021/22 Statement of Accounts 4. Draft Statement of Accounts 5. Treasury Management Annual Report 6. Q4 Corporate Risk Management Report
25 July 2022	CANCELLED
7 September 2022	<ol style="list-style-type: none"> 1. Q1 Internal Audit Progress Report 2022/23 2. Q1 Corporate Risk Management Report
14 November 2022	<ol style="list-style-type: none"> 1. Treasury Management Half Yearly Report 2. Audited Accounts for 2021/22 3. Q2 Internal Audit Progress Report
6 February 2023	<ol style="list-style-type: none"> 1. Q3 Internal Audit Progress Report 2. Q2 Corporate Risk Management Report 3. Q3 Corporate Risk Management Report 4. Annual Audit Letter 2021/22 5. External review of Internal Audit 6. Risk Management reports – format for the Committee
17 April 2023	<ol style="list-style-type: none"> 1. External Audit 2. Annual Internal Audit Report and Annual Opinion 3. Internal Audit Charter 2023/24 4. Internal Audit Plan 2023/24 5. Corporate Fraud Arrangements 7. Risk Management Policy & Strategy 2023/24
27 June 2023	<ol style="list-style-type: none"> 1. Health and Safety Annual Report 2. Treasury Management Annual Report 2021/22 3. Internal Audit Annual Report 4. Q4 Corporate Risk Management Report

27 January 2023

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