

Public Document Pack

Date of meeting Monday, 17th April, 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 PLAN 2023/24

(Pages 7 - 22)

5 CORPORATE FRAUD ARRANGEMENTS 2023/24

(Pages 23 - 64)

6 RISK MANAGEMENT POLICY & STRATEGY 2023/24

(Pages 65 - 108)

7 EXTERNAL AUDIT ANNUAL REPORT

(Pages 109 - 140)

8 COMMITTEE WORK PLAN 2023/24

(Pages 141 - 142)

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 :- Where the total membership of a committee is 12 Members or less, the quorum will be 3 members....Where the total membership is more than 12 Members, the quorum will be one quarter of the total membership.

SUBSTITUTE MEMBER SCHEME (Section B5 – Rule 2 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 to:

- Identify a Substitute member from the list above who is able to attend on your behalf
- Notify the Chairman of the Committee (at least 24 hours before the meeting is due to take place)

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.

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AUDIT AND STANDARDS COMMITTEE

Monday, 6th February, 2023
Time of Commencement: 7.00 pm

[View the agenda here](#)

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Present:	Councillor Paul Waring (Chair)		
Councillors:	Panter Holland	Whieldon Stubbs	Brockie Sweeney
Apologies:	Councillor(s) Talbot		
Substitutes:	Councillor Philip Reece		
Officers:	Daniel Dickinson	Head of Legal & Governance /Monitoring Officer	
	Sarah Wilkes Clare Potts	Head of Finance / S151 Officer Chief Internal Auditor	

1. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

2. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 14th November 2022 be agreed as a correct record.

3. **INTERNAL AUDIT UPDATE QUARTER THREE**

The Chief Internal Auditor presented the Internal Audit Update Quarter 3 covering the period of 1st October to 31st December 2022.

A neutral audit opinion had been issued over the quarter regarding the Disabled Facility Grant, meaning a number of weaknesses were identified and improvements were now required to increase the adequacy and effectiveness of the internal control framework. Four medium risks recommendations had been made regarding the management and administration of information and supporting records and documentation.

A number of audits were in progress with status ranging from preparation to fieldwork and draft. Recommendations that had been issued were also being monitored, which is an improvement from Quarter 2.

On that topic the report showed that by the end of December 2022, 329 recommendations had been made, of which 287 were implemented, which represented 87%. Of the remaining 42 recommendations, 16 were in progress and 19 had not yet received their due date for completion.

Audit and Standards Committee - 06/02/23

Members raised questions as follows:

- Whether the Disabled Facility Grant was managed by a private company and if so how the Council was getting it back: the Head of Finance (S151 Officer) confirmed that it was indeed the case and that the fulfilment of the contract was being monitored, as the report showed.
- If further information about the four headline recommendations could be provided: the Chief Internal Auditor didn't have the information at hand but said she would circulate it.
- High priority overdue recommendation referred to in Appendix A page 11: the Chief Internal Auditor said this was about the Council not having a formally appointed Chief Information Officer, as part of the IT governance audit.

About the latter the Head of Legal & Governance clarified that there were three overlapping roles: the Data Protection Officer already in place, the Senior Information Risk Owner, also in place with himself and the Chief Information Officer which usually seats with the head of ICT and should be resolved swiftly with a new appointment as a result of an ongoing recruitment process.

Resolved: That the report be received.

[Watch the debate here](#)

4. CORPORATE RISK MANAGEMENT REPORT

The Head of Legal & Governance presented the Corporate Risks Management Report going straight to 2.1 and 2.2 of the report about the 9 overdue risks, which had all been reviewed and were being addressed, 2 of them having been amalgamated resulting in 7 only reassigned. Risk levels had changed for Animal Disease raised from Low 4 to Medium 7, in relation to the Avian Flu. There had been no movement in the Corporate Risk profile.

Responding to a question about 4 risks related to licensing enforcement the Head of Legal & Governance clarified that these were service level risks but were brought to the Committee to alert members of the fact they were overdue but as they were being addressed should disappear from the list, as should other overdue risks.

About the risks associated to Environmental Protection Service, Air Quality and North Staffs Local Air Quality Plan (NSLAQP) which had been overdue for a considerable amount of time, the Head of Legal & Governance confirmed that these were already being redressed.

There was a request for the Local Economic Partnership (LEP) to be circulated. The Head of Legal & Governance confirmed this would be done and even used as an example for the upcoming training scheduled with members.

Concerns were raised over the High Red 9 Financial risk rating page 28 along with the question of how the Council met the Action Plans. The Head of Finance (S151 Officer) clarified that the amount to be borrowed was over a three year period and efforts were put towards boosting the existing reserve so that this can be used in priority when available. It was suggested that the wording of the heat map be amended for consistency. The Head of Legal & Governance commented that it was

about control and mitigation measures and this could be looked at more in depth during the training session.

- Resolved:**
- (1) That the 9 risks more than 6 months overdue for a review be noted.
 - (2) That the risks on the Corporate Risk profile be noted.
 - (3) That no individual risk profiles be scrutinised at the next meeting.
 - (4) That whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change, be noted.

[Watch the debate here](#)

5. INDEPENDENT AUDITOR'S REPORT & AUDIT FINDINGS 2021/22

The External Auditor reported on the Audit Findings following up on the discussions that took place at the last meeting. The queries raised regarding the Council's plant, property and equipment as well as the pension liability had been resolved and there were no additional issues or errors needing adjustment.

Concerns were expressed over the journals user access rights and authorisations issues referred to in the Action Plan and flagged as high risk. The External Auditor commented that the first ones were about who has access and composes the journals: this needs to be done at least once a year and is relatively easy to fix. The second one relates to the good practice of having the journals to be authorised by someone separately and involves a bit more management.

The Head of Finance (S151 Officer) explained that there had been an upgrade in the system allowing the same person to write and approve the journals and so the separation of duties was not respected, however this had been corrected by the provider Civica who had put measures in place so that the same error doesn't happen again. Members were reassured to hear the problem had been related to the system and not a person failure.

Resolved: That the report be received.

[Watch the debate here](#)

6. EXTERNAL REVIEW OF INTERNAL AUDIT

The Public Sector Internal Audit Standards set a requirement for every internal audit service to have a review at least every five years. The first review had to take place before the 31st March 2018 and was done in April 2017. The results were reported through the Audit & Standards Committee.

The Chief Internal Auditor reported that Business Solutions Limited had been appointed to undertake the review that was due in 2022 based on quality and cost considerations.

The review was done in November featuring interviews of the team as well as examination of reports, policies and procedures, sample of clients and questionnaires to be filled resulting in the report presented to the Committee.

The document is articulated around three sections:

Audit and Standards Committee - 06/02/23

- Part one - Compliance with the Public Sector Internal Audit Standards - Findings and recommendations. On page 47 of the pack there are three levels of opinion that can be achieved. The Council achieved the highest standard i.e. "Generally Conforms".
- Part two - Suggestions for enhancement of internal audit services. Eleven recommendations were made, six of which being viewpoints to reflect the application of the standards, and five recommendations for consideration only. There were no recommendations about things needing to be undertaken, which demonstrated an alignment of the Council with the standards. Four suggestions were made for enhancement of the services.
- Part three – Benchmarking. Page 97 of the pack shows how the service compares with other local authorities and the private sector. Results of the stakeholders' feedback can be found on page 99 which confirms that the good quality of the internal audit service.

Members expressed their satisfaction over the report.

The Chair thanked the Chief Internal Auditor.

Resolved: That the report and positive outcome be noted.

[Watch the debate here](#)

7. COMMITTEE WORK PLAN

The Committee Work Plan is to be amended as follows:

- the Annual Internal Audit Report and Annual Opinion are to be moved from the meeting of the 17th April to the 27th June meeting;
- the Treasury Management Annual Report shown on the 27th June is actually 22/23 not 21/22;
- the NGA Benchmarking document was published last week and is to be brought to the 27th June's meeting.

A training session is being organised for the hour preceding the meeting scheduled on 17th April. The different risks factors will be explained and a worked example will be presented on a screen by the Head of Legal and Governance.

[Watch the debate here](#)

8. URGENT BUSINESS

There was no Urgent Business.

**Councillor Paul Waring
Chair**

Meeting concluded at 7.38 pm



NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
17 April 2023

Report Title: Internal Audit Plan and Charter 2023/24

Submitted by: Chief Internal Auditor

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To inform Members of the proposed Internal Audit Plan for 2023/24 and to seek their approval on its contents.

Recommendation

1. In accordance with the Committee's terms of reference, the Internal Audit Plan for 2023/24 be approved.
2. The Internal Audit Charter for 2023/24 which sets out how the plan will be delivered be approved.
3. The Committee agree to receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.

Reasons

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

1. Background

- 1.1 The primary purpose of an Internal Audit service is to provide an independent, objective assurance and consulting service to the organisation; and through the efficient delivery of this service seeks to add value and improve the organisation's operations and controls to effectively deliver the council's Strategic Priorities. Internal Audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Internal Audit is an independent appraisal function within the Borough Council under the control of the Service Director for Finance (Section 151 Officer).
- 1.2 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers, whether in-house, shared services or outsourced. Assessment against the

Standards provides assurance that the service is being delivered to a satisfactory level and in conformance to the standards.

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

2. **Issues**

- 2.1 The Internal Audit Plan for 2023/24 (detailed at Appendix A) has been produced by Stoke-on-Trent City Council who have an agreement in place to provide the Borough Council's Internal Audit service and undertake the role of Chief Internal Auditor as defined by the PSIAS.
- 2.2 The annual Internal Audit Plan for 2023/24 outlines the audits that are planned for the coming financial year and has been produced using a risk based approach. The results of this work will contribute to the annual internal audit opinion, which will then be included within the Annual Governance Statement (AGS).
- 2.3 The Council's Internal Audit Charter sets out how the Internal Audit service will be delivered and this has been reviewed as part of producing the latest internal audit plan. To demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS) the internal audit activity must be formally defined in an Internal Audit Charter. The 2022/23 Charter has been reviewed and remains fit for purpose. The Committee are therefore asked to approve this Charter, at Appendix B.
- 2.4 The Internal Audit service focuses on the way in which the key risks faced by the services and ultimately the council can be incorporated and addressed through the planned reviews set out in the proposed plan. In exploring the areas to include within the 2023/24 plan a number of factors have been considered. These include the strategic risks faced by the Council and also operational risks that its service areas are facing in the context of the objectives (both strategic and operational) they are striving to achieve. It also includes the controls that are currently in place and therefore the level of internal audit coverage that is appropriate for these areas of the business. A key objective has been to produce a plan that is aligned to the Council's objectives and perceived risks. This approach acknowledges the Council's risk management framework and open and forthright discussions have taken place with senior officers.
- 2.5 A risk assessment methodology continues to be developed in order to better inform the audit planning process. A significant factor within the audit planning process is the recognition and identification of emerging issues at both local and national level. Topical issues are monitored and tracked throughout the year by the Internal Audit team and, where relevant, highlighted for consideration or review.
- 2.6 The Corporate Leadership Team have provided valuable input into the plan based on their knowledge of key risk areas. The scope of each audit will be defined in further detail following a more detailed risk assessment to be undertaken before each audit and an assignment brief will be produced to identify the key objectives of each audit. This will present a further opportunity for the Senior Leadership Team to provide feedback on the proposed scope of work.
- 2.7 The planning and delivery of a robust audit plan ensures that an annual opinion and overall level of assurance can be provided by the Chief Internal Auditor to those charged with governance, thereby complying with constitutional requirements and sector standards. This

opinion is one of the elements of the assurance framework which is reported in the Annual Governance Statement.

- 2.8 In addition to the Internal Audit service, Stoke-on-Trent City Council also provide Fraud Investigation services to the council. This allows the service to focus on both proactive and reactive fraud work, with the primary aim of detecting (e.g. data-matching exercises), investigating and preventing fraud and where appropriate strengthen controls. The Council also continues to work with Stoke-on-Trent City Council to develop a Staffordshire wide partnership approach to counter fraud which includes joint working and data-matching.
- 2.9 Throughout the year the work programme at Appendix A will be reviewed, and detailed quarterly work programmes produced. Progress will be measured in order to report on the delivery of the audit plan.
- 2.10 For assurance on key financial systems that have previously been assessed as Well or Adequately Controlled, the approach will be to undertake a health-check audit. A health-check provides a snapshot of key aspects and controls of a system, and explores the measures in place to ensure procedures; processes and management are in place to effectively achieve its objectives. This approach is the most efficient way for Internal Audit to provide assurance on well controlled systems and ensures available resources are used as efficiently as possible. From 2023/24 onwards these health-checks are performed on a rolling programme to be reviewed once every three years, unless risk profiles indicate an earlier review is required.
- 2.11 In addition to undertaking planned audits, consultancy support has also been built into the plan for 2023/24. This is to ensure that Internal Audit can support the development of the control environment in areas of emerging risk or proposed changes where a formal audit review would not yet be appropriate. Appendix A provides the list of projects identified for this in 2023/24.
- 2.12 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Whilst the audit plan must be detailed enough to identify in advance the specific areas to be audited it must also remain flexible enough to cope with unforeseen events and must reflect the changing risks and priorities of the council. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit and Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

3. **Proposal**

- 3.1 In agreeing the proposed Audit Plan for 2023/24, Members are agreeing to a review of all areas listed in Appendix A.
- 3.2 Once agreed the plan will be translated into an operational plan detailing the audit assignments to be carried out, the purpose of each assignment and the allocation of resources. Each assignment will have clear objectives and scope to be delivered within the allocated resources and will be supervised for quality and consistency.

4. **Reasons for Proposed Solution**

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

5. **Options Considered**

- 5.1 The Audit Plan for 2023/24 will be the fourth year that a full Internal Audit service will be delivered by Stoke-on-Trent City Council. Due to the changing working environment as a result of the pandemic which has impacted on the Council's risk profile, a revised IT audit needs assessment was undertaken during 2021/22 to assess the requirement for IT audit work over the next 3 years. The plan at Appendix A therefore includes IT audits identified for completion in year 3 of the needs assessment along with a review of home working which had previously been put on hold. The provision of IT Audit skills is a specialist area and one that is constantly changing and will be delivered through a mixture of external support and internally by Stoke-on-Trent City Council auditors.

6. **Legal and Statutory Implications**

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

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

- 8.1 The work outlined for 2023/24 will be carried out within the agreed price specified in the agreement with Stoke-on-Trent City Council for Internal Audit services which is in line with the budgeted cost. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

8.2 Internal Audit is directed by the Chief Internal Auditor provided through a service agreement by Stoke-on-Trent City Council. This agreement provides the Borough Council with access to a range of Internal Audit staff with specific areas of experience and knowledge. The number of days to be delivered through this agreement has been set in line with previous years and has been allocated between the areas listed at 8.3 below. As mentioned in para 2.9 above, the Internal Audit service also works closely with the Corporate Fraud service to ensure a robust approach to fraud prevention and detection.

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

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

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

- Work identified as still relevant from 2022/23 and in progress at year end
- Key systems assurance
- Funding body requirement as requested
- Priority from risk assessment of service area
- Management request/Discussions with management
- Emerging risks / changes to the council's systems and controls

9. **Major Risks**

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

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

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

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



11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

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

13. **List of Appendices**

13.1 Appendix A – Proposed Internal Audit Plan 2023/24

13.2 Appendix B – Internal Audit Charter 2023/24

14. **Background Papers**

14.1 No background papers are required for this report.

Internal Audit Plan 2023/24

Audit Title	Days
Office of the Chief Executive	
Asset Management Capital	15
Housing Benefits	15
Sundry Debtors	15
Human Resources	10
Total Chief Executive	55
Operational Services	
Streetscene	15
Total Operational Services	15
Regeneration & Development	
Disabled Facilities Grant	10
Major Projects (Consultancy)	30
Total Regeneration & Development	40
Corporate	
Code of Corporate Governance Compliance (Consultancy)	15
Commercial Investment Governance (Consultancy)	15
GDPR Compliance & Data Security	15
Civil Contingencies & Business Continuity (Consultancy)	15
Risk Management (Health-check)	8
Gifts & Hospitality (Health-check)	5
Declarations of Interest	8
Decision Making	15
Communications	10
Equality and Diversity	10
Total Corporate	116
IT Audit Assurance	
Cyber Security (Supply Chain Management, Risk Management, Engagement & Training, Identity Access Management and Data security)	15
Service Desk Management	10
Application Systems - TBC	15
Home Working	10
Total IT Audit Assurance	50
Total Plan Days	276

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Internal Audit Charter

2023/24

<i>Title</i>	<i>Internal Audit Charter</i>
<i>Author</i>	<i>Clare Potts, Chief Internal Auditor, clare.potts@stoke.gov.uk</i>
<i>Date Created</i>	<i>28/02/2019 (Version 1.0)</i>
<i>Version</i>	<i>Version 1.2</i>
<i>Approval</i>	<i>Audit & Standards Committee</i>
<i>Description</i>	<i>A definition of Internal Audit's purpose, authority and responsibility</i>
<i>Subject Category</i>	<i>Management</i>
<i>Rights. Protective Marking</i>	<i>Official</i>
<i>Status</i>	<i>Approved</i>
<i>Review Date</i>	<i>01/03/2024</i>

1 Introduction

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

2. Statutory Role

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

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

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

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

3. Mission of Internal Audit¹

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

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

4. Internal Audit Purpose

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

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

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

¹ As prescribed by the Public Sector Internal Audit Standards

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

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

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

5. Scope

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

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

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

5.3 In doing this Internal Audit will:

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

² As prescribed by the Public Sector Internal Audit Standards

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

6. Authority

6.1 Internal Audit shall have authority to:

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

7. Independence & Objectivity

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

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

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

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

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

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

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

8. Competence

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

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

⁵ This must be recorded through a declaration

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

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

9. Quality Assurance

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

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

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

9.4 The results of quality and assurance programmes and processes against any improvement plans arising out of the internal and external assessments of Internal Audit will be reported to the Service Director for Finance (Section 151 Officer) and the Audit & Standards Committee. A summary of these results will be included in the Annual Internal Audit Report presented to Audit & Standards Committee. Instances of non-conformance with the UK Public Sector Internal Audit Standards will be reported to the Audit & Standards Committee and considered for inclusion in the annual governance statement.

10. Planning

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

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

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

11. Audit Approach

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

12. Fraud and Corruption

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

13. Related Documents

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

14. References

- 14.1 References to terms within the Public Sector Internal Audit Standards are as follows:
- The Chief Internal Auditor is the Chief Audit Executive.
 - The Audit & Standards Committee is the Board.

- The Corporate Leadership Team and those Officers to whom responsibilities are delegated, are Senior Management.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee
17 April 2023

Report Title: Counter Fraud Arrangements

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

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

Recommendation

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

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

Reasons

These policies are regularly reviewed to ensure that they remain relevant for the authority.

1. Background

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

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

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

2. **Issues**

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

3. **Proposal**

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

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

4. **Reasons for Proposed Solution**

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

5. **Options Considered**

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

6. **Legal and Statutory Implications**

- 6.1 This report raises no new legal or statutory implications.

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

- 8.1 The cost of an annual subscription to Protect is £866 per annum plus £0.24 pence per employee, which based on 500 employees makes the total subscription, cost £986 plus VAT.

9. **Major Risks**

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

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

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



11. **Key Decision Information**

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

12. **Earlier Cabinet/Committee Resolutions**

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

13. **List of Appendices**

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

14. **Background Papers**

14.1 CIPFA – Managing the Risk of Fraud and Corruption

Anti-Fraud & Anti-Corruption Framework 2023-24



Contents

Introduction	2
Our Policy	2
Our Strategy	3
Expected Behaviour	3
Culture	4
Identifying Problems	4
Reporting Suspicions.....	4
Investigations.....	4
Implementing this Framework.....	5
Partnership Agreement for Counter Fraud Services.....	5
Review and Development of this Framework.....	6
Appendix A – Nolan Principles	7
Appendix B – Possible Indicators of Fraud.....	8

Introduction

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

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

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

Our Policy

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

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

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

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

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

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

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

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

Our Strategy

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

1) Prevention

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

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

2) Detection

Systems that include strong internal checks;

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

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

3) Investigation

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

4) Recovery

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

5) Retribution

Procedures to act promptly and effectively to deal with all perpetrators

Expected Behaviour

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

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

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

Culture

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

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

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

Identifying Problems

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

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

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

Reporting Suspensions

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

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

Investigations

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

Implementing this Framework

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

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

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

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

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

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

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

Partnership Agreement for Counter Fraud Services

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

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

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

Review and Development of this Framework

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

Appendix A – Nolan Principles

The seven principles of public life;

Selflessness

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

Integrity

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

Objectivity

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

Accountability

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

Openness

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

Honesty

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

Leadership

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

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

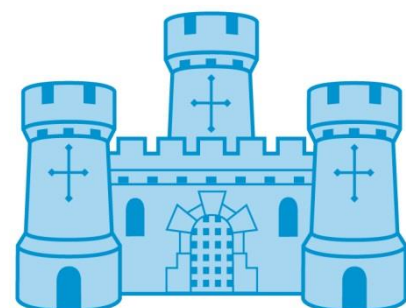
Appendix B – Possible Indicators of Fraud

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

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

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Anti-Money Laundering Policy 2023-24



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Contents

Introduction	2
What is Money Laundering?	2
What are the obligations on the Council?	3
Customer Due Diligence (Client Identification Procedure).....	3
The Money Laundering Reporting Officer (MLRO)	4
Disclosure Procedure and Reporting Requirements.....	5
Risk Management and Internal Control.....	5

Introduction

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

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

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

What is Money Laundering?

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

The following Primary Offences constitute the act of money laundering:

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

Secondary Offences

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

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

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

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

What are the obligations on the Council?

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

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

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

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

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

Customer Due Diligence (Client Identification Procedure)

Standard Customer Due Diligence

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

a) forms an ongoing business relationship with a client

b) undertakes a one off or occasional transaction amounting to €10,000 (approximately £8,500) or more (whether carried out as a single transaction or several linked ones)

c) suspect money laundering or terrorist financing;

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

Enhanced Customer Due Diligence (and Ongoing Monitoring)

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

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

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

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

The Money Laundering Reporting Officer (MLRO)

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

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

Both of these officers can be contacted as follows:

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

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

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

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

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

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

Disclosure Procedure and Reporting Requirements

Cash Payments

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

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

Reporting to the Money Laundering Reporting Officer (MLRO)

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

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

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

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

Risk Management and Internal Control

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

Record Keeping

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

Anti-Money Laundering Staff Guidance 2023-24



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Contents

Introduction	2
What is Money Laundering?	2
What are the Council's Responsibilities?	2
What are the Responsibilities of the Employee?	3
What are the penalties?	3
What is Customer Due Diligence?	3
Who is the Council's Money Laundering Reporting Officer (MLRO)?	4
What should I do if I suspect Money Laundering?	5
Where can I find out more information about Money Laundering?	5
Appendix A – Form to report to the MLRO	6

Introduction

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

What is Money Laundering?

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

The following Primary Offences constitute the act of money laundering:

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

What are the Council's Responsibilities?

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

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

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

The Council's responsibilities will include:

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

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

What are the Responsibilities of the Employee?

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

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

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

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

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

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

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

What are the penalties?

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

What is Customer Due Diligence?

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

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

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

- Is the service a regulated activity?
- Is the Council charging for the service? and,
- Is the service being provided to a customer other than a UK public Authority?

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

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

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

For individuals this could include:

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

For companies this could include:

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

Enhanced Customer Due Diligence (and Ongoing Monitoring)

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

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

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

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

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

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

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

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

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

What should I do if I suspect Money Laundering?

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

Where can I find out more information about Money Laundering?

You can refer to various pieces of legislation including:

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

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

Appendix A

RESTRICTED CONFIDENTIAL

REPORT TO THE MONEY LAUNDERING REPORTING OFFICER

Details of Suspected Offence:

Details of the person(s) involved:

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

Nature, value and timing of activity involved:

Reasons for suspicions:

Continue on a separate sheet if necessary.

Name: _____ Directorate: _____ Ext: _____

Signed: _____ Date: _____

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Fraud Response Plan 2023-24



Contents

1. Introduction.....	2
2. Purpose of the Fraud Response Plan.....	2
3. Dealing with a suspected fraud.....	2
4. Evidence	5
5. Lack of Evidence	6
6. Review Outcomes	6
7. Recover Losses.....	7
8.Partnership agreement for Counter Fraud Services.....	7
9. Review and Development of this Plan	7

1. Introduction

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

2. Purpose of the Fraud Response Plan

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

3. Dealing with a suspected fraud

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

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

Initial Enquiries

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

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

3.4 During this initial enquiry the manager should:

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

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

Scope of the Investigation

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

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

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

As a minimum, consultations will involve:

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

Additionally, they may consult:

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

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

Conducting the investigation

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

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

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

3.10 The key objectives during an investigation are to:

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

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

4. Evidence

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

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

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

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

5. Lack of Evidence

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

6. Review Outcomes

- 6.1 The Council's policy is to refer theft, fraud or corruption to the police for investigation and prosecution whenever possible. However, it's important to remember that the evidence for a successful prosecution must prove a case beyond all reasonable doubt, while disciplinary cases (including dismissal for gross misconduct) are decided on the balance of probabilities.
- 6.2 The Stoke Fraud Hub will consult the Section 151 Officer, Head of Service, and the Head of People and Organisational Development to determine whether any matter should be referred to the Police for criminal investigation.
- 6.3 The Head of Service must remedy control weaknesses identified during the course of an investigation. The fraud team will provide advice and support on effective controls, and will ultimately include these in a report (though implementation should not be delayed until the report is issued).
- 6.4 The fraud team will record all final outcomes on the Fraud Case Management System. This information informs future prevention strategies, and is used in reporting fraud and corruption at the Council.
- 6.5 In all cases the Council's insurers should be informed of actual losses as soon as these have been firmly established. It is sensible to keep External Audit informed. The Communications team will be kept informed in order that publicity can be properly managed.

7. Recover Losses

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

8. Partnership agreement for Counter Fraud Services

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

9. Review and Development of this Plan

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

Whistleblowing Policy 2023-24



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Contents

Introduction – What is Whistleblowing?	2
Aims and scope of the policy	2
What to do if you have any concerns?	2
What safeguards are in place?.....	3
Responding to your concerns	3
Who is the Responsible Officer?.....	4
How the matter can be taken further?.....	4
Further Advice.....	4
Review of this Policy	4
Appendix A – Whistleblowing policy reporting form.....	5

Introduction – What is Whistleblowing?

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

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

Aims and scope of the policy

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

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

This policy aims to:

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

What to do if you have any concerns?

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

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

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

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

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

What safeguards are in place?

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

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

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

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

Responding to your concerns

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

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

The matters raised may:-

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

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

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

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

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

Who is the Responsible Officer?

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

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

How the matter can be taken further?

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

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

Further Advice

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

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

Review of this Policy

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

Appendix A – Whistleblowing policy reporting form

Whistleblowing Policy Reporting Form

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

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

The reasons why you are particularly concerned about the situation:

(continue on a separate sheet if necessary)

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

Name

Service

Contact Telephone Number

Date

PLEASE SEND THIS FORM TO YOUR LINE MANAGER OR ALTERNATIVELY LEGAL SERVICES

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

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

Date 17 April 2023

1. **REPORT TITLE** Corporate Risk Policy Statement and Strategy 2023/24
- Submitted by:** Corporate Leadership Team
- Portfolio:** Corporate and Service Improvement, People and Partnerships
- Ward(s) affected:** All

Purpose of the Report

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

Recommendation

The Committee is asked to:-

- (a) Accept the reviewed Risk Management Policy and Strategy for the 2023/24 year, subject to changes.
- (b) If approved by this Committee, note that the Chief Executive and Leader will sign the Policy Statement.
- (c) Note their own respective responsibility in risk management.

Reason

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

1. **Background**
 - 1.1 The Council annually reviews its Risk Management Policy Statement and Risk Management Strategy.
 - 1.2 The last review of the Risk Management Policy and Strategy was in April 2022.
2. **Issues**
 - 2.1 Following a recent Audit, recommendations were made to strengthen the Strategy. This included

- Amendments to Roles and Responsibilities to include Cabinet Members and Portfolio Holders and to clarify those of the Operational Risk Champions.
- To consider the evaluation matrix to enable a clearer representation of the level and priority of risks.

3. **Proposal**

- 3.1 To note the recommendations provided in the Risk Management Audit report.
- 3.2 To accept the reviewed Risk Management Policy statement and Strategy documents.

4. **Reasons for Preferred Solution**

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

5. **Options Considered**

- 5.1 Following the comprehensive review of risk profiles taking place across the council, the risks reported are those from the Corporate Risk Register, unless there are any significant occurrences or increased in other profiles; or those risks that are more than 6 months overdue.
- 5.2 To accept the recommendations of this report.

6. **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”.*

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

- 8.1 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

9. **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.

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

- 10.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of One Council delivering for Local People; A successful and sustainable growing Borough; Healthy, Active and Safe communities; and Town Centres for all. Officers assess sustainability and climate change implications as part of their local services.



11. **Key Decision Information**

- 11.1 N/A

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 Previous Minutes from Committee meeting held on 25 April 2022.

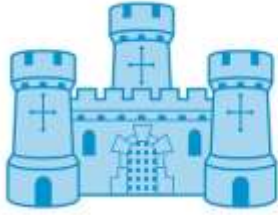
13. **List of Appendices**

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

14. **Background Papers**

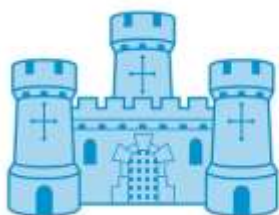
- 14.1 2022/2023 Risk Management Policy and Strategy.

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NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

RISK MANAGEMENT POLICY STATEMENT **2023/2024**



RISK MANAGEMENT POLICY STATEMENT 2023/2024

1. Purpose

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

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

2. Commitment to Risk Management

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

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

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

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

2.3 The council's risk management objectives are an important part of good management and effective governance practices. These objectives need

the full and continuing support of elected Members and the active participation of Executive Directors and Heads of Service in ensuring that they are realised and actioned where possible.

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

- 2.4 This strategy, therefore, sets out and demonstrates how the council is discharging its responsibility to manage risk effectively and also how it is maximising opportunities too, by using a structured and focused approach to risk management.
- 2.5 The council will continue to develop and maintain a systematic framework and process for managing corporate, strategic, operational, project and partnership risks and will review this framework annually. This will include assessing risks for impact and likelihood, identifying and allocating responsibility for their mitigation and receiving assurances about ongoing management of these risks.
- 2.6 The key benefits of this framework and a strong risk culture throughout the organisation are:-
- A consistent focus on what needs to be done to achieve our objectives;
 - The encouragement of enhanced partnership working to identify, manage and mitigate the risks facing the community as a whole;
 - Delivering improvements in meeting the needs of the community, minimising complaints and achieving improvements in service delivery;
 - Supporting the use of innovative approaches to improving outcomes and achieving better value in the use of public money;
 - Better management and delivery of change programmes;
 - Greater control of insurance costs, including reductions/limitations in insurance premium costs;
 - Protection and enhancement of the reputation of the council; and
 - To anticipate and respond proactively and reactively to the changing social, environmental, political, legislative, economic and, technological context the council works within and to deal with a whole range of competitive and citizen-based requirements.
- 2.7 Newcastle-under-Lyme Borough Council is committed to genuinely embedding risk management and all its elected Members, employees, service providers, partners and stakeholders are encouraged and expected to commit to developing the culture, ethos and practice of risk management in every activity they undertake. The overall risk management approach for

the organisation will therefore focus on pragmatic, meaningful assessment and treatment of risks and will discourage the capturing of generic, intangible corporate risks or non-relevant information where possible.

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

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

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

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

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

- One Council delivering for Local People.
- A successful and sustainable growing Borough.
- Healthy, Active and Safe communities.
- Town Centres for all.

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

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

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

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

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

Signed:

Date:

Leader

Signed:

Date:

Chief Executive

Change: Page 4, Item 3 – Corporate Priorities updated September 2022.



RISK MANAGEMENT STRATEGY 2023/2024

1. Purpose

The purpose of this strategy is to: -

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

2. Objectives of the Risk Management Strategy

The objectives of the strategy are:-

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

3. Achievement of objectives

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

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

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

The roles and responsibilities outlined at appendix A.

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

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

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

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

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

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

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

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

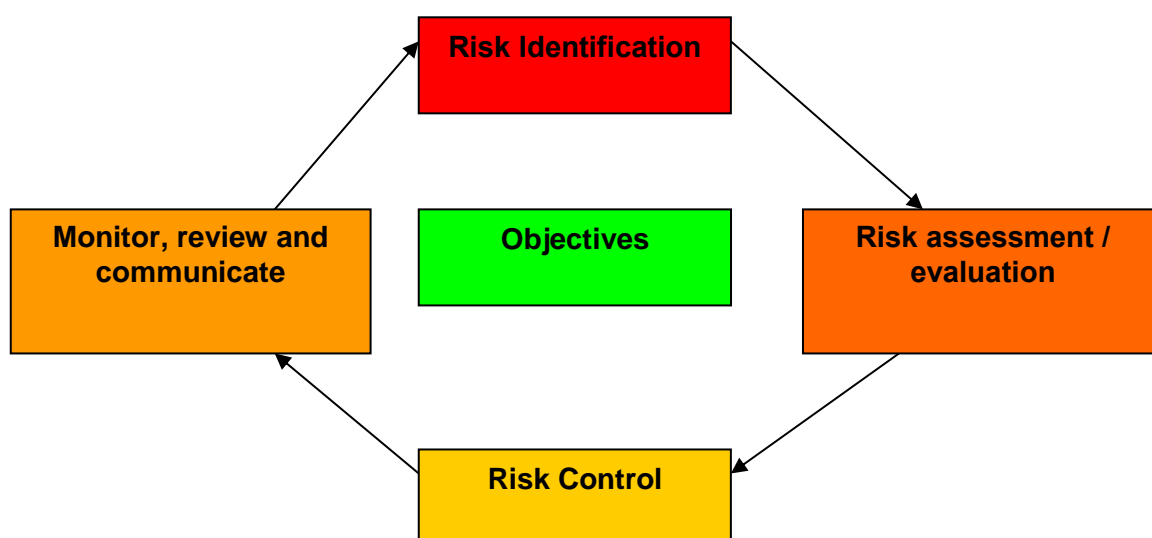
The strategic risk champion and other nominated risk champions have responsibilities including the support, challenge and recording of risks within their directorates or service areas. They will assist in the compiling of risk

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

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

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

Summary Guide



3.2.1 Objectives

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

The more clearly objectives are defined, the more it will help you consider those risks that could actually impact your objectives. When setting objectives remember to make them **Specific**, **Measurable**, **Agreed**, **Realistic** and **Time bound** (SMART).

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

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

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

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

3.2.2 Risk identification

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

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

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

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

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

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

- Those that could significantly impact the achievement of the project;

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

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

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

3.2.3 Risk assessment/Evaluation

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

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

How likely is it to happen?

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

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

L I K E L I H O O D	HIGH	Amber C	Amber D	RED E
	MEDIUM	Green B	Amber C	Amber D
	LOW	Green A	Green B	Amber C
	Low		Medium	High
	IMPACT			

3.2.4 Risk Control

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

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

3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

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

Key to what prompts what kind of action: -

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

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

Risk management is established at the council, but this strategy is seeking to build on it. The aim is to ensure that risk management plays an integral part in decision-making and the day to day business of the council in a structured uniform manner.

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

- Development and maintenance of the Constitution;
- Economic Development Strategy;
- Active Leisure Strategy;
- Council Plan;

- Medium Term Financial Strategy;
- Service Plans;
- Code of Corporate Governance;
- Code of Practice on Procurement;
- Reports to support key decisions;
- Performance management;
- Policy planning; and
- Financial management

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

To achieve this: -

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

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

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

3.5 *To manage risk in accordance with best practice*

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

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

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

3.5.2 Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.

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

4. Conclusion

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

Date of Approval:	April 2023
Approved by:	Audit & Standards Committee
Next review due:	April 2024
Version:	14.1
Changes:	See below
Previous version:	13.1

Changes	30/09/2022	1. Date changes made
		2. 3.2.3 Risk assessment/evaluation descriptions amended

APPENDIX A

Group/Individual	Roles and Responsibility
Leader of the Council	<ul style="list-style-type: none"> • Promotes the concept and practice of risk management across the organisation and amongst all elected Members
Finance, Town Centres and Growth Portfolio Holder	<ul style="list-style-type: none"> • Member risk champion • Promotes the concept and practice of risk management across the organisation and amongst all elected Members • To receive quarterly updates on risk from the Executive Management Team via the Business Improvement Officer (Risk and Insurance) for inclusion in Informal Cabinet meetings where appropriate
Cabinet	<ul style="list-style-type: none"> • Identifying and adopting best practice, where possible, in the identification, evaluation and cost effective control of risks; • Ensuring risks are reduced to a level that sits within the council's appetite, and/or eliminated; and; • Maximising opportunities to achieve the council's corporate priorities and to deliver core service provisions at all times
Audit & Standards Committee	<ul style="list-style-type: none"> • Approves and agrees changes to the risk management policy and strategy. • Monitors the council's risk management arrangements • Monitors the council's high level risks as and when they occur • Provides independent assurance that the risk management framework and associated control environment is being managed effectively and the statement of internal control correctly reflects the risk environment
All elected Members	<ul style="list-style-type: none"> • Advocate good risk management processes • Ensure that risks have been robustly assessed in reports presented to elected Members
Chief Executive	<ul style="list-style-type: none"> • Ultimate responsibility for Corporate, strategic and operational risk management across the council • Ensures that all strategies and policies contain risk management as an inherent part of their structure which helps drive the organisational change leading to excellence • Ensures that risk management practices across the council reflect best practice. • Ensures that risk management issues are fully considered in the decision making process. • Drives excellence through the council with strong support and well managed risk taking.

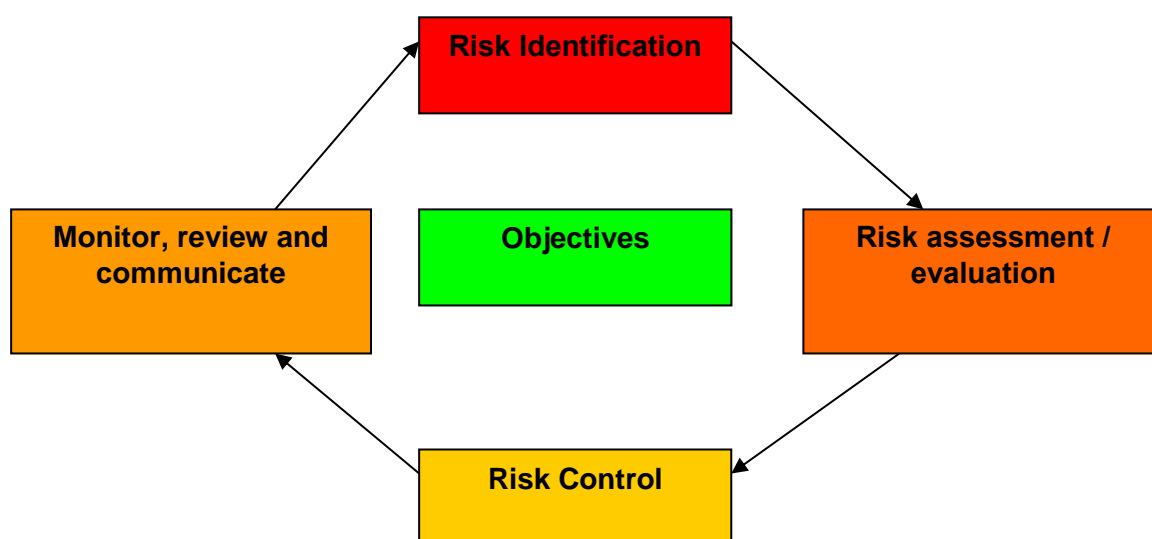
	<ul style="list-style-type: none"> Ensures that the council manages its risks effectively through the development and monitoring of its risk management strategy.
Chief Executive - Chair of Information Governance Group (IGG)	<ul style="list-style-type: none"> Ensures that Executive Management Team (EMT) are aware of any issues that have been escalated by the IGG and cannot be resolved and ensures that these are noted in minutes of EMT and actioned accordingly either by or on behalf of EMT Provides assurance to the Audit & Standards Committee as appropriate that the risks are being managed in accordance with the Risk Management Strategy
Executive Directors (EMT)	<ul style="list-style-type: none"> Ensure that the risk management process is promoted, developed, managed and implemented effectively in their service areas. Make decisions with their heads of service as to which service risks may warrant inclusion on their strategic risk register Take ownership of strategic risks in their directorates and include them in the corporate risk register Disseminate relevant information to service managers and employees Escalate where necessary any issues that cannot be resolved to the Audit & Standards Committee for advice on decisions Establish and monitor a rolling programme of operational risk reviews Promote good risk management practice throughout the council in conjunction with IGG Ensuring that when Cabinet reports are written by their officers, that a relevant up to date risk assessment is provided where applicable, before being signed off for submission to Cabinet Ensure that the appropriate portfolio holder is aware of detailed risk assessments when discussions begin on any proposal
Information Governance Group (IGG)	<ul style="list-style-type: none"> Promote good risk management practice throughout the council in conjunction with EMT Support the development of the risk management process, share experience on risk and aid/advise in the review of risk management reviews To review the risk management policy and strategy where necessary To identify trends and priorities across the council Liaise with specialist risk groups in order to inform the strategic risk registers Ensure processes are in place to report any new/perceived (key) risks or failures of existing control measures

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

	<ul style="list-style-type: none"> • Identify and communicate risk management issues to DMT/EMT for dissemination to services and assist in undertaking risk management activity through guidance, training or direct support. • Promote risk management process throughout the council with both members and officers ensuring the process is embedded, effective and reflects best practice. • Consult with Executive Directors concerning risk issues • Act as a lead support officer for the IGG • Manage the insurance fund and external insurance contract • Liaise with external insurers to ensure that future premiums reflect all risk management activities being undertaken • Administer the designated risk management system for managing and controlling risks • Monitor and report to the IGG any issues that arise either from strategic risk reviews, overdue risk review reports, non-compliance with guidelines laid out in the risk management framework/approach by employees of the council, reported to them by the operational risk champions • Identify any emerging risks and incorporate into the relevant risk registers • Report to the IGG any further support required
Operational Risk Champions	<ul style="list-style-type: none"> • To assist Heads of Service to maintain operational risk registers. • Monitor and report to their respective DMTs any high risks and any issues that may arise in respect of overdue actions/overdue reviews and other problems they encounter for them to either deal with or to escalate to the IGG via the strategic risk champion. • Update the operational risk profiles on the designated risk management system. • Report to the CRIO any further support required. • Ensure that incidents occurring or near-misses are reported to DMT.
Employees	<ul style="list-style-type: none"> • Manage risks effectively in their jobs. • Raise any perceived/new risks for their service area with the appropriate line manager/business manager/head of service or risk champion for inclusion in the risk register. • Report any incidents or near-misses to their risk champion or head of service.

APPENDIX B

Risk Management Process



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

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

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

		<p>As part of the review cycle, risks and actions will be re-analysed and the cycle will continue as shown in the cycle at the top of this appendix.</p> <p>Review and communication of the risks, controls and actions must be reported in line with the timescales shown at appendix B(iv) and dealt with accordingly – i.e. escalated, received and agreed.</p>
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Check List for Risk Identification – Categories (not exhaustive)

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

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

IMPACT MEASURES AND CLASSIFICATION

APPENDIX B(ii)

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

Likelihood Measures

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

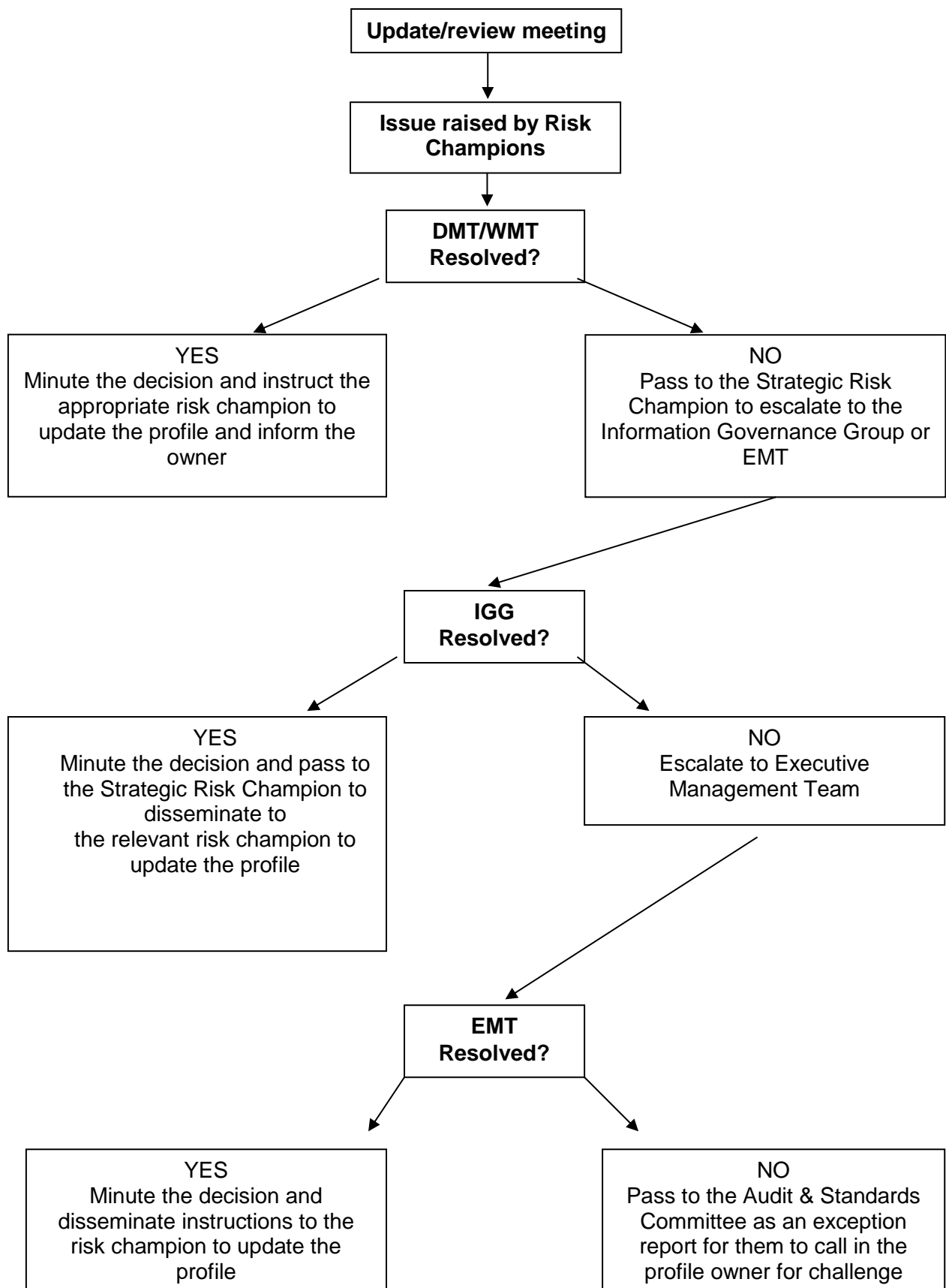
L I K E L I H O O D	High	C Amber	D Amber	E Red
	Medium	B Green	C Amber	D Amber
	Low	A Green	B Green	C Amber
		Low	Medium	High
IMPACT				

ACTION CATEGORIES**APPENDIX B(iii)**

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

RISK MANAGEMENT REVIEWING & REPORTING, COMMUNICATING FRAMEWORK

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

ESCALATION PROCESS



NEWCASTLE·UNDER·LYME
BOROUGH COUNCIL

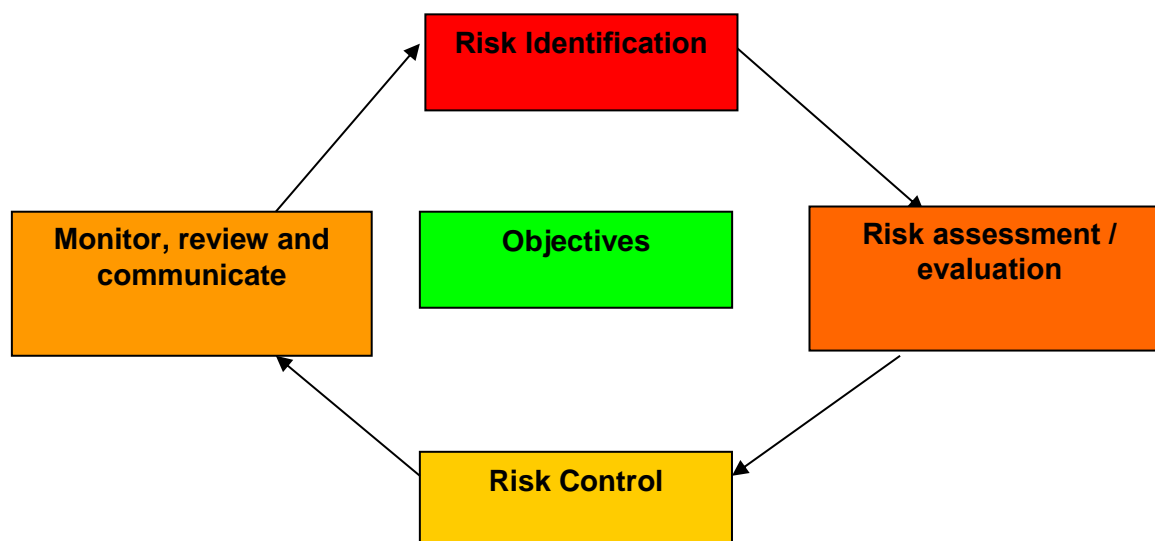
A QUICK GUIDE TO THE COUNCIL'S **RISK MANAGEMENT PROCESS**

Review date:	April 2023
Version:	14.1
Reviewed by:	Audit & Standards Committee
Next review date:	April 2024
Changes:	Page 5 - Identification in matrix amended – to align priority of ratings.
	Page 8 – Framework descriptions amended in relation to reviewing, reporting and communicating risks.

CONTENTS

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

Risk Management Process – An Overview



Objectives

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

Risk identification

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

Risk assessment/Evaluation

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

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

How likely is it to happen?

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

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

L I K E L I H O O D	HIGH	Amber C	Amber D	RED E
		Green B	Amber C	Amber D
		Green A	Green B	Amber C
	Low		Medium	High
	IMPACT			

Risk Control

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

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

Monitor, Review and Communicate

Key questions to consider as part of this process: -

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

Key to what prompts what kind of action: -

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

RISK ASSESSMENT IMPACT MEASURES AND CLASSIFICATION

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening <u>OR</u> permanent disability	Serious injury <u>OR</u> long-term absence from work (over 7 days)	Minor injury <u>OR</u> short-term absence from work (less than 7 days)
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Legal implications	Statutory body, partner or enforcement agency	Member and/or EMT	DMT/WMT (where appropriate)

ALWAYS TAKE THE WORST CASE SCENARIO AS YOUR IMPACT LEVEL

Likelihood Measures

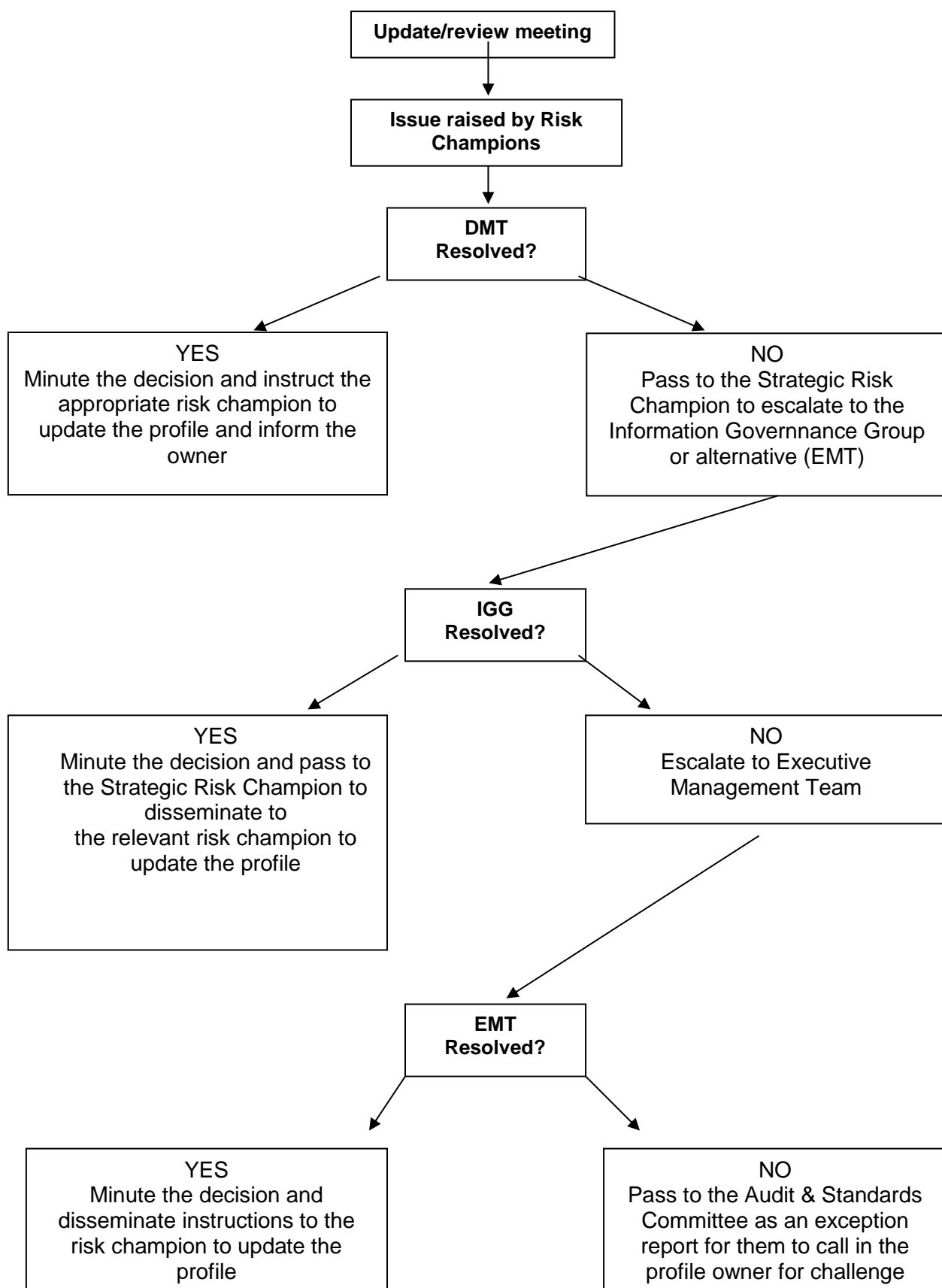
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L I K E L I H O O D	High	C Amber	D Amber	E Red
	Medium	B Green	C Amber	D Amber
	Low	A Green	B Green	C Amber
		Low	Medium	High
IMPACT				

RISK MANAGEMENT REVIEWING, REPORTING & COMMUNICATING FRAMEWORK

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ESCALATION PROCESS



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Auditor's Annual Report 2021/22

Newcastle-under-Lyme
Borough Council

April 2023



Contents

Section	Page
Executive summary	3
Opinion on the financial statements and use of auditor's powers	4
Financial sustainability	6
Governance	13
Improving economy, efficiency and effectiveness	18
Follow-up of previous recommendations	24
Opinion on the financial statements	25
Appendices	
Appendix A – Responsibilities of the Council	27
Appendix B – Risks of significant weaknesses, our procedures and findings	28
Appendix C – An explanatory note on recommendations	29
Appendix D – Sources of evidence	30



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

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



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. 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 conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment		2021/22 Auditor Judgment	
Financial sustainability	No risks of significant weakness identified		No significant weaknesses in arrangements identified		No significant weaknesses in arrangements identified but three improvement recommendations raised.
Governance	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendations		The Council has addressed two of the improvement recommendations from last year but three new improvement recommendations have been made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified		No significant weaknesses in arrangements identified		No significant weaknesses in arrangements identified but three improvement recommendations raised.

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 14 November 2022. Our findings are set out in further detail on page 22.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue a statutory recommendation

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the court for a declaration that an item of account is contrary to law

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

We did not issue an advisory note

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review

Securing economy, efficiency and effectiveness in the Council's use of resources

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

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

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

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



Financial Sustainability

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



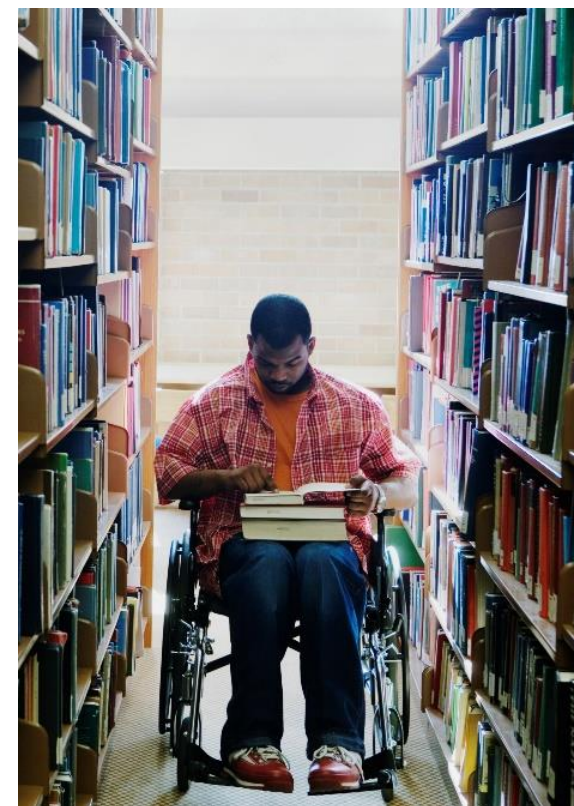
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 20. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 Financial Performance

The Council's financial position at the end of the 2021/2022 fiscal year was largely positive, with a small underspend on the General Fund Revenue Budget of £0.004m. This amount was used to replenish reserves, which had been impacted by income shortfalls from various sources such as commercial property rent, housing benefits overpayment recovery and sale, and fees and charges eligible for partial reclaim.

However, the Council was able to offset these potential overspends through a combination of un-ringfenced government funding (£1.045m), reimbursement from the income losses scheme (£0.36m), and a reduction in expenditure across the Council. It is worth noting that the Government funding was provided to alleviate the adverse effects of the Covid-19 pandemic.

As the economy begins to recover from the pandemic, it is likely that less Covid funding will be provided to the Council in the future. Therefore, the Council should continue to consider the potential funding gaps that may arise in the medium term and appropriate plans to maintain the Council's financial sustainability and limiting exposure to external pressures on the economy.

The Council has demonstrated its ability to consider these pressures in the medium and long term, as evidenced by its financial planning and Medium Term Financial Strategy (MTFS).

As of the end of the 2021/2022 fiscal year, the total usable reserves balance was £10.889m, which was £3.16m more than the forecasted balance. Of this amount, £2.16m was held in the General Fund, based on the Council's risk assessment of the prudent amount required to manage unforeseen adverse events.

The usable reserves are well above the most recent 5-year MTFS funding gap of £5.873m, indicating a relatively sustainable position in terms of reserves. Overall, the Council's financial position at the end of the 2021/2022 fiscal year was stable, despite the challenges posed by the pandemic and other income shortfalls.

Identifying significant financial pressures relevant to short and medium-term plans

The Council has consistently shown a strong history of effectively setting and implementing budgets. As we have previously reported, their established procedures involve a suitable level of rigorous assessment and examination by Committees to ensure that budgets are practically and operationally attainable. There is a good level of support from finance to ensure that budgets are achievable in terms of available resources, and they maintain a proactive approach to monitoring budgets throughout the year to keep them relevant and identify risks promptly. These financial management processes have enabled the Council to consistently detect significant financial pressures and incorporate them into their short- and medium-term plans.

The Council approved its 2021/22 General Fund Revenue Budget (£14.96m) and its Medium-Term Financial Plan (MTFS) for 2021-26. The financial projections showed funding gaps of £5.911m over the period.

Financial sustainability

Identifying significant financial pressures relevant to short and medium-term plans (Cont.)

The most recent MTFS 2023–2028, approved by the Council in February 2023 as part of the budget setting process forecasts a budget gap of £5.873m (including £2.103m for 2023/24). This is approximately £1.61m more than the forecasted funding gap over the period 22-27.

The Council has identified a total of £2.103m of savings for 2023/24, which will support a balanced budget in 2023/24.

A review of assumptions to reflect current information, new capital schemes and ongoing external pressures such as inflation and cost of living crisis as well as internal changes such as the annual increase in fees and charges for 2023/24 is reflected in the updated MTFS. Based on our review of the revenue and budget strategies, saving plans and MTFS there has been no evidence that the key assumptions are unrealistic.

The Capital Strategy, which was approved in February 2023, outlines the Council's long-term spending and funding plans for the period of 2023 to 2033. It is regularly reviewed and updated to ensure it remains relevant and effective. The capital strategy provides for £84.353million of funding from 2023/2024 to 2032/2033 in projects across all the Council's priority areas. Funding is split between capital receipts, external contributions, and borrowing/leasing. Newcastle-under-Lyme do not seek to make significant use of capital resources such as asset sales, to relieve short term pressures. The Council continue to identify financial pressures and implement them in their short, medium and long-term plans.

Bridging the funding gaps and identifying achievable savings

The current funding gap over the period 2023/24 to 2027/28 is £5.873m, £2.103m of this is in 2023/24. The updated MTFS has increased the funding gap for 2023/24 from £1.118m to £2.103m. A savings plan has been developed to achieve a balanced budget.

The Council plans to bridge its funding gaps through income, more efficient processes and alternative sources of finance and its transformation programme 'One Council'.

'One Council' is one of the major items in the savings plan. Focused on how the Council delivers its services due to the changing demands of these services and need to protect the most vulnerable and disadvantaged in the community. The implementation of this process will be developed by the One Council Programme over the period 2021 – 2023. This involves extensive redesign of organisational structures, process and technology which are underpinned by changes in culture, leadership and governance. The savings and benefits of £1m are set to be staggered over 3 years, £0.797m has been achieved (including £0.601m set to be achieved in 2022/23). The programme is set to deliver additional savings of £376k during 2023/24. Delivery of the efficiencies and savings delivered by the One Council Programme is being overseen by One Council Board. The programme poses one of the most significant risks to delivering planned savings, it is therefore important the Council monitor risk, performance and progress appropriately.

The Council has also updated its Capital Strategy for 2023-2033. This shows capital investment of £84.3m over the period. This will be funded through a mix of capital receipts (£20.9m), external contributions (£33.09m) and borrowing (£30.37m). The economic outlook and changing interest rates have been considered in the Council's capital strategy, MTFS, savings plan and revenue budget. There is a relative low risk associated with funding from capital receipts as the Council adopted a prudent, worse case scenario when calculating the expected values. The Council intend to obtain recommendations from external valuers as a second opinion.

The MTFS funding gap is constantly reviewed, assumptions made are challenged and amended as circumstances dictate as we have seen from the changes in the funding gap and savings figures for the year 2023/24 between the different MTFS that are reported to Cabinet. There is a mid-year review of the capital programme for 2022/23 as part of the efficiency board and budget setting process to identify what may need to be reprofiled from 2022/23 into future years. Saving plans go through the Finance, Assets and Performance Scrutiny Committee for review. We have not identified any evidence of overly reliance on non-recurrent measures, or the unsustainable planned use of reserves. There is no use of reserves in the council's 2023/24 funding gap strategy however the council have created reserves to act as contingencies for cost of living and inflationary pressures.

Financial sustainability

Planning finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We note there is a robust financial planning process in place which ties in with corporate objectives, service plans and workforce plans. The council plan 2022 - 26' sets out the corporate strategic priorities of Newcastle under Lyme and how they intend to achieve these priorities. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies nor do long term financial plans currently depend on a reduction or removal of services but rather from efficiencies gained mentioned previously.

There is a link between the council plan and the design of the budget particularly regarding investment in services and capital. The proposed Capital Programme for 2023 to 2033 is based on new schemes which the Council consider important in achieving its corporate priorities and service objectives. The revised planned expenditure sums to £32.98m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove which are aligned to the Council's four priorities.

Financial planning is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

Financial plans are aligned not just with the workforce plan, but all key strategies. Running and revenue costs are included in the budget for new capital schemes. The main governance of the capital strategy is the Capital, Assets and Commercial Investment Review Group which ensure any revenue costs are identified and considered in the treasury management strategy and MTFS.

The Treasury Management Strategy sets out clear policies for the contribution of treasury management as part of its financial plan, finding an appropriate balance between mitigating risk and optimising the contribution that borrowing and investment can offer. Its aim is to ensure sufficient cashflow for operating needs and capital plans, setting criteria and thresholds for borrowing and investments. The process of approving financial plans, and the budget setting process, as discussed previously, is rigorous and under the oversight of the Finance department, which ensures a joined up and unified approach.

Furthermore, it involves heads of departments and the executive team, this allows a coherent budget as any conflicting priorities would be identified by the respective executive team members.

Identifying and managing risks to financial resilience

The management of financial risk is a key aspect of Newcastle under Lyme's financial planning process and is integrated into all aspects of the Council's strategic, corporate, and financial planning activities. The Council's Risk Management Policy Statement outlines the processes for managing risk, and the associated risk management report is reviewed by the Executive Management Team. The Budget Report sets out the risks associated with achieving a balanced, affordable, and achievable budget for the period 31/03/2022 and 31/03/23, these include 29 financial risks with detailed potential consequences, risk ratings, required balances, and specific control measures.

To manage these risks, the Council has established a reserve balance of £1.910m, which is the recommended minimum balance to cover unforeseen adverse events. In addition, the Council has created a cost of living reserve to respond to inflation assumption rises, and a budget support fund to strengthen its financial resilience considering the ongoing impact of the coronavirus pandemic. The Council has also established a capital contingency of £1m for the year 2022/23 capital programme to consider higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook. The Council replenishes its reserves as they are used.

As part of the Council's Medium-Term Financial Strategy (MTFS), there was an update to the assumptions for the 2023/24 – 2027/28 period. Following a review of the costs of financing the capital programme, a revision of estimates regarding inflation on fuel, and an update in the Local Government Finance Settlement, the 2023/24 gap decreased from £2.249m (as reported to Cabinet September 2022) to £2.103m. The Council is not solely or significantly reliant on reserves, government funding or non-recurrent income to bridge the gap and has demonstrated flexibility and understanding of its costs and service provision to manage its financial position.

Conclusion

Overall, we have found no evidence or indication of significant risks to the Councils financial sustainability as such no further risk-based work has been undertaken in this area. We have made three improvement recommendations which focus on reporting financial performance, sustainable saving plans and monitoring of its capital projects. The Council have shown to consider the medium term and long-term environment it operates in and have developed strategic risk-based plans.

Improvement recommendations



Financial sustainability

Recommendation 1

The Council should consider developing a savings update within the quarterly financial update report which shows planned savings for the year vs actual savings. Savings delivery should be monitored independently of budget monitoring at a corporate level.

Why/impact

Providing an update on the performance of the Council compared to the MTFS funding gap or savings plan will enable members to better understand financial performance of the Council and allow members to understand whether saving plans for future years are realistic based on historic performance of achieving saving goals.

Auditor judgement

Clear reporting of savings performance as part of the MTFS funding strategy will enable members to exercise scrutiny in better detail.

We reviewed the budget report, quarterly financial and performance reports presented to Cabinet. These reports provide text on how the Council is performing against budget however, it does not mention progress on funding gaps and savings. The 'One Council' board are updated on progress of savings however, this is only one part of the savings plan and is not included in the quarterly updates.

Management Comments

The Council will include a section within the quarterly Performance and Budget Monitoring Report which will detail savings achieved against planned savings.



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

Improvement recommendations



Financial sustainability

Recommendation 2

The Council should identify and develop saving plans that fully address the funding gap in the medium-term and focusing on recurrent savings.

Why/impact

Reduced Covid-19 funding could increase the risk of the Council's financial sustainability if it is reliant on one-off funding to offset adverse variances from its budget. From our review the Council does not show it is reliant on these types of funding or on the one off use of reserves.

Auditor judgement

Establishing procedures, and alternative budgetary measures to mitigate outturn gaps, allows the Council to be better equipped to adapt to economic fluctuations and strengthen its financial sustainability. Remaining resilient to uncertainties stemming from unpredictable funding sources.

Management Comments

The Council is not overly reliant on non-recurrent funding streams, Covid-19 was an exceptional circumstance which all authorities required financial support. The Council has a rigorous and robust budget setting process which adapts to local, national and global financial changes. Savings plans and funding gaps are reviewed throughout the year and updated.



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

Improvement recommendations



Financial sustainability

Recommendation 3

The Council should seek assurance over the design and operating effectiveness of its arrangements to monitoring and review funding, risk and performance of capital projects for successful delivery.

Why/impact

The Council is currently in the process of rolling out a number of large regeneration projects, which require significant amount of borrowing and funding via capital receipts which carry significant risks. Thus the Council should continue to monitor the risks and impact of not realising capital receipts and changing interest rates.

Auditor judgement

Capital funding is largely reliant on capital receipts and borrowing. Consistent evaluation of the financing, risk management, and performance of capital projects is crucial for attaining successful outcomes.

Management Comments

The Council has governance arrangements in place to identify, review and monitor funding, risk and performance issues in relation to capital projects in order for them to be successfully delivered. In addition to the Council's Capital, Assets and Commercial Investment Review Group, the Council as the Accountable Body for the Future High Street Funding and the Newcastle and Kidsgrove Town Deal Funds have set up associated Boards which include Officers, Members and Partners in order to ensure successful delivery of the projects.



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

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

We have reviewed the processes the Council has in place to assess and monitor risk. The Council annually approves a risk management strategy that sets out the Council's responsibilities and approach to managing risks facing the Council, identifying risk as a Strategic, Operational, Project and Partnership level.

The Council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council's software used to record and manage risks. Each risk identified is RAG rated based on a 3x3 scoring matrix based on upon the likelihood and impact (H/M/L). High (red) risks are reviewed at least monthly, medium (amber) risks at least quarterly and low (green), half yearly.

All strategic risks are included in the corporate risk register and are reported to the Audit & Standards Committee on a quarterly basis.

The report sets out a variety of data for each risk which are allocated to a risk owner and include the following:

- RAG rating
- Action plan owner
- A direction of travel - current risk rating, target risk level, next review and action plans identified.
- Key controls
- Explicitly link risk to corporate objectives and are also linked to a "path", which is a category of risk

The quarterly report also includes the Council's risk review performance and whether there are overdue reviews.

The most recent quarter report (February 2023) shows that there were 9 overdue risk reviews due to redirection of resources to the current re-alignment of services from the restructure and the Walley's Quarry investigations.

During 2020/21, we identified one potential enhancement to the corporate risk register. In line with best practice, we recommended that risks are clearly mapped to the Council's corporate objectives. This has been implemented by the Council as seen in the corporate risk register.

Internal Controls

The Council's Internal Audit and Fraud Investigations services are provided by Stoke-on-Trent City Council. Overall, the work of Internal Audit shows the Council to have an adequate, effective and reliable satisfactory framework of internal control, which provides reasonable assurance regarding the effective and efficient achievement of the Council's objectives. There was an unsatisfactory level of assurance issued in regard to the 2021/22 GDPR audit due to gaps in GDPR training which the Council have resolved. In the Q3 2022/23 Internal Audit update there was one high risk overdue recommendation which was related to the vacant Chief Information Officer position as part of the IT governance audit. The Council are currently going through a recruitment process to fill vacancy.

The Internal Audit plan coverage has returned to normal following Covid however, there were a few 2021/22 internal audits deferred to 2022/23 and 2022/23 audits deferred to next year at the request of service lines due to resourcing and restructuring. These deferrals were approved by the Head of Finance and historically had good levels of assurance and implemented positive changes, thus focusing resources on areas with lower levels of assurance. Of the 5 2021/22 audits deferred, 2 were deferred to 2023/24 which meant their last audit will be more than 3 years ago.

Governance

Internal Controls (Cont.)

Internal Audit and the Council need to ensure the audit plan is achievable, the approach to transition financial audits to a cyclical approach will support this goal.

In November 2022, an external review of the internal audit was conducted by Business Solutions Limited. The opinion was the council's Internal Audit Service achieved the top standard of 'Generally Conforms' to the requirements of the PSIAS and those of the Local Government Application Note. Internal Audit are in the process of developing an action plan, responding to external review.

Budget setting and budget control

The Council has established effective measures that utilise analysis and scenario planning to understand its financial position and identify saving and investment options. Despite the pandemic, there is no indication these measures have been compromised. Budgets are subject to discussion with budget holders, senior leadership and other stakeholders prior to approval at Committee level. There is no evidence of a lack of ownership, this is ongoing and forms part of the regular dialogue between the executive team and finance and budget holders. It is also evident from a review of the 2021/22 budget that the impact of changing interest rates and cost of living pressures on the budget was factored in saving plans.

There are appropriate systems and processes in place for oversight and monitoring of the budget. Budget holders receive monthly budget monitoring reports for the services they are responsible for. These reports are broken down by cost centre and compare monthly income and expenditure against budget. Reasons for all variances must be reported to the finance team along with explanations of any action being taken.

Quarterly finance and performance reports are presented to Cabinet and the Finance, Assets & Performance Scrutiny Committee. The reports set out financial performance of the Council at an organisational level and details of significant variances that impact on the budget, with expected actions to offset any adverse variances. The report also includes non-financial performance against the Council's KPIs. The Council's financial regulations clearly set out the responsibilities of directors for the financial performance of their directorate to control expenditure and income within their areas of responsibility. This includes ensuring Cabinet members are advised of the financial implications of proposals however, the style of reporting limited sufficient review and challenge of directors. To improve reporting arrangements in line with best practice, as mentioned in previous years annual report,

we recommend that the report includes financial performance at a more detailed level such as directorate and service area. This will provide further information to members which will enable greater review and challenge.

Making properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

There is no evidence to suggest the Council's decision-making processes are not open or transparent. All major policy decisions are taken to Cabinet in accordance with the Council's Constitution. The scrutiny committee role is to scrutinise decisions make recommendations and hold to account decisions taken by the executive at Cabinet. The Cabinet and Scrutiny Committee report template ensures all relevant considerations must be included.

Members are provided opportunity to challenge and ask questions at Cabinet meetings, before voting on the decision. The report template for Cabinet decisions requires consideration of all stakeholders, including engagement as appropriate. Reports presented to the Cabinet are reviewed by Head of Legal, providing assurance to members over council's actions are within its legal remit.

The S151 Officer and Head of Legal and Governance sit across Newcastle under Lyme leadership groups which include capital programme boards and the Executive Management Team, ensuring the Council acts lawfully, within its powers and considers financial implications. In some circumstances where the issue or project spans across multiple years, regular updates are reported to the relevant scrutiny committee and Cabinet, this can be seen with the New Towns Deal and the Quarry Odour. This allows TCWG to make more informed decisions as they have previous knowledge and evidence.

Although the Council publish financial and corporate performance reports for the whole council, we recommend the Council reports the occurrence and performance against targets for the following to management and Audit and Standards Committee:

- Regulatory Reports and responses to the reports
- Complaints
- Tender waivers
- Freedom of Information Requests

Reporting these promotes transparency and improves the arrangements for effective challenge to make more informed decisions. To further promote transparency and effectiveness we also recommend appointing at least two independent members to the ASC in line with the updated CIPFA guidance. As part of our review and discussions with Senior Officers we are aware the Council plan to present this to ASC.

Monitoring and ensuring appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

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

The Cabinet, Council, Scrutiny Committee and Statutory Reporting Group are in place to monitor compliance with legislation and regulatory standards. The culture and policies communicated allow staff and members to be aware of behaviours that are expected from them.

The Council have documented frameworks clearly stating policy and procedures regarding member and staff behaviour that are easy to access on the website:

- Anti Fraud and Anti Corruption Framework
- Anti Money Laundering Policy
- Anti Money Laundering Staff Guidance
- Fraud Response Plan
- Whistleblowing Policy

The Constitution details officers and members to declare gifts and hospitality and ensure that their interests are appropriately disclosed. These declarations are collected annually and at the start of each Committee meeting and can also be accessed on the Council website by meeting type, date, and Councillor.

Grant Thornton's 2020/21 annual report recommended that the Council review the sufficiency of procedures for member declarations, citing instances where members did not declare directorships in the register of interest. In the 2021/22 Financial Audit, the Council had made some progress in addressing this issue, but there were still members who failed to declare directorships. The Council plans to continue reviewing and addressing this issue, and it is recommended that they implement an annual completeness check.

Capital Programme

The Council has arrangements in place to monitor, control and report on costs for major capital projects, ensuring that it does not suffer significant cost overruns or negative impact on current performance, and does not fail to adhere to significant grant conditions. The Capital, Assets and Commercial Investment Review Group, scrutiny committee and capital project boards (internal and external) keep the body accountable and monitor costs, risks, progress, performance and key issues. Progress reports and major decisions are reported to Cabinet and the relevant Scrutiny Committee.

The development of grant arrangements and establishing structures and processes to monitor grants given to partners in on its way for the New Town Deals partners. As part of contract management, the Council will monitor performance against grant conditions and progress of partners. The Council must complete a government project monitoring and evaluation form that is submitted to Central Government every quarter, providing an extra layer of scrutiny and governance.

Project managers and heads of service identify risks that could impact the delivery of their respective capital projects and develop risk registers as part of contract management.

Conclusion

We found no evidence or indication of significant risks in the Council's governance arrangements as such no further risk-based work has been undertaken in this area. Internal Audit coverage has returned to normal however some audits have been deferred, the Council should continue to prioritise areas that have not been audited in the last three years and aim not to continuously defer these to ensure service areas have operationally sound controls.

We have made three improvement recommendations. One in relation to appointing independent members to ASC and the other reporting procurement waivers, FOIs and complaints to committee.

Improvement recommendations



Governance

Recommendation 4

The Council should consider presenting financial performance in tabular format, clearly comparing budget to outturn position. The report should be presented to Cabinet by service area or directorate in line with how budgets have been set.

Why/impact

Clearer and easier for the reader and members to make comparisons between the budget for each area and the outturn position.

Auditor judgement

Stating actual budget and outturn will promote transparency and enable members to exercise scrutiny in better detail.

We reviewed the budget report, outturn reports and quarterly financial and performance reports presented to Cabinet. These reports provide text on how the Council is performing against budget however, it does not mention what the actual budget is or the outturn value. The reports mention whether there are 'adverse' or 'favourable' variances which makes it harder to understand what figures are compared to calculate the variance.

Management Comments

The Council presents service level financial performance data to the Executive Management Team who challenge and comment on the data. This data is then summarised within the Cabinet report for Members. The Portfolio Holder for Finance is briefed at monthly Portfolio Holder Briefing Sessions on the detailed (service level) budget monitoring prior to the quarterly summarised information being presented to Cabinet. The presentation of this information for cabinet will be reviewed.



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

Improvement recommendations



Governance

Recommendation 5

Consider appointment of at least two Independent members to Audit and Standards Committee inline with updated CIPFA guidance.

Why/impact

Appointing independent members will open the Council to useful challenge and insight, increase transparency over financial issues, improve value for money and effectiveness of the ASC.

Auditor judgement

From our review of the Audit and Standards Committee membership and discussion with Senior Officers we found there was one Independent member in the ASC.

Management Comments

The Council will seek to appoint a second independent member to the Audit and Standards Committee inline with the recently updated CIPFA guidance.



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

Improvement recommendations



Recommendation 6	The Council should report the activity levels (occurrence) and performance against targets for complaints, procurement waivers and Freedom of Information requests to the Audit and Standards Committee.
Why/impact	This helps to promote openness and transparency between the council and Those charged with Governance.
Auditor judgement	Establishing open channels of communication, council members and governance stakeholders can exchange critical information and insights necessary for effective decision-making, risk management, and overall governance effectiveness.
Management Comments	The Council will build this information into the quarterly performance monitoring report.



Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Financial and performance information to assess performance to identify areas for improvement

The Council have a 4-year Corporate Plan running from 2022-26, this sets out the priorities, strategies and services for the period. Furthermore, it sets out the overall outcomes and KPI's for each priority, clearly mapping the key performance indicators to each priority. The plan allows the reader to easily compare what was achieved in 2021/22 to the target for 2022/23. The purpose of the plan is to provide 'a framework for decision making, which ensures that available resources are allocated to meet the needs of our communities. Having a clear vision for the future, aligned with strategic priorities and activities also provides a framework for managing the effectiveness of the organisation as well as for managing individual services.

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

As a framework the Council's approach to performance reporting is similar to others in the sector. Cabinet and Scrutiny Committees receive quarterly performance reports. The council acknowledges the initial period of the plan will be influenced by rising energy costs and the cost of living crisis, the plan aim to provide secure foundations to enable the council to respond effectively to these pressures.

The quarterly performance reports include a summary and 2 appendices:

- Financial Performance Report – This report focuses more on the financial performance of the council, detailing where the council is performing against set budget and planned actions to offset variances.
- Corporate Performance Quarter - This report considers every KPI under the Council's strategic priorities. Each KPI is coloured coded for visual presentation of performance, whether it is being achieved or not and the trajectory of the indicator.

The report sets out overall performance and provides details for those KPIs not achieved along with a narrative of reasons for not achieving the target and actions being taken by officers. The quarterly report also reports on the capital programme and its funding position as well as its Treasury Management, which prove to be key especially as the Council have undertaken significant capital projects in recent years and the risk of changing interest rates.

Assessing service performance and identifying areas for improvement

The Council have arrangements in place to learn from other local government organisations to improve its performance. The Council liaises regularly with other Staffordshire Districts and has a good knowledge of what others are doing and where good practice is in place. As part of its strategic planning it reviews benchmarking reports from the Ombudsman, LGA reports and its Local Government network. At the time of our report, the Council were currently in the process of an LGA peer review.

Improving economy, efficiency and effectiveness

Assessing service performance and identifying areas for improvement (Cont.)

During 2021, the Council engaged consultants to benchmark the Council against other authorities to identify service areas with high level of spend as part of its transformation programme 'One Council'. This is aimed to facilitate a fundamental change in the way the services are delivered to make it easier to residents to access services.

There is an open public consultation page on the Council's website which is clear and relatively straightforward to access. On this page, there are ongoing satisfaction surveys, current consultations and published satisfaction surveys. This allows the local public to assess local service delivery and is thus considered in decision making.

Delivering within significant partnerships and engaging with stakeholders to meet objectives

The Council are aware of its key partners and have well documented governance procedures, which guide the council's involvement in the partnerships. The partnerships mentioned below provide impactful opportunities in terms of synergies and efficiencies gained from collaboration with partners however, it is key the council continue to monitor and assess performance and be open with its partners so it may build up a shared understanding of common challenges and design improvements to address such challenges

The nature of the services provided by the Council means it is required to work closely with a range of partners. Some of the main partnerships the council is involved with are:

- Kidsgrove Town Deal and Newcastle Town Deal
- Newcastle Partnership
- Staffordshire Leadership Board

Routine updates on performance against the Council Plan are reported to Cabinet and Scrutiny Committee. As part of the Council's approach to risk management, partnership risks are identified and recorded within the Council's risk management system GRACE. The council are aware of its key partners and have documented governance procedures which guide the council's involvement in the partnerships. The partnerships mentioned above provide impactful opportunities in terms of synergies and efficiencies gained from collaboration however, it is key the council continue to monitor and assess performance and be open with its partners so it may build up a shared understanding of common challenges and design improvements to address such challenges.

Procurement

The Council has a detailed Procurement Strategy which details the Council's approach to procurement and sets out the stages by which the Council procures goods or services. The Strategy has four key areas or "aims" which are centred around showing leadership, behaving commercially, the corporate strategy and service priorities and achieving community benefits. Although the council has developed a procurement strategy, for the Council to guarantee efficient, economic and effective outcomes the council should aim to promote and implement a clear structure and process in terms of maintaining an updated contract register and processes around contract and performance management.

We noted the contract register published on the website is not up to date. This does not pose a significant risk to reporting requirements as we are aware the Council maintain an updated register on Contract Finder. However, if the contract register is only updated once a year there is a potential contract management risk.

Leadership and ownership within procurement team has been identified as a potential weakness with limited capacity to support the organisation deliver effective contract management which is undertaken by within services. We understand the council plans to establish the role 'Procurement Lead'. The individual who has taken on this role does not have this level of responsibility reflected within their job title or job definition. Defining roles enhances a culture of ownership of those who are responsible for contracts, it will also help to identify who will need training thus embedding processes which in turn will help to maintain a certain level of quality across contracts.

Procurement waivers are considered in the Statutory Officer Group made up of appropriate senior officers to consider these on a case-by-case basis, these are then signed off by the Head of Governance and legal or the Chief Executive. Although these are signed off by senior officer, there are limited controls in place to actively identify contracts that have departed from standard processes as this relies on officers to come forth or internal audit to identify past departures from a sample of contracts. It is also recommended to report these cases to the Audit and Standards Committee.

Internal Audit have planned Procurement and Contract Management audit for 2022/23, results and recommendations should be implemented appropriately.

Improving economy, efficiency and effectiveness

Contract management

We have also identified risk on limited capacity within central team regarding support for contract management. This has been identified by the authority as a risk and a programme of training on contract management training provided by Central Government has commenced.

Contract management is undertaken by individuals and we have identified there is no clear handover process of contracts and appropriate training provided to those responsible for contract management. This means there is a further risk of significant variations of performance and contract management across the council.

Major Capital Investment

The Council is involved with a few high-profile Capital investment projects which include the New Town Deals, Future High Street Fund and the 'One Council' transformation programme. These are subject to high level of scrutiny as seen with their respective boards and routine progress updates to Cabinet and Scrutiny Committee. The Head of Finance and Head of Legal sit on the New Town Deal and One Council board, providing assurance the council act within its powers and consider financial implications. The board monitor spend, risk, progress and key issues and meet routinely. These are projects, that involve a great deal of capital and resources with associated legal and financial risks that senior officers monitor.

The Capital, Assets and Commercial Investment Review Group oversees performance of the major capital projects including reviewing actual spend vs budget. The Council considered the skills and capacity required to deliver the projects and sought experienced external advice as well as recruiting where necessary. They invested in its capabilities and capacities within the capital team, through hiring experienced staff and training.

The Council fosters open and transparent relationships when working with experienced project leads and external consultants to deliver planned projects, this includes maintaining close transparent working relationship and working efficiently together when developing detailed investment plans at the initial stages of work.

Contracts issued are market tested to allow the council to assess whether they are receiving the best value for money and review arrangements. A design and build approach has been identified as a key vehicle to value for money, by involving the contractor from the start to the end it manages costs and allows for a more seamless transition from designing to build, thus reducing the risk of designs being too expensive to build. The Council also considers social value though not mandated when contracting for example, requesting local employability and net zero which may increase costs, however, have positive longer-term impacts such as increased marketability and lower prices for the end user.

The Council have developed and are still implementing arrangements to monitor the performance of grant partners, key service providers and sub-contractors as it begins to progress to the next stages. This is the first time the council have undertaken such large capital projects. Whilst the Council have shown they have invested in its ability to roll out the programme, it is imperative it continues to monitor and assess performance, costs and risks of all parties involved.

Conclusion

We found no evidence or indication of significant risks in the Authority's economy, effectiveness and efficiency arrangements as such no further risk – based work has been undertaken in this area. The authority has effective controls in place to deliver value for money and takes appropriate steps where necessary, however there are some improvement recommendations that will enhance those controls.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7

The Council should consider maintaining a partnership's register, referencing how each partnership supports the Council's Priorities and the status and performance of the partnership for monitoring purposes. The register should be regularly reviewed to ensure all key partnerships are included and updated to show the status of the partnership and reasons why, if any for cessation.

Why/impact

Monitoring of partnerships will allow the Council to continuously reconsider the utility of partnership arrangements and ensure they achieve value for money.

Auditor judgement

The Council is involved in key partnerships, some duly constituted. Though we have not identified any significant failings amongst the Council's partnerships. A partnership register would allow for proper monitoring of partnership arrangements.

Management Comments

The Council is in the process of producing an organisational wide project list which will include all the projects the Council is working on. Partnership information can be included in this project list.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 8

The Council should implement controls to identify dispensations from standard procurement policy.

Why/impact

Departures from procurement policy can pose significant risks to the council, including the potential for fraud, corruption, and reputational damage. By implementing controls to identify departures from procurement policy, an organization can detect and prevent such risks before they can cause harm.

Auditor judgement

Limited controls in place to actively identify contracts that have departed from standard processes as this relies on officers to come forth or internal audit to identify past departures from a sample of contracts. There is a risk not all procurement waivers are detected.

Management Comments

The Council has procedure in place in order to control orders and contract procured for example only the Chief Executive, S151 Officer and Deputy S151 Officer can approve orders over £50k as per the Financial Regulations.

The Council is currently updating the Financial Regulations and will ensure the points raised in the improvement recommendation are covered.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 9

The Council should consider evaluating and reviewing contract management and procurement processes and arrangements to ensure these are adequate and sufficient. This includes maintaining an up to date contract register and monitoring capacity of the procurement and contract management team.

Why/impact

The Council maintain an updated register on Contract Finder. However, the contract register is only updated once a year thus leading to a potential contract management risk and reducing effectiveness of contract management. Senior Officers have also identified limited capacity within contract management and procurement, steps have been taken such as training to improve the capacity and capabilities within the team.

Auditor judgement

It is more important than ever to continue to invest in contract management and procurement as the Council undertake significant capital projects. Limited capacity and processes impact the effectiveness of contract management and procurement thus putting the Council at greater risk.

Management Comments

The Council does maintain an up to date Contracts Register and will ensure that this up to date copy is published on the Council's website. In addition, the Council will review the capacity of the procurement and contract management team.



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

Follow-up of previous recommendations

#	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Within the Corporate Risk Register, we recommended that each risk is clearly mapped to the relevant corporate objectives.	Improvement	February 2022	Corporate risk register clearly maps each risk to Council's objectives/priorities.	Yes	No further action required.
2	The Council should ensure Internal Audit coverage returns to normal as soon as possible to ensure there is no impact on the Council's internal control environment. Areas of the Council that have not been audited in the last three years should be given priority.	Improvement	February 2022	Internal audit plan developed on a risk-based approach to ensure efficient coverage to deliver a robust annual opinion. A few 21/22 and 22/23 audits have been deferred. The 21/22 Asset Management was deferred to 2023/24, last audit date 2017/18.	Partially	The Council should continue to prioritise areas that have not been audited in the last three years.
3	The quarterly financial and performance review report include a breakdown of financial performance by directorate and service areas.	Improvement	February 2022	Most recent financial and performance review reports do not appear to include a breakdown of financial performance by directorate and service areas.	No	The Council should consider including detailed breakdown.
4	Review the adequacy of procedures around members declaring interests. Also, implement an annual completeness check to identify any gaps in declarations. For example, this may include a search of Companies House records to compare directorships held to those recorded on the register of interests.	Improvement	February 2022	Financial Statement audit found 4 members with undeclared interests, the Council plan to review and implement annual completeness- either on a random basis on all members.	Partially	The Council should consider implementing completeness checks.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 30 November 2022.

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception

Audit Findings Report

More detailed findings can be found in our AFR, which was reported to the Council's Audit Committee on 14 November 2022.

Whole of Government Accounts

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

The Council was below the threshold requiring extended audit procedures. We issued the required 2021/22 assurance statement to the NAO on 29 March 2023.

Preparation of the accounts

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

Issues arising from the accounts:

The key issues were:

- Completeness of expenditure – we identified expenditure of £185,000 not had been accrued for in 2021/22.
- Control weaknesses were identified over journals posted to the Council's financial ledger, which increase the risk of misstatement due to fraud or error.
- Capital accounting cut-off procedures were not applied correctly in the prior year. We identified 15 asset disposals included in the 2021/22 accounts that were disposed of in the prior year.
- Completeness of the register of interests. Our search of Companies House records found interests that had not been declared by members.

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

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



Appendices

Appendix A – Responsibilities of the Council

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

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

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

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

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

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



Appendix B – Risks of significant weaknesses, our procedures and findings

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

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness	None	N/A – no risk of significant weakness identified.	N/A – no risk of significant weakness identified.
Governance was not identified as a potential significant weakness	None	N/A – no risk of significant weakness identified.	N/A – no risk of significant weakness identified.
Improving economy, efficiency and effectiveness was not identified as a significant weakness	None	N/A – no risk of significant weakness identified.	N/A – no risk of significant weakness identified.

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	9, 13, 14, 15, 19, 20

Appendix D – Sources of evidence



Staff involved

- Martin Hamilton, Chief Executive
- Sarah Wilkes, Head of Finance (S151 Officer)
- Daniel Dickinson, Head of Legal and Governance
- Clare Potts, Strategic Manager – Audit and Fraud
- Craig Turner, Deputy S151 Officer
- Simon Sowerby, Corporate Procurement Manager
- Simon McEneny, Executive Director – Growth and Development



Documents Reviewed

- Statement of Accounts 2021/22
- Council meeting minutes and reports
- Revenue and capital budget strategies
- Provisional financial outturn
- Local Development Scheme
- Local Plan Issues Strategic Options – Consultation Pack
- Investment Strategy
- Financial Regulations
- Draft savings proposal
- Council Plan
- Borough local plan
- Annual Governance Statement
- NuL Town Investment Plan
- Contract Register
- Treasury Management Strategy
- Treasury Management Annual Report
- Treasury Management Half Yearly Report
- Quarterly Financial and Performance Review Report
- Quarterly Corporate Performance
- Quarterly Financial Performance
- Procurement Strategy
- Procurement Review
- Procurement of ICT Server Support
- Procurement of Financial Transaction and Legal Case Management System
- Staffordshire Leaders Board
- Medium Term Financial Strategy
- Commercial Strategy
- Risk Management Policy and Strategy
- Quarterly Corporate Risk Management Report
- Overdue Recommendations
- Corporate Risk register
- Internal Audit Report
- Internal Audit Plan and Charter
- Quarterly Internal Audit Update
- External Review of Internal Audit and External Quality Assessment
- Anti Fraud and Anti Corruption Framework
- Anti Money Laundering Policy
- Anti Money Laundering Staff Guidance
- Fraud Response Plan
- Whistleblowing Policy
- Corporate Fraud Arrangements
- Risk Profile for Cyber Risk and Data Breach and Risks relating to Cyber and Data Breach
- CACIRG Agenda
- Cash flow forecast
- Revenue Budget Book
- Cabinet Report One Council and One Council Programme Update
- Constitution
- Newcastle Partnership Constitution
- Kidsgrove sports centre refurbishment and final account
- Newcastle Town Deal Updates
- Progress reports on Newcastle Town Deal and Future High Streets Fund



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AUDIT & STANDARDS COMMITTEE



Work Programme 2023/24

Chair

Cllr P. Waring

Vice-Chair

Cllr B. Panter

Members

Cllrs M. Holland, J. Whieldon, W. Brockie,
M. Stubbs and S. Talbot

Officer Champions

Sarah Wilkes/Daniel Dickinson

The Audit & Standards Committee is responsible for overseeing the Council's audit and assurance arrangements. Its role is to provide independent assurance to members of the adequacy of the Council's corporate governance arrangements including risk management its systems of internal control. More information is available in Section B2 of the Council's constitution.

For more information on the Committee or its work Programme please contact the Democratic Services:

📧 Geoff Durham at geoff.durham@newcastle-staffs.gov.uk or on (01782) 742222

📧 Alexandra Bond at alexandra.bond@newcastle-staffs.gov.uk or on (01782) 742211

Planned Items

DATE OF MEETING	ITEM	NOTES
17/04/2023	<ul style="list-style-type: none"> • Internal Audit Charter 2023/24 • Internal Audit Plan 2023/24 • Corporate Fraud Arrangements 2023/24 • Committee Work Plan 2023/24 • Risk Management Policy & Strategy 2023/24 • External Audit 	
19/06/2023	<ul style="list-style-type: none"> • Health and Safety Report 2022/23 • Treasury Management Annual Report 2022/23 • Q4 Internal Audit Progress Report 2022/23 • Q4 Corporate Risk Management Report 2022/23 • Annual Internal Audit Report and Annual Opinion • Revised Finance and Contract Procedure Rules 	

Last updated on 5th April 2023