

Public Document Pack

Date of meeting Monday, 15th July, 2024
Time 7.00 pm
Venue Queen Elizabeth II & Astley Rooms - Castle House, Barracks Road, Newcastle, Staffs. ST5 1BL
Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

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

Audit and Standards Committee

AGENDA

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 ANNUAL REPORT 2023/24** (Pages 7 - 32)
- 5 TREASURY MANAGEMENT ANNUAL REPORT 2023/24** (Pages 33 - 44)
- 6 CORPORATE RISK MANAGEMENT REPORT** (Pages 45 - 50)
- 7 WORK PROGRAMME** (Pages 51 - 54)
- 8 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), Burnett-Faulkner (Vice-Chair), Holland, Whieldon, Stubbs, Brockie and Lewis

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:	Panter	Lawley
	Parker	Northcott
	Gorton	Reece
	S Jones	

If you are unable to attend this meeting and wish to appoint a Substitute to attend on your place you need to identify a Substitute member from the list above who is able to attend on your behalf

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

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Agenda Item 3

Audit and Standards Committee - 28/05/24

AUDIT AND STANDARDS COMMITTEE

Tuesday, 28th May, 2024
Time of Commencement: 7.00 pm

[View the agenda here](#)

[Watch the meeting here](#)

Present:	Councillor Paul Waring (Chair)	
Councillors:	Burnett-Faulkner Whieldon	Stubbs Lewis
Apologies:	Councillor(s) Holland and Brockie	
Substitutes:	Councillor Philip Reece (In place of Councillor Wendy Brockie)	
Officers:	Craig Turner	Finance Manager / Deputy S151 Officer
Also in attendance:	Councillor Stephen Sweeney	Deputy Leader of the Council and Portfolio Holder - Finance, Town Centres and Growth

1. **APOLOGIES**

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

3. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 22nd April 2024 be agreed as a true and accurate record.

4. **AUDITOR'S REPORT AND CLOSURE OF THE AUDIT FOR 2022/23**

The Chair introduced the Auditor's Report and Closure of the Audit for the 2022-23 financial year. Cllr Stubbs, seconded by the Chair, congratulated the team on the good management of the Council's finances.

Resolved: That the Auditor's Report and Closure of the Audit be noted.

[Watch the debate here](#)

5. **PROPOSED ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY 2023/24**

The Deputy Leader introduced the report on the Proposed Accounting Policies, Critical Accounting Judgements and Sources of Estimation Uncertainty for the 2023/24 Statement of Account.

Audit and Standards Committee - 28/05/24

- Resolved:**
1. That the proposed Accounting Policies that would form part of the 2023/24 Statement of Accounts be approved.
 2. That the Council's assumptions made about the future and other major sources of estimation uncertainty that would form part of the 2023/24 Statement of Accounts be approved.
 3. That the ability to make further changes to the proposed Accounting Policies to reflect the release of new or updated guidance if applicable be delegated to the Service Director for Finance (Section 151 Officer).

[Watch the debate here](#)

6. ANNUAL GOVERNANCE STATEMENT 2023/24

The Deputy Leader introduced the report on the Annual Governance Statement for the year 2023/24.

- Resolved:** That the Annual Governance Statement for 2023/24 be approved.

[Watch the debate here](#)

7. DRAFT STATEMENT OF ACCOUNTS 2023/24

The Deputy Leader introduced the report on the Draft Statement of Accounts for 2023/24. Members asked questions and responses were provided by the Finance Business Manager (Deputy S 151 Officer) as follows.

Cllr Reece asked if there were any projections regarding temporary accommodations. – A Supported and Temporary Accommodation Working Group had been established including members of staff from the Benefits, Housing and Finance teams to review the provision and associated finances. A pressure of £450,000 had been allocated for 2024/25. The working group was looking into maximising resources and subsidy and getting accommodations providers registered and vetted further.

Cllr Stubbs asked about temporary staffing in the waste service. – This was to cover vacancies within the service and sickness absences which needed to be covered by agencies to ensure residents waste and recycling was collected.

Cllr Whieldon commented that when it came to forecasting the best estimates were given and anything that was external to the borough and its financial reporting remained partly unpredictable.

Cllr Stubbs asked about interest payments. – These had not been budgeted for in the current financial year and would be used in the first instance to offset any adverse variances.

- Resolved:**
1. That the General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2024 be noted.
 2. That the draft Statement of Accounts for 2023/24 be approved for publication and audit.

[Watch the debate here](#)

8. **WORK PROGRAMME**

Resolved: That the work programme be received.

[Watch the debate here](#)

9. **URGENT BUSINESS**

There was no urgent business.

**Councillor Paul Waring
Chair**

Meeting concluded at 7.15 pm

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S
REPORT TO

Audit and Standards Committee
15 July 2024

Report Title: Internal Audit Annual Report 2023/24

Submitted by: Chief Internal Auditor

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
To consider the annual report of the Internal Audit activity for the financial year 2023/24 enclosed as Appendix A.			
<u>Recommendation</u>			
That Committee:			
1. Consider the Internal Audit Annual Report for 2023/24.			
<u>Reasons</u>			
In accordance with the Internal Audit Charter objective to report progress against the plan to the Audit and Standards Committee on a quarterly basis and to provide an annual opinion on the Authority's control environment.			

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 (and Section 151 Officer).

- 1.2 Internal Audit also provide a service to management by giving assurance that there are adequate internal controls in operation, ensuring the proper economic, efficient and effective use of resources, to include the security of assets and data and to assist management in preventing and detecting fraud. This is achieved by the completion of routine system and regularity audits and under a wider remit by value for money and special audits.
- 1.3 2023/24 was the fourth year that a full internal audit service was planned to be delivered by Stoke-on-Trent City Council including undertaking the role of Chief Internal Auditor as defined by the PSIAS (Public Sector Internal Audit Standards).
- 1.4 During 2023/24, the service continued to utilise specialist external IT audit from Information Security Advice Limited.
- 1.5 As required by the Public Sector Internal Audit Standards, an Internal Audit Charter is required in respect of delivering the Internal Audit Service. The internal audit charter is a formal document that defines internal audit's purpose, authority and responsibility. The charter establishes Internal Audit's position within the organisation, including the nature of the Chief Internal Auditor's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities. It provides a framework for the conduct of the service. The latest version of the Charter has been approved by the Council's Corporate Leadership Team and the Audit and Standards Committee in April 2023.

2. Issues

- 2.1 The Audit and Standards Committee approved the original Audit Plan for 2023/24 on the 17th April 2023. The plan accounted for 276 audit days.
- 2.2 Of the planned work identified in the 2023/24 Audit Plan, 52.4% of the work was completed within the year and 47.4% was in progress and carried forward for completion in 2024/25. Since then a further 33.3% has been completed.
- 2.3 A total of 36 recommendations have been made during 2023/24, 22 (61%) of which have already been implemented. The remaining 14 recommendations are in progress (8 recommendations) or are not yet due (6 recommendations). In addition, 29 recommendations were raised after the end of March, all of which are not yet due.
- 2.4 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

3. Recommendation

- 3.1 That the report, including the annual internal audit opinion for 2023/24, is noted.

4. Reasons

- 4.1 The Internal Audit year-end report also builds upon the assurance given by the section in support of the Annual Governance Statement on internal control. 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.

5. Options Considered

- 5.1 Not applicable.

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 Executive Director Resources & Support Services (and 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 undertaken during 2023/24 was provided through a service agreement by Stoke-on-Trent City Council. The financial implications resulting from the recommendations made within audit reports is highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

9. Major Risks & Mitigation

9.1 The key risk to be considered in noting the attached report is that 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 Authority's system of internal controls, governance framework and the delivery of its objectives are not identified or acted upon. This risk is managed through a combination of the governance and reporting frameworks within which Internal Audit operates and the overview carried out by this Committee. No risks have been identified that are not within acceptable tolerances and the independence of the internal audit function is confirmed.

10. UN Sustainable Development Goals (UNSDG)

10.1 Not applicable.



11. Key Decision Information

11.1 Not applicable.

12. Earlier Cabinet/Committee Resolutions

12.1 Approval of the Internal Audit Plan for 2023/24 (Audit and Standards Committee April 2023).

13. List of Appendices

13.1 Appendix A – Internal Audit Annual Report 2023/24.

14. Background Papers

14.1 Internal Audit Plan 2023/24.

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INTERNAL AUDIT ANNUAL REPORT

2023/24

Author: Clare Potts

Date: June 2024

1. INTRODUCTION

The Annual Reporting Process

- 1.1 This is the annual report of the Chief Internal Auditor, which sets out the results of the work of Internal Audit for 2023/24. The report has been presented to the Corporate Leadership Team in support of the findings and recommendations, enabling an overall opinion to be provided, which will be included in the Annual Governance Statement for 2023/24.

Requirement for Internal Audit

- 1.2 The **role of internal audit** is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of a Council's internal control system because it measures and evaluates the adequacy and effectiveness of controls so that:

- Members and senior management can know the extent to which they can rely on the whole system; and
- Individual managers can know how reliable the systems are and the controls for which they are responsible.

- 1.3 Our mission is;

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

The accepted definition from the Institute of Internal Auditors states:

“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.”

- 1.4 The internal control system is comprised of the whole network of systems and controls established to manage the council's risks to ensure that its objectives are met. It includes financial and non-financial controls, and also arrangements for ensuring that the Council achieves value for money from its activities.
- 1.5 The requirement for an Internal Audit function derives from local government legislation including Section 151 of the Local Government Act 1972 which requires authorities to *“make arrangements for the proper administration of their financial affairs”*. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must *“maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”*

2. ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL ENVIRONMENT

How Internal Control is Reviewed

- 2.1 In 2023/24 an annual risk based audit plan was produced and approved by the Audit & Standards Committee in April 2023. The plan took into account the adequacy of the organisations risk management and other assurance processes. The plan outlined the areas that were to be reviewed in 2023/24 in terms of their priority and resources required to undertake them.
- 2.2 This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:-
- system based reviews of all key financial systems that could have a material impact on the accounts e.g. payroll, debtors, council tax and housing benefits;
 - regulatory audits of Council establishments;
 - systems based reviews of departmental systems/service areas e.g., Streetscene;
 - corporate reviews e.g. GDPR and risk management;
 - a small contingency for special investigations and the provision of ad hoc advice.

Internal Audit Opinion for 2023/24 and the Annual Governance Statement (AGS)

- 2.3 Regulation 4 of the Accounts and Audit Regulations 2015 requires that:-

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes risk management arrangements.”

“The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall publish a statement on internal control, prepared in accordance with proper practices, with any statement of accounts it is obliged to publish.”

- 2.4 Internal Audit, along with other assurance processes of the Council, have a responsibility to provide assurance from the work they undertake during the year in respect of the internal control systems operating within the Council.

*From the evaluation and testing of systems during 2023/24 along with wider knowledge of the significant risks and other sources of assurance, a **Satisfactory** level of control can be provided. However, some control failings have been identified which are being addressed by senior managers. Additionally, assurances have been given by the appropriate chief officer(s) that controls are being improved. Consideration should be given to whether the control issues identified in the 2023/24 debtors review warrant inclusion in the Annual Governance Statement (see paragraph 2.7 below).*

- 2.5 However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.

Significant Issues

2.6 Of the reports issued in respect of 2023/2024; both within and after the year, one had a negative opinion and two received marginal (neutral) opinions:

2.7 **Sundry Debtors:** Issued 12/06/2024

At this audit three recommendations were made (one low risk, one medium risk and one high risk), with the resultant audit opinion of 'Unsatisfactory'. The key areas which required improvement were in respect of the full implementation of the debt recovery policy and the analysis of performance. Progress has been made on the recommendations made, all debtors templates have now been completed and tested. Final reminders for the current debtors are to be issued in June, followed by court letters for non-respondents after 14 days.

2.8 **General Project Governance (Corporate):** Issued 30/05/2023

At this audit 14 recommendations were made (seven low risks and seven medium risks), with the resultant audit opinion of 'Marginal'. The key areas which required improvement were in respect of the framework and procedures to monitor and manage general projects, training and guidance.

2.9 **Decision Making (Officers):** Issued 13/06/2024

At this audit seven recommendations were made (three low risks and four medium risks), with the resultant audit opinion of 'Marginal'. The key areas which required improvement were in respect of recording schemes of delegated authority and the publication of officer decisions.

2.10 Internal Audit will continue to monitor recommendations to ensure appropriate management action is taken to address the weaknesses identified.

3. SUMMARY OF INTERNAL AUDIT WORK 2023/24

3.1 The Internal Audit Plan identified 21 audits (including four IT audits) to be undertaken in 2023/24. During these reviews the following objectives of internal audit were considered:

- to review and appraise the soundness, adequacy and application of the whole system of internal control;
- to ascertain the extent to which the whole system of internal control ensures compliance with established policies and procedures;
- to ascertain the extent to which the assets and interests entrusted to or funded by the Authority are properly controlled and safeguarded from losses of all kinds;
- to ascertain that management information is reliable as a basis for the production of financial, statistical and other returns;
- to ascertain the integrity and reliability of information provided to management including that used in decision making, and
- to ascertain that systems of controls are laid down and operate to achieve the most economic, efficient and effective use of resources.

Audits Completed

- 3.2 In respect of the audit plan for 2023/2024 a total of 20 audit reports were completed; 11 were issued during the year and nine issued since the end of March 2024. A summary of the level of assurance for all audits completed in respect of 2023/24 and the recommendations made, by risk category, is given in the tables below. For further details on audits undertaken in respect of 2023/24 see Table 7, Appendix A1. A summary chart is also provided at Appendix B.

Table 1 – Opinions Made in respect of 2023/24

Assurance	Audits	
	No.	%
Good (Positive opinion)	4	20.0%
Satisfactory (Positive opinion)	12	60.0%
Marginal (Neutral opinion)	2	10.0%
Unsatisfactory (Negative opinion)	1	5.0%
Unsound (Negative opinion)	0	0%
Without opinion	1	5.0%
Total	20	100.0%

Opinions are classified as:

Table 2 – Opinion Definitions

Level of Assurance	Detailed definition of level of assurance.
Good (Positive)	From the evaluation and testing of the systems examined during 2023/24 there appears to be a good control environment in which all recommendations made by internal audit have been addressed and all agreed actions executed. There are no control issues identified for inclusion in the Annual Governance Statement.
Satisfactory (Positive)	From the evaluation and testing of systems during 2023/24 there appears to be a satisfactory level of control. However, some control failings have been identified which are being addressed by senior managers. Additionally, assurances have been given by the appropriate chief officer(s) that controls are being improved. There are no significant control issues identified for inclusion in the Annual Governance Statement.
Marginal (Neutral)	From the evaluation and testing of systems during 2023/24, a number of weaknesses have been identified, which make it

	<p>difficult to place reliance on the overall operation of the internal control framework.</p> <p>Assurance has been given by the appropriate chief officer(s) that the actions required to improve the overall adequacy and effectiveness of the council's internal control environment are being taken. This will be recorded in the Annual Governance Statement.</p>
Unsatisfactory (negative)	<p>From the evaluation and testing of systems during 2023/24, a number of significant weaknesses have been identified which make it difficult to place reliance on the overall operation of the internal control framework.</p> <p>Significant actions are required to improve the overall adequacy and effectiveness of the council's internal control environment and will be recorded in the Annual Governance Statement.</p>
Unsound (negative)	<p>From the evaluation and testing of the systems examined during 2023/24, one or more fundamental systems have been identified as having major absences or weaknesses which are not being addressed; and therefore, places the council's internal control environment at risk and will be recorded in the Annual Governance Statement.</p>

3.3 A total of 65 recommendations were made in respect of 2023/24, recommendations are classified as:

High Risk – Action that is considered imperative to ensure that the authority is not exposed to high risks;

Medium Risk – Action that is considered necessary to avoid exposure to significant risks;

Low Risk – Action that is considered desirable and which should result in enhanced control or better value for money.

The 65 recommendations can be broken down as follows;

Table 3 – Recommendations Made in respect of 2023/24

Risk	No.	%
High	1	1.5%
Medium	33	50.8%
Low	31	47.7%
Total	65	100.0%

Status of recommendations

3.4 Having accepted the recommendations made as a result of internal audit work, senior managers are responsible for ensuring their prompt implementation. From the

information provided, the reported status of the (65) recommendations made in respect of 2023/24 as at the 31st March 2024 is shown over.

Recommendations made before the year-end (11 reports)		
Status	No.	%
Implemented	22	61.1%
Not implemented	8	22.2%
Issued (i.e. not yet reached the due date)	6	16.7%
Total	36	100%
Recommendations issued since the year-end (Nine reports)		
	29	
	65	

- 3.5 In addition, the following prior year recommendations remained outstanding as at the 31 March 2024:

Audit Year	Overdue Recommendations Not Implemented
2021/2022	6
2022/2023	1
Prior Year Total	7
2023/2024 (as 3.4 above)	8
Total	15

- 3.6 Recommendations made in respect of 2023/24 will continue to be monitored and information provided by managers will be recorded and monitored through to completion.

4. AUDIT PERFORMANCE

- 4.1 In order to monitor performance against the work identified within the annual plan, Internal Audit work is monitored on a regular basis. Table 6 analyses the status of work-in-progress and planned work at the end of March 2024, showing whether work was completed in year or after the year-end. Of the planned work undertaken in the 2023/24, 55.0% of the work was completed within the year and 45.0% was completed after the year-end.

Table 6 – Summary of Audit Work 2023/24

Category	Planned Audits	
	No.	%
Work-in-Progress B/F	8	
Planned 2023/24	21	
Deferred	(1)	
Not required	(8)	

Jobs 2023/24	20	
Progress 2023/24		
Completed in year	11	55.0%
Issued since year-end	9	45.0%
Total	20	100.0%

4.2 Audit reports were produced continually throughout the year. A schedule of reports issued was produced on a quarterly basis and presented to the Audit Committee. Not all areas of work originally scheduled for 2023/24 were completed within the year. The outstanding work at the end of the year has been:

- Completed, or
- Deferred to 2024/25, in which case it will be scheduled into the appropriate quarter of the plan, or
- Subject to a reassessment of risk and the work reclassified, or
- Deemed no longer applicable.

5. FRAUD & IRREGULARITY WORK

Pro-active Fraud work

5.1 The Internal Audit section has taken a proactive approach to the prevention / detection of fraud and corruption. During the year it has continued working with Stoke-on-Trent City Council on the development of the Staffordshire Counter Fraud Partnership.

Fraud/Irregularity Investigations

5.2 No allegations have been received through the Council's Confidential Reporting or Antifraud and Bribery frameworks in the year.

National Fraud Initiative Data matching

5.3 The Council is a statutory participant in the Cabinet Office's National Fraud Initiative (NFI) exercise which is carried out every 2 years. The most recent matches have recently been received and are being reviewed by the relevant departments.

6. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

6.1 The Public Sector Internal Audit Standards (PSIAS), which came into force in April 2013; updated August 2017 and apply across the whole of the public sector and provide a framework for internal audit which:

- defines the nature of its work;
- sets out its basic principles;
- aims to improve organisational processes and operations; and
- forms a basis to evaluate its performance.

6.2 Local authorities must demonstrate their compliance with the standards. Compliance against the Standards is to be subject to periodic self-assessment, supplemented by an external assessment conducted at least once every 5 years. In November 2022, an

external review of the internal audit service was undertaken. The review included interviews with the Strategic Manager Audit and Fraud, members of the Audit Team. A sample of internal audit clients and the Chair of the Audit and Standards Committee received a survey to complete to support the review. The review also included an evaluation of a sample of the reports produced by the service and other policies and procedures. The overall opinion as a result of the review was that the Internal Audit Service had achieved the top standard of 'Generally Conforms' to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note. The review highlighted a number of recommendations and suggestions for the enhancement of the service. The action plan produced as a result of the review is included as Appendix C and have now been completed or are no longer required due to the ending of the internal audit contract.

- 6.3 In order to ensure the quality of each audit, each report is subject to a review by a more senior auditor. This process forms part of the internal quality assurance process and helps to ensure a consistent approach between auditors.

7. INTERNAL AUDIT AND THE MANAGEMENT OF RISK

- 7.1 Internal Audit undertake a risk-based approach to audit assignments; identifying objectives, risks and controls, evaluating the extent to which those controls address the organisation's risks, identifying over- or under-control, articulating residual risk and recommending management action as appropriate. This approach is subject to continuous review and Internal Audit continues to be in a unique position to educate senior management on risk and inform the council's risk management processes and procedures.
- 7.2 During 2023/24 Internal Audit have continued to facilitate the embedding of risk management processes and culture across the council. During 2023/24 internal audit undertook a review of corporate risk management arrangements with an overall satisfactory opinion. Areas for improvement were identified as ensuring risk registers were maintained up-to-date and to consider undertaking a benchmarking exercise to identify further possible areas for improvement.

8. OPERATIONAL PLANS FOR 2024/25

- 8.1 From 1st April 2024, internal audit services transferred from Stoke-on-Trent City Council to Staffordshire County Council.

Table 7 - Summary of Reports Issued during 2023/24

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Cyber Security: Follow-up actions DLUHC Report	Satisfactory (Positive)	0	4	0	4
General Project Governance (Corporate)	Marginal (Neutral)	0	7	7	14
Income Collection 2022/23 Health Check	Good (Positive)	0	1	1	2
Purchase to Pay 2022/23 Health Check	Satisfactory (Positive)	0	3	1	4
Housing Benefits 2023 Health Check	Good (Positive)	0	2	0	2
Disabled Facilities Grant 2022/2023	Without Opinion	0	0	0	0
Management of Risk Health Check	Satisfactory (Positive)	0	1	2	3
Contract Management	Good (Positive)	0	0	1	1
Backup and IT Disaster Recovery Arrangements	Satisfactory (Positive)	0	2	0	2
Streetscene	Satisfactory (Positive)	0	2	2	4
Food Waste Collections – Capital Transitional Grant 2023/2024	Good (Positive)	0	0	0	0
Total		0	22	14	36

Table 8 – Summary of 2023/2024 Reports Issued after 31 March 2024:

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Asset Management	Satisfactory (Positive)	0	1	2	3
Civica Finance System User Security	Satisfactory (Positive)	0	1	1	2
Equality, Diversity and Inclusion	Satisfactory (Positive)	0	0	0	0
General Data Protection Regulations Health Check	Satisfactory (Positive)	0	0	2	2
Gifts and Hospitality Health Check	Satisfactory (Positive)	0	0	3	3
Human Resources 2023/2024	Satisfactory (Positive)	0	2	1	3
One Council Programme	Satisfactory (Positive)	0	2	4	6
Sundry Debtors	Unsatisfactory (Negative)	1	1	1	3
Decision Making (Officers)	Marginal (Neutral)	0	4	3	7
Total		1	11	17	29

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Summary of Overdue Audit Recommendations at the end of March 2024 (as at 31/03/2024)

Directorate	Total Number of Recommendations	Number of Recommendations Completed	Number of Recommendations Not Completed	Number of Recommendations Not Completed				
				Not Yet Due	Overdue for Implementation*			Total
					High	Medium	Low	
Chief Executives	196	184	12	3	0	8	1	12
Regeneration & Development Services	25	25	0	0	0	0	0	0
Operational Services	85	82	3	3	0	0	0	3
Corporate Reviews	59	53	6	0	0	3	3	6
Total	365	344	21	6	0	11	4	21

* includes recommendations where extensions have been agreed

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External Quality Assessment Action Plan

Recommendations

Ref	Issue identified	Recommended action	Rating	Actions	Target Date
Resources 1	<p>Internal Audit Charter (IAC)</p> <p>The IAC requires an annual assurance opinion to be provided to the Audit Committee regarding the 'Control Environment', interpreted within the PSIAS as that relating to governance, risk management and control.</p> <p>Para 10.1 correctly states the basis for planning in the context of the full knowledge of the CAE however this contrasts with the narrower basis for the Annual Opinion.</p> <p>The Annual Opinion for 2021/22 para 2.4 stated that "From the evaluation and testing of systems during 2021/22 there appears to be a Satisfactory level of control</p> <p>Best practice reflects using a wider basis for the opinion reflecting the full knowledge of the CAE including significant risks which each the Council is facing and significant risks which each the Council is facing and information from other assurance sources.</p>	<p>The annual internal audit planning process is based upon a continuous assessment of the risk environment faced by the Council, therefore the opinion is not based on the current years work as stated. It would be more accurate to reflect on the full knowledge of the CAE in providing an opinion on risk management, governance and control.</p> <p>Consider documenting how internal audit will determine its opinion relating to risk management and governance in relation to the need for the Councils to demonstrate compliance with CIPFA Solace and the Councils Code of Governance.</p> <p>Ensure this demonstrates appropriate independence regarding assurance opinions relating to risk management and insurance.</p> <p>Additionally, the Annual Opinion is based upon wider knowledge of significant risks and the various sources of assurance that exist, including the risk management processes and this should be clarified or reflected in the Annual Report.</p> <p>PSIAS 1000</p>		<p>The annual report has been updated to reflect the wider knowledge used in arriving at an annual opinion.</p> <p>A review of how internal audit can support the Council's code of governance will be undertaken during 2023/24.</p>	<p>Completed.</p> <p>Due to the change in Monitoring Officer this work was not undertaken.</p>
Resources 2	<p>Performance appraisal</p> <p>The self assessment identified that the CAE's appraisal which is undertaken by the Monitoring Officer at Stoke on Trent City Council, could beneficially include input from both the Chair of Audit and Standards Committee and the Head of Finance.</p>	<p>Inviting observations from both Chairs of Audit Committee in advance of the performance appraisal undertaken by the Head of Governance would be good practice.</p> <p>PSIAS 1110</p>		<p>Views will be sought to feed into the Head of Internal Audits annual performance review.</p>	<p>No longer required due to contract ending.</p>

Competency	<p>Audit Universe</p> <p>The current internal audit planning model reflects use of a “standard audit universe” to which are applied a number of factors which represent a judgement of risk from an internal audit perspective. This is appropriate in circumstances where the client risk management system cannot be relied upon. Further development of this approach through increasing alignment with the Council’s risk environment at strategic and operational levels would enhance internal audits’ ability to demonstrate a commitment to helping the Council achieve its objectives. In this respect there remains an emphasis on a cyclical approach to “key systems” although we understand this was postponed during Covid, due to other priorities.</p>	<p>The development of a comprehensive internal audit plan that reflects the significant risks that are recorded within the Councils risk management system represents an essential feature of both strategic and operational internal audit planning as it acts as a basis for both ensuring attention on significant risks on a priority basis as well as providing an indication of the resources required to provide continuous independent assurance.</p> <p>Internal Audit works with each client manager at the time of an engagement to identify significant risks; it would be opportune to increasingly recognise and promote the value of ‘Control Risk’ at an operational level and transparently integrate this within the planning process.</p> <p>It would be beneficial therefore to increasingly align development of the internal audit planning system with the Councils risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level.</p> <p>The need to review key systems on a rotational basis should be reconsidered and in future aligned with the risk based approach and previous assurance opinions.</p> <p>It may be that such an approach would also help embed effective risk management within the Council’s governance processes at an operational level as this has been the subject of negative comment in the most recent reviews of the Council’s processes.</p> <p>PSIAS 2000/2010</p>		<p>The internal audit plan for 2023/24 approved by the Audit and Standards Committee in April 2023 was fully aligned to the council’s strategic risks. Key financial systems audit have been moved to a three year rolling programme in the 2023/24 internal Audit Plan. Audit planning process will be reviewed to ensure control risk is promoted.</p>	<p>Completed</p> <p>Completed.</p> <p>Completed.</p>
Competency	<p>Audit objectives</p> <p>The Audit Engagement Brief currently contains a statement which reflects the ‘purpose’ of the review as providing assurance regarding the area subject to review. In accordance with PSIAS requirements, which recognise the value of focusing on the objectives of the area under review; it may be beneficial to re focus the statement on Management Objectives as this would align directly with the significant risks which are then identified.</p>	<p>It may be beneficial to increasingly capture the Management Objectives for the area subject to review as this will help identify nature of the significant risks being and will assist with the discussions with client managers at the planning and reporting stages.</p> <p>Consequently determination of the key controls that will provide mitigation of the identified significant risks will provide the basis upon which the assurance opinion is provided.</p> <p>PSIAS 2201</p>		<p>Engagement brief templates have been updated to capture management objectives and the audit manual has been updated to reflect this.</p>	<p>Completed.</p>

Competency 1	<p>Use of the risk matrix and 'Heat Map'</p> <p>The current methodology requires identification at the commencement of an audit of the significant risks to be considered. The gross risk is then assessed with input from management in terms of its likelihood and impact and the outcome recorded on a Heat Map.</p> <p>Where available the assessment is informed by client risk management processes.</p> <p>The review then aims to identify appropriate policies, procedures and controls, concluding with an opinion based upon the residual risk in each area.</p> <p>The logic of this process represents good practice.</p>	<p>The PSIAS promotes the use of risk based techniques and the focus on significant risk. The Heat Map supports this process although its value is then diminished by focusing on all risks, including those of a 'negligible/minor' nature.</p> <p>Consider re-focusing each engagement on those significant risks which threaten achievement of management objectives. This may both add value as well as allow more efficient use of resources.</p> <p>The single learning point from the client survey indicates that the Shared Service might provide increased focus on significant risk and introducing best practice from elsewhere within the audit approach. This may promote understanding of risk throughout the process and produce outcomes which are regarded as adding value by clients.</p> <p>PSIAS 2010</p>		<p>Engagement templates and the audit manual have been amended to ensure the focus is on significant risks.</p> <p>The audit manual has been updated to ensure best practice is considered where practical as part of an audit review.</p>	<p>Completed.</p> <p>Completed.</p>
Competency 4	<p>Supervision</p> <p>Supervision is shown on the Working Paper (Audit Engagement Brief diary section) and as comments within the document which are responded to by the auditor.</p> <p>Evidence of review is contained within the email system.</p> <p>File review is completed at end of engagement and before release of draft report.</p>	<p>Ensure supervisory processes provide robust evidence of review throughout the audit engagement.</p> <p>Consider hyperlinking relevant documentation within the diary included as part of the 'Audit Engagement Brief'.</p> <p>PSIAS 2340</p>		<p>Current supervision processes are considered to be robust. The audit manual has been updated to ensure evidence of supervision is recorded and will be hyperlinked where possible.</p>	Completed
Competency 6	<p>Recognition of risk appetite</p> <p>As mentioned above use of the Heat Map within internal audit planning represents good practice and recognises the mitigation processes that support the identification of risk appetite.</p> <p>The assessment of gradings could do likewise by directly aligning definitions of risk assessment with the gradings allocated to recommendations and within opinions.</p>	<p>Consider aligning internal audit grading structures with the recognised processes within the Council.</p> <p>The approach would then allow alignment between the level and volume of recommendations being made with the overall opinion.</p> <p>In this respect consider reducing the levels of opinion to at least four on basis that Marginal and Satisfactory opinions appear very similar.</p>		<p>A review of internal audit grading will be undertaken to ensure alignment to risk.</p>	Completed.
Delivery 1	<p>Governance</p> <p>The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements.</p> <p>Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.</p>	<p>In Local Government the Council establishes a Code of Governance in accordance with CIPFA SOLACE it would be beneficial to map internal audit activity to the content of the Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.</p> <p>This would provide transparency regarding the basis upon which the opinion has been based.</p> <p>PSIAS 2110</p>		<p>A review against the Code of Governance will be undertaken.</p>	Due to the change in Monitoring Officer this work was not undertaken.
Delivery 2	<p>Risk Management</p> <p>As the Head of Internal Audit is also responsible for risk management in SoT the review of this area was outsourced to Zurich in 2019, the review highlighted that the 'organisation's overall risk management effectiveness is fundamentally undermined by the approach to risk within operational service areas, which is comparatively weaker'.</p>	<p>The standards require an annual opinion to be provided in the Head of Internal Audit's Annual Report regarding the effectiveness of the risk management process.</p> <p>Given the reviews in this area it would be beneficial to support the opinion with specific evidence regarding how the combination of the assurances gained at both strategic and at an operational levels within engagements have been assessed.</p> <p>This would include progress on the implementation of recommendations being made.</p> <p>PSIAS 2120</p>		<p>A review of risk management was completed during the 2022/23 which received a positive Satisfactory opinion. The results of the review have been detailed in the annual report and progress on recommendations will be reported to the Audit and Standards Committee. A further review is planned for 2023/24.</p>	Completed.

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

Suggested Enhancements for Consideration

Ref	Issue identified	Recommended action	Actions	Target Date
1	Key Performance Indicators Completion of the Internal Audit Plan is regarded as the current focus of performance monitoring, although other indicators based on recommendations and opinions are recorded in the Head of Internal Audit's Annual Report. Good practice elsewhere utilises a range of quantitative and qualitative measures to demonstrate performance against the Internal Audit Charter. The future introduction of Pentana software may be beneficial in this respect.	Consideration could be given to devising a more comprehensive list of indicators and including these within the QAIP process to be summarised in the Head of Internal Audit's Annual Report of performance and client feedback received. This may include both KPI's already produced and others which may be available and include: <ul style="list-style-type: none"> • Reports issued to agreed timescales • Recommendations accepted/not accepted by risk rating • Recommendations acted upon in a timely manner • Client satisfaction • Staffing levels and qualifications • Planned training completed PSIAS 1310	A number of performance measures are in place. As part of the development of the new audit management system consideration will be given to appropriate performance measures.	Completed.
2	Training The Internal Audit Team has developed a comprehensive training and skills matrix which includes reference to mandatory requirements although this has not been maintained. As the internal audit planning process is based on a continuous review of the Council's assurances needs and devises a forward looking plan based on need and priority, it would be beneficial to consider the future training needs of internal audit staff and include these in future resource planning.	Consider the benefits of using the priorities included in internal audit planning process to identify potential courses or seminars which may provide increased understanding of the risk environment that will require review in the medium term. Ensure that training records are maintained and used to inform the QAIP. PSIAS 1210	Training is currently being reviewed against the newly agreed internal audit plan.	Completed.
3	Fraud Survey The Internal Audit Team participates in the CIPFA Fraud Survey which reflects good practice regarding the consideration of fraud risk within the PSIAS.	When completed it would be beneficial to align outcomes with the significance of fraud risk in relation to achievement of the management objectives agreed within each engagement.	Fraud risk is currently considered during the overall audit planning process and at individual audit level. The survey will be completed and the results will feed into this process.	No longer required due to contract ending.

4	<p>Confidentiality and liability</p> <p>There is an occasional need to share an internal audit report outside of the organisation and in which case the legal implications should be considered.</p> <p>Current reports contain a statement regarding confidentiality and Freedom of Information.</p>	<p>The Internal Audit Team should consider the need to also include an appropriate limitation of liability clause in reports which may be placed in the public domain or shared with third parties, including external audit.</p> <p>PSIAS 2440</p>	<p>Clause added and templates updated.</p>	<p>Completed.</p>
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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

**Audit & Standards Committee
15 July 2024**

Report Title: Treasury Management Annual Report 2023/24

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All Indirectly

Purpose of the Report

To receive the Treasury Management Annual Report for 2023/24 and to review the Treasury Management activity for this period.

Recommendation

That the Treasury Management Report for 2023/24 be received and be reported to Full Council on 25 September 2024.

Reasons

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. Council resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports. Following submission to the Audit and Standards Committee the Treasury Management Annual Report will be reported to Full Council on 25 September 2024.

1. Background

- 1.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.
- 1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.
- 1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report for 2023/24 approved by Council on 15 February 2023.
- 1.4 The Council has been provided with Treasury Management Advisory services for the period 1 April 2023 to 31 March 2024 by Arlingclose Ltd.

2. **Issues**

2.1 The Treasury Management Annual Report for 2023/24 is attached at Appendix 1. The economic background and economic forecast included in the report has been provided by the Council's Treasury Management Advisors, Arlingclose Ltd.

3. **Proposal**

3.1 That the Treasury Management Annual Report for 2023/24 be received and be reported to Council on 25 September 2024.

4. **Reasons for Proposed Solution**

4.1 In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

5. **Options Considered**

5.1 There are no specific options to consider.

6. **Legal and Statutory Implications**

6.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

7. **Equality Impact Assessment**

7.1 Not applicable.

8. **Financial and Resource Implications**

8.1 There are no specific financial implications arising from the report.

9. **Major Risks**

9.1 Treasury Management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

9.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

9.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

10. **UN Sustainable Development Goals (UNSDG)**

10.1 The Treasury Management Annual Report for 2023/24 supports UNSG and Climate Change objectives through supporting sustainable cities and communities through the correct use of public monies.



11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Council 24 February 2010 – Adoption of CIPFA Treasury Management Code of Practice

13. **List of Appendices**

13.1 Appendix 1, Treasury Management Annual Report 2023/24.

14. **Background Papers**

14.1 CIPFA Treasury Management Code of Practice,

14.2 Council's Treasury Management Policy Statement,

14.3 Council's Treasury Management Strategy,

14.4 Local Government Act 2003,

14.5 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,

14.6 Ministry of Housing, Communities and Local Government's revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision

14.7 Arlingclose Ltd. Treasury Management Outturn Report template

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TREASURY MANAGEMENT ANNUAL REPORT 2023/24

1. INTRODUCTION AND BACKGROUND

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual Treasury Management review of activities and the actual prudential and treasury indicators for the financial year 2023/24. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The Council's Treasury Management Strategy for 2023/24 was approved at a meeting on 15 February 2023. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

The CIPFA Code of Practice on Treasury Management was adopted by this Council on 24 February 2010; this was updated in November 2011 and updated further in December 2017 and December 2021.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Council of an annual treasury management strategy report (including the annual investment strategy) for the year ahead and an annual review report of the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of the treasury management strategy to a specific named body which in this Council is the Finance, Assets and Performance Scrutiny Committee.
6. Delegation by the Council of the role of scrutiny of treasury management performance to a specific named body which in this Council is the Audit and Standards Committee, a midyear and year-end review report is received by this Committee.

Treasury Management in this context is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of Treasury Management activities, for the financial year 2023/24.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council has complied with the requirement under the Code to give prior scrutiny to the annual review report by reporting this to the Audit and Standards Committee prior to it being reported to Council.

2. THIS ANNUAL TREASURY REPORT COVERS

- The Council's treasury position as at 31 March 2024;
- The strategy for 2023/24;
- The economy in 2023/24;
- Investment rates in 2023/24;
- Compliance with treasury limits and Prudential Indicators;
- Investment outturn for 2023/24;
- Involvement of Elected Members;
- Other issues.

3. TREASURY POSITION AS AT 31 MARCH 2024

The Council's investment position at the beginning and the end of the year was as follows:

	At 31/03/24	Average Return	Average Life (Days)	At 31/03/23	Average Return	Average Life (Days)
Total Debt	£0m	0.00%	0	£0m	0.00%	0
Total Investments	£17.5m	5.19%	16	£17m	4.05%	14

It should be noted that the above table is only a snapshot of the total Investments as at 31 March 2024. Large fluctuations in cash inflows and outflows that occur throughout the month can have an impact on the figure reported.

4. THE STRATEGY FOR 2023/24

The strategy agreed by Council on 15 February 2023 was that:

- The Council may be required to borrow during 2023/24;
- All borrowing would be kept absolutely within the Authorised Limit of £85m and would not normally exceed the Operational Boundary of £75m (although it could for short periods of time be permitted to rise to a figure between £75m and £85m due to variations in cash flow);
- Temporary surpluses which might arise would be invested, either in short term deposits with the Council's various deposit accounts or in money market investments (cash deposits) if the size warranted this and for an appropriate period in order that these sums would be available for use when required;
- The proportions of loans and investments to be at fixed or variable rates were: fixed rate loans to be between 0% and 100% of the total and variable rate to be between 0% and 100% of the total, thus enabling maximum flexibility to take advantage of interest rate trends;
- Long term investments to be permitted as follows: maturing beyond 31/03/24 - £25m, maturing beyond 31/03/25 - £25m, maturing beyond 31/03/26 - £25m;
- The overriding consideration is safeguarding the Council's capital. At all times the risk to the Council will be minimised. Within these constraints, the aim will be to maximise the return on investments; and,
- Forward commitment of funds for investment is permitted in respect of in-house investments, in instances where market conditions warrant it.

5. THE ECONOMY AND INTEREST RATES - narrative supplied by the Council's Treasury Management Advisors – Arlingclose Limited

UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in the second half of 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the Council's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in the second half of 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish

stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

6. FINANCIAL MARKETS IN 2023/24 – narrative supplied by the Council's Treasury Management Advisors – Arlingclose Limited

Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

7. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Annex 1.

8. INVESTMENT OUTTURN FOR 2023/24

Internally Managed Investments

The Council manages its investments in-house and during 2023/24 invested with institutions in compliance with the credit worthiness service of the Council's treasury management advisors, Arlingclose Limited.

The Council invested for a range of periods from overnight to up to 81 days during 2023/24, dependent on the Council's cash flows, its interest rate view and the interest rates on offer. 5 of 67 investments made in 2023/24 were for a period of 2 weeks or less. 1 investment was made with the Public Sector Deposit Fund. The remaining 66 investments were deposited in the Debt Management Account Deposit Facility.

In addition, funds were held in the general fund account that the Council has with Lloyds Bank.

Investment Outturn for 2023/24

During 2023/24 an average rate of return of 4.87% was achieved on an average individual investment of £2.147m due to the receipt in advance of Government grants and the interest rate rises referred to in section 5. No target was set for 2023/24 as it was assumed that a net interest payable amount would be required to meet the Council's capital programme. Actual interest income from interest activity amounted to £1.381m.

9. INVOLVEMENT OF ELECTED MEMBERS

Elected members have been involved in the treasury management process during 2023/24 including:

- Scrutiny of the treasury management strategy by the Finance, Assets & Performance Scrutiny Committee prior to being submitted for approval by the Council.
- Scrutiny of treasury management performance by the Audit and Standards Committee through the receipt of a half yearly treasury management report.
- A quarterly budget monitoring and performance report is reported to Cabinet, this contains details of Treasury Management activity undertaken during the quarter.

ANNEX 1: PRUDENTIAL INDICATORS

Position/Prudential Indicator		2022/23 Actual	2023/24 Indicator	2023/24 Actual
1	Capital Expenditure	£7.545m	£30.360m	£11.630m
2	Capital Financing Requirement at 31 March *	£10.682m	£26.600m	£10.262m
3	Treasury Position at 31 March:			
	Borrowing	£0	N/A	£0
	Other long term liabilities	£0	N/A	£0
	Total Debt	£0	N/A	£0
	Investments	(£17.0m)	N/A	(£17.5m)
	Net Borrowing	(£17.0m)	N/A	(£17.5m)
4	Authorised Limit (against maximum position)	£0	£85.0m	£0
5	Operational Boundary (against maximum position)	£0	£75.0m	£0
6	Ratio of Financing Costs to Net Revenue Stream	(3.97%)	3.27%	(5.31%)
7	Upper Limits on Variable Interest Rates (against maximum position)			
	Loans	0%	100%	0%
	Investments	0%	100%	0%
8	Actual External Debt	£0	N/A	£0
9	Principal Funds Invested for Periods Longer than 365 days (against maximum position)	£0	£25.0m	£0

GLOSSARY

CFR – Capital Financing Requirement

The Capital Financing Requirement is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.

CIPFA – The Chartered Institute of Public Finance and Accountancy

The Chartered Institute of Public Finance and Accountancy is the professional body for accountants working in Local Government and other public sector organisations.

CPI – Consumer Price Index

A measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

GDP – Gross Domestic Product

Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.

BPS – Basis Points

Basis points are a unit of measure used in finance to describe the percentage change in value of a financial instrument. One basis point is equal to 0.01%.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO THE
AUDIT & STANDARDS COMMITTEE**

15 July 2024

Report Title: Corporate Risk Management Report

Submitted by: Corporate Leadership Team

Portfolios: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
To update Members on the current position in respect of risk management controls and identified corporate risks.	
<u>Recommendation</u>	
That the Audit & Standards Committee:	
<ol style="list-style-type: none"> 1. Note that there are currently no risks that are more than 6 months overdue for a review up to end of Q4 2023/24. 2. Note that there have been no risk level increases. 3. Note no changes to the Corporate Risk Register. 4. Advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting. 5. Note that whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change. 	
<u>Reasons</u>	
To comply with Audit and Risk Management Strategy requirements to report to committee: risk reviews that are more than 6 months overdue; the Corporate Risk Register; and any risks that have been increased in rating to a medium D or high E, or are new risks.	

1. Background

- 1.1 The Council's Risk Management Strategy (RMS) sets out how it identifies, records, manages and reports on risk. It uses the GRACE software (Governance Risk and Control Environment) to monitor and manage all of its risks by creating individual risk profiles which rank risk based on likely occurrence and impact, after applying relevant mitigation measures. The system allows for the creation and monitoring of mitigation action plans and the assignment of risk owners.
- 1.2 The system allows risks to be managed in this way at service and directorate level and, where warranted, corporately through the Corporate Leadership Team and this committee. The RMS describes how risks are escalated and reported through that hierarchy depending on the nature of the risk, and in light of any delays in reviewing risk profiles or applying mitigation measures.
- 1.3 The Council currently reviews its high (red) risks at least monthly and its medium (amber) risks at least quarterly. The RMS and good audit practice requires that amber and red risks are reported to this committee where escalation is required, along with any risk profiles that are overdue for review by 6 months or more. This set of measures was last reported to this Committee on 13 November 2023.
- 1.4 GRACE automatically prompts Risk Owners to review their risk profiles at the required intervals, and will escalate overdue reviews. The review process involves the Council's Risk Champion challenging Risk Owners in respect of the controls, further actions, ratings and emerging risks related to their risk profiles. They are also challenged on the reasons for inclusion or non-inclusion of risks and amendments made to profiles. The Risk Champion has a direct reporting line to the Monitoring Officer and into the Corporate Leadership Team.
- 1.5 Project specific risks are managed to a high level in project specific risk registers, and are reviewed in accordance with the RMS at least monthly. Any specific projects can, where required, also have their risks monitored, maintained and managed in the Project Board meetings, but remain subject to the escalation requirements in the RMS.

2. Issues

- 2.1 There are currently no risk reviews 6 months overdue, up to the end of Q4 2023/24.
- 2.2 During the last quarter (Q4), no risks rose in priority to a Medium D or High E.
- 2.3 The Corporate Risk Register has been reviewed, and there are no particular changes.

3. Recommendation

- 3.1 That Members note that there are currently no risks more than 6 months overdue for a review up to end of Q4 2023/24.
- 3.2 That Members note that there have been no risk level increases to either a Medium D or a High E.
- 3.3 That Members note no particular changes in the Corporate Risk register.
- 3.4 That Members advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting.
- 3.5 Note that whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change.

4. **Reasons**

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

5. **Options Considered**

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

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

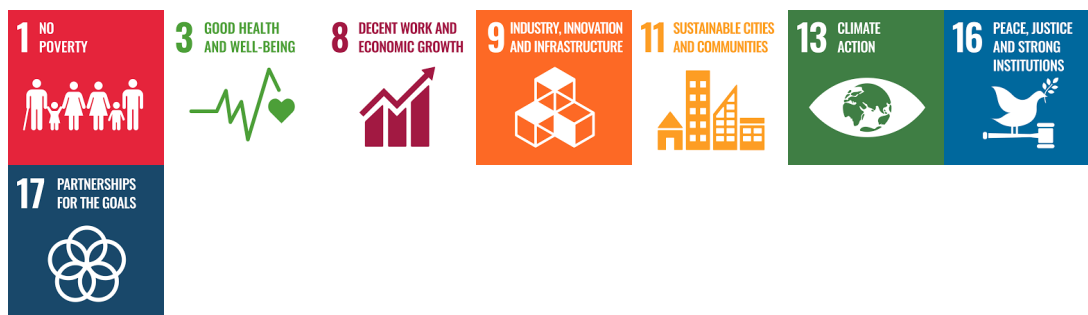
particular risks are identified and managed as part of the risk profile in question.

9. Major Risks & Mitigation

- 9.1** Limited resource to ensure timely compliance 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 could mean the Council may be unable to comply with the legal requirements set out above in respect of the management of risk.

10. UN Sustainable Development Goals (UNSDG)

- 10.1** Good risk management is a key part of the overall delivery of the Council's four corporate priorities of; Local Services that Work for Local People, Growing our People and Places, a Healthy, Active and Safe Borough, a Town Centre for all. Officers assess sustainability and climate change implications as part of their local services.



11. Key Decision Information

- 11.1 N/A

12. Earlier Cabinet/Committee Resolutions

- 12.1 Previous Minutes from Committee meeting held on 05 February 2024.

13. List of Appendices

- 13.1 NA.

14. **Background Papers**

14.1 None.

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AUDIT & STANDARDS COMMITTEE



Work Programme 2024/25

Chair

Cllr P. Waring

Vice-Chair

Cllr B. Panter

Members

Cllrs M. Holland, J. Whieldon, W. Brockie, M. Stubbs

Officer Champions

Sarah Wilkes / Anthony Harold

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 and 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
15/07/2024	<ul style="list-style-type: none">• Treasury Management Annual Report 2023/24• Q4 Corporate Risk Management Report 2023/24• Annual Internal Audit Report and Opinion 2023/24• Committee Work Plan 2024/25	
30/09/2024	<ul style="list-style-type: none">• Q1 Corporate Risk Management Report 2024/25• Q1 Internal Audit Progress Report 2024/25• Health and Safety Report 2023/24• Audited Statement of Accounts 2023/24• Committee Work Plan 2024/25	
04/11/2024	<ul style="list-style-type: none">• Treasury Management Half Yearly Report 2024/25• Q2 Corporate Risk Management Report 2024/25• Q2 Internal Audit progress Report 2024/25• Committee Work Plan 2024/25	

Previous 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 	
30/05/2023	<ul style="list-style-type: none"> • Proposed Accounting Policies • Annual Governance Statement • Draft Statement of Accounts 2022/23 • Revised Finance and Contract Procedure Rules 	
17/07/2023	<ul style="list-style-type: none"> • Health and Safety Report 2022/23 • Treasury Management Annual Report 2022/23 • Q4 Corporate Risk Management Report 2022/23 • Annual Internal Audit Report and Annual Opinion 	
28/09/2023	<ul style="list-style-type: none"> • Q1 Corporate Risk Management Report 2023/24 • Q1 Internal Audit Progress Report 2023/24 • Audited Statement of Accounts 2022/23 	
13/11/2023	<ul style="list-style-type: none"> • Treasury Management Half Yearly Report 2023/24 • Q2 Corporate Risk Management Report 2023/24 • Q2 Internal Audit progress Report 2023/24 	
05/02/2024	<ul style="list-style-type: none"> • Q3 Corporate Risk Management Report 2023/24 • Q3 Internal Audit Progress Report 2023/24 	

	<ul style="list-style-type: none">• Procurement of Internal Audit Service 2024/25• Grant Thornton – Value for Money Audit Report 2022/23	
22/04/2024	<ul style="list-style-type: none">• Internal Audit Charter 2024/25• Internal Audit Plan 2024/25• Corporate Fraud Arrangements 2024/25• Risk Management Policy & Strategy 2024/25• External Audit Plan 2023-24• Committee Work Plan 2024/25	
28/05/2024	<ul style="list-style-type: none">• External Audit Report 2022-23• Accounting Policies 2023-24• Annual Governance Statement 2023-24• Statements of Accounts 2023-24	

Last updated on 25th June 2024