

Audit and Standards Committee

Thursday 4 April 2019 at 2.00 pm

Meeting to be held in a Committee Room, Newcastle Civic Centre, Newcastle upon Tyne, NE1 8QH

www.northoftyne-ca.gov.uk

SUPPLEMENTAL AGENDA (2)

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North of Tyne Combined Authority

Audit Committee Briefing: External Audit

April 2019

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Building a better
working world

Agenda Item 4

Contents

1. Your audit team
2. Implementing a smooth transition for the Combined Authority
3. Effective implementation of the audit approach

The contents of this report are subject to the terms and conditions of our appointment, as set out in our engagement agreement. This report is made solely to the Audit Committee and management of the North of Tyne Combined Authority in accordance with our engagement agreement. Our work has been undertaken so that we might state to the Audit Committee and management of the North of Tyne Combined Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of the North of Tyne Combined Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Background

Appointment of External Auditor

For the financial period ended 31 March 2019, EY will be the external auditors for the newly formed North of Tyne Combined Authority, following the auditor appointment panel held in March 2019.

EY Credentials

Nationally, EY are responsible for the audit of 131 local government audits and are one of the leading firms currently auditing local government bodies.

In the North East public sector external audit market, we are auditors to 8 local government bodies and 3 local government pension funds.

Your audit team

Your audit team will consist of members of the specialist Government & Public Sector assurance team based in Newcastle and will be led by Stephen Reid, Nicola Wright and Stuart Kenny. Stephen, Nicola and Stuart all have a passion for working with the public sector and are able to meet regularly with the Combined Authority's officers and Committee members when required.

A summary of the team's experience is included on the following page.



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Your audit team



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- ▶ Stephen will be your audit Engagement Partner and will sign the opinion on your financial statements. He will have overall responsibility for ensuring that you receive a high quality audit, which not only provides robust assurance, but which delivers value to the Combined Authority.
- ▶ He has over 20 years' experience in the delivery of external and internal audit, advisory and other assurance services across the public and not-for-profit sectors, including grant claims and VfM assessments. Sector experience includes: local government, health, central government, higher education, further education, housing associations and national and international charities, covering clients of all sizes and complexities.
- ▶ Stephen leads our Government and Public Sector assurance practice covering the North East of England and Scotland. He is the lead partner for our services to Audit Scotland and the Accounts Commission for Scotland.
- ▶ He is a member of both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Chartered Accountants of Scotland (ICAS). In 2008 Stephen was identified by the Chartered Institute of Public Finance and Accountancy as one of only 10 future leaders across the UK.

- ▶ Nicola will have responsibility for ensuring that our audit delivers high quality and value to the Combined Authority.
- ▶ She has over 21 years' experience of working with a range of public sector and not for profit organisations undertaking a range of assurance related engagements.
- ▶ Nicola currently leads the external audits of South Tyneside Council, Middlesbrough Council, Darlington Borough Council, Hambleton District Council and Richmondshire District Council, as well as supporting Stephen on North Tyneside Council.
- ▶ She also leads all of the housing benefit certification work for of our local government portfolio in the North East.
- ▶ Nicola completed an 18-month secondment to the Audit Policy and Practice directorate of the former Audit Commission where she worked on a number of projects, including preparation of the Commission's discussion paper World Class Financial Management.

- ▶ Stuart will be responsible for ensuring delivery of the audit to timetable and will be the main day to day contact for the finance team.
- ▶ He has specialised in public sector external audit for over 10 years across local government, local government pension schemes and housing sector bodies.
- ▶ Stuart's current external audit portfolio includes North Tyneside Council, Middlesbrough Council, Teesside Pension Fund and Tyne and Wear Pension Fund.
- ▶ He has a strong technical understanding of local government finances and reporting, and is currently part of EY's local government technical network.
- ▶ Stuart regularly provides interactive training to Audit Committee members in relation to the Statement of the Accounts.

Implementing a smooth transition for the Combined Authority

Initial document reviews

We have reviewed the key documents available on the Combined Authority's website, to develop a detailed understanding of the key issues that could impact on our audit.

We plan to meet with Mazars, external auditors of Nexus, to understand the audit work they plan to carry out on the transport assets that will be transferring to the Combined Authority from Nexus. We will then design our own procedures to audit the balances transferring on 2 November 2018.

Set up introductory meetings

We have held an introductory meeting with Janice Gillespie to understand the challenges facing the Combined Authority in this financial period, and we considering the impact of these issues on our audit plan.

We have further meetings planned, including with Mary Gascoigne who will be a key contact in the audit of the Combined Authority.

Communicating with the Audit Committee

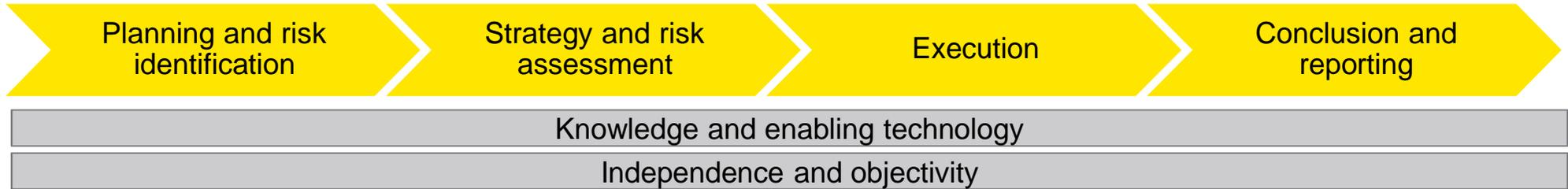
Stephen and Nicola will aim to attend all Audit Committee meetings and will be supported by Stuart should they be unable to attend.

We will provide you with the reports which we are required to produce in line with auditing standards and the NAO code of practice, including:

- Audit Planning Report
- Audit Results Report
- Annual Audit Letter

We will also share any insightful publications produced by our technical team and would be happy to provide training on any topic that the Audit Committee would find helpful.

Effective implementation of the audit approach



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We will review the CIPFA Code of Practice and relevant LAAP bulletins to identify any changes that will have a significant impact on the audit.

We will review key documents such as minutes of important committees.

We will meet with the Senior Management Team to understand the future direction of the Combined Authority and consider the impact of developments on our audits.

We will review the draft skeleton statement of accounts for 2018/19 against the CIPFA guidance and provide feedback to management on any areas of initial concern.

We will review and test the key processes and controls around the significant risks identified at the planning stage.

We will perform walkthroughs of the key financial systems of the Combined Authority to understand the transaction flows, engaging our IT audit colleagues if necessary.

We will meet with Internal Audit to understand if we can place any reliance on their work.

We will perform a final risk assessment and present our Audit Planning Report to the Audit Committee at its next meeting.

We will produce a schedule of final audit deliverables for management in advance of our final audit visit.

We will review the accounts against the relevant CIPFA guidance and provide prompt feedback to management.

We will execute our audit strategy through a mix of reliance on controls, substantive testing and data auditing.

We will perform our detailed work to support the value for money aspect of our audit opinion.

We will review the annual governance statement and provide feedback to management.

We will hold weekly meetings with the finance team to discuss matters arising during the audit on a timely basis.

We will hold a formal clearance meeting with the Chief Finance Officer at the end of the final audit visit.

We will produce concise and insightful reports for the Audit Committee setting out the findings from our work.

We will produce an annual audit letter which summarises the results of our work in a more user friendly format for the public.

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None

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Subject: Internal Audit Plan –

- **Internal Audit Initial Coverage 2018/19**
- **Internal Audit Strategic Audit Plan 2019/20**

Report of: Allison Mitchell, Chief Internal Auditor

Report Summary

The purpose of this report is to outline:

- (a) A summary of initial Internal Audit coverage to date in the first part-year of operation of the North of Tyne Combined Authority (2018/19), and further Internal Audit work to be performed in respect of the 2018/19 year; and
- (b) the Proposed Strategic Audit Plan for 2019/20 for consideration and endorsement by the Audit and Standards Committee.

Recommendations

The Audit and Standards Committee is recommended to

- (a) Note that a range of financial and other governance processes are currently being developed and established for the North of Tyne Combined Authority, but are not yet fully embedded;
- (b) Note the initial diagnostic work on the governance framework which has been performed by Internal Audit in 2018/19;
- (c) Note that this work will continue into the first quarter of 2019/20, in order to provide a sound evidence base on which the 2018/19 opinion of the Chief Internal Auditor on the Framework of Governance, Risk Management and Control can be prepared;
- (d) Note that a diagnostic assessment tool, attached as **Appendix A**, has been developed to provide an efficient and effective method of supporting the North of Tyne Combined Authority in assessing the Framework of Governance, Risk Management and Control; and

- (e) Consider and endorse the proposed 2019/20 Internal Audit Plan, attached as **Appendix B**, which is based on an assessment of audit risk and designed to focus on the North of Tyne Combined Authority key objectives in the 2019/20 year.

1. **Background Information, Proposals and Timetable for Implementation**

Internal Audit Coverage 2018/19

- 1.1 The North of Tyne Combined Authority was created by statutory order on 2 November 2018. On 1 February 2019, the Shared Internal Audit Service was requested to undertake all responsibilities and duties for statutory Internal Audit provision to the North of Tyne Combined Authority. As reported to the first meeting of the Audit and Standards Committee on 14 February 2019, initial Internal Audit coverage (2018/19) was to focus on two main areas:
- **Key Internal Control Systems** – given the importance of such governance systems to the effective functioning of all organisations, core systems for the North of Tyne Combined Authority were proposed to be defined and initial control objectives audited within the 2018/19 year.
 - **Assurance Framework** – the importance of the agreed Assurance Framework to achievement of the North of Tyne Combined Authority's objectives was highlighted. As reported to Audit and Standards Committee on 14 February 2019, it was proposed that audit of this area would commence in 2018/19 and continue into 2019/20 where it would form a significant part of the Strategic Audit Plan for that year.

Work Undertaken and Initial Findings

- 1.2 Since reporting to Audit and Standards Committee on 14 February 2019, Internal Audit has reviewed the North of Tyne Combined Authority's Constitution and undertaken initial due diligence walkthrough and testing with financial officers for the North of Tyne Combined Authority.
- 1.3 The Constitution provides that one of the Constituent Authorities will act as the lead authority for specified aspects of the Combined Authority's operations. North Tyneside Council is the lead constituent Authority for Finance in the Combined Authority. At the meeting of the North of Tyne Combined Authority's Cabinet on 4 December 2018, a corporate expenditure budget for 2018/19 was agreed as £0.822m (gross) with 'total potential income' of £1.083m (thus providing a potential net income of £0.261m). The budget for 2019/20 agreed on 12 March 2019 sets out gross expenditure of £3.674m, with an equivalent forecast gross income. Formal budget monitoring reports to the Cabinet have not yet been published.

- 1.4 Internal Audit's discussions with the (Interim) Lead Accountant - NTCA and North Tyneside Council's Principal Accountant – Corporate Finance have identified that financial systems for the North of Tyne Combined Authority are still in the process of being fully established. As expenditure is being incurred, this is being recorded in the constituent Authority (North Tyneside Council) pending creation of a dedicated general ledger and associated processes specifically in respect of the new North of Tyne Combined Authority. As the systems are embryonic, Internal Audit testing has been necessarily limited. However it was noted that the volume of transactions is small; and that a 'Set up Plan' with all key stages identified for General Ledger creation, coding structure creation, and other related governance processes (e.g. treasury management and insurance) has been developed and is being implemented.
- 1.5 There are risks inherent in the creation of any new entity and in establishing effective financial and other governance systems for any such entity. These risks are mitigated by the involvement of experienced accounting officers in North Tyneside Council managing the transitional arrangements; however control will be improved once full general ledger arrangements are in place and the related processes now being developed are embedded.
- 1.6 Internal Audit has reconsidered this business intelligence and its impact on the risk profile of the entity. In addition to transaction testing, it is likely that the North of Tyne Combined Authority would benefit from some targeted audit programme assurance work as new systems are being implemented. Internal Audit is therefore continuing to liaise with the Finance Officers supporting the North of Tyne Combined Authority to assess whether the temporary arrangements established bear sufficient controls pending the move to more formalised ledger arrangements.
- 1.7 Internal Audit will undertake further system review work and more detailed transaction testing relating to 2018/19 in the first quarter of 2019/20, in order to inform development of an opinion on the framework of governance, risk management and control which will be presented to the Audit and Standards Committee in July 2019.

Proposed Internal Audit Plan for 2019/20

(a) Core Governance Systems – Diagnostic Assessment Tool (first part of 2019/20)

- 1.8 Due to the evolving nature of arrangements for the Combined Authority, Internal Audit has focused on the development of a bespoke diagnostic assessment tool covering the core governance systems we would expect should be in place within the entity. A copy of this toolkit is attached as **Appendix A**. Completion of this assessment will help the Combined Authority in evaluating the adequacy and effectiveness of the governance processes which are being implemented, in an evidenced way, and highlighting any areas in which control should be enhanced. This assessment will take place in the first part of the 2019/20 year.
- 1.9 Internal Audit has identified the following initial core components for management of the North of Tyne Combined Authority's finances:
- Formal Framework of Governance (including Constitution, Financial Regulations and Contract Rules)
 - Financial Management, including budget setting and implementation of a General Ledger system and budget coding arrangements
 - Financial Planning, including budget monitoring and reporting
 - Risk Management and Control of Resources
 - Purchasing and Creditor Payments Systems (including all means by which payments for goods, supplies and services are paid for – such as invoices, purchase cards, and automated bank payments)
 - Banking and Treasury Management arrangements
 - Payroll
 - Income Management and Collection
- 1.10 The diagnostic assessment tool has been designed to assess each of these core financial governance components. It is proposed that this will be completed as follows:
- A self assessment by the relevant North of Tyne Combined Authority Finance Officers on arrangements which are currently in place, with four possible judgements:

'Yes'	the objective is being fully met
'Qualified Yes'	the objective is being substantially met, but there are additional controls identified to be implemented to ensure full compliance
'Qualified No'	Some aspects of the objective are met, but are not sufficient to demonstrate that required control is in operation
'No'	The objective is not being met.

- Comments / supporting evidence from the Finance Officer(s) to explain why the judgement has been made.
- Internal Audit will then review the self assessment and supporting evidence, and determine a separate Internal Audit assessment on the arrangements in place. Internal Audit's assessment will use the same four judgements as are set out above. If Internal Audit's assessment differs from that of the Finance Officer, this will indicate the need for further attention and review of that aspect of the system in question.

1.11 This approach will be used in the first part of the 2019/20 financial year to review the above systems and assess their effectiveness.

(b) Risk Based Assessments (second part of 2019/20)

1.12 Having considered the strategic objectives of the North of Tyne Combined Authority, and risks to their achievement, Internal Audit propose that the following areas should form the basis assurance coverage in the remaining part of 2019/20:

- **Assurance Framework** – as outlined to Audit and Standards Committee on 14 February 2019, the Assurance Framework is an integral means by which the North of Tyne Combined Authority will measure and manage the outcomes it delivers. As such, it is essential that robust arrangements are in place. Internal Audit will add value by examining and critically reviewing these arrangements to ensure that they support the Authority in the achievement of its goals.
- **Information Systems and Technology** – IT systems are fundamental to the efficient and effective discharge of all key processes, and it is essential that such systems operate effectively and bear suitable safeguards. Internal Audit will commence a programme of systematic reviews covering key risk areas associated with computerised delivery.
- **Performance Management** – this work will support the more specific work around the Assurance Framework described above. In Performance Management, the arrangements in place to manage relationships between the

Authority and its constituent authorities will be reviewed to ensure that there is clarity and agreement on key deliverables.

- **Risk Management** - as the Authority is so new, risk management arrangements (as with all other systems) are developing. Internal Audit will work with the risk management officer to review the risk profile of the organisation and to evaluate the arrangements in place.

1.13 A copy of the Audit Plan 2019/20 is attached at **Appendix B**. This sets out each auditable area described above, and the key objectives which each audit will seek to deliver. The Audit Plan also sets out which of the North of Tyne Combined Authority 'pillars of ambition' each internal audit will support.

2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives, vision, policies and priorities.

3. Key Risks

3.1 The Internal Audit coverage proposed in this report is based on an assessment of risk, both that inherent in organisational service delivery and also those risks and opportunities associated with the North of Tyne Combined Authority's main aims. As such, Internal Audit is a key strand in the governance arrangements of the North of Tyne Combined Authority and an integral tool in managing risk..

4. Financial and Other Resources Implications

4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

5. Legal Implications

5.1 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to 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.

5.2 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources.

6. Consultation / Engagement

6.1 The Head of Paid Service and Chief Finance Officer have been consulted on Internal Audit's proposed coverage. Audit and Standards Committee have also been invited to contribute suggestions for consideration and possible inclusion in future work programmes.

7. Appendices

Appendix A – North of Tyne Combined Authority Diagnostic Assessment Tool
Appendix B – 2019/20 Internal Audit Plan.

8. Background Papers

['Internal Audit Plan – Initial Assurance Coverage \(2018/19\) and Development of Strategic Audit Plan' report to Audit and Standards Committee, 14 February 2019](#)

9. Contact Officers

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10. Sign Off

Head of Paid Service	✓
Chief Finance Officer	✓
Monitoring Officer	✓

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FINANCIAL GOVERNANCE DIAGNOSTIC TOOL

March 2019

The purpose of this assessment tool is to assess the existence and embeddedness of expected controls in operation in respect of the North of Tyne Combined Authority's financial governance processes. It is based on the Financial Regulations, which form Part 4 of the Combined Authority's Constitution agreed in November 2018.

The tool is designed to assist in assessing which aspects of the Financial Regulations are embedded and operating effectively, and which areas require further work to ensure full compliance with the framework of governance set out in the North of Tyne Combined Authority's Constitution. It is intended to support the Section 73 Officer (Chief Finance Officer) by providing assurance where procedures are embedded and operating effectively; and also by highlighting any areas where control should be strengthened.

The outcomes will provide a strong evidence base to support the opinion on the Framework of Governance, Risk Management and Control which will be prepared by the Chief Internal Auditor. These outcomes will therefore also provide assurance to wider stakeholders of the Combined Authority, including the Head of Paid Service and the Cabinet as 'those charged with governance'.

Governance Area:	
Discussed With:	[names of officers with whom the assessment tool will be completed]
Auditor:	
Date:	Initial discussion: [DATE] Evidence check: [DATE]

In respect of each question in the health check, the following responses are available:

(4) 'Yes':	the Financial Regulations are explicitly followed. (e.g. a formally approved document is in place covering all of the important issues)
(3) 'Qualified Yes':	performance on the whole complies with the Financial Regulations, but some further action is necessary to ensure full compliance. (eg a formally approved document which misses out some issues, or a draft document that although yet to be formally approved is in use operationally)
(2) 'Qualified No':	performance on the whole does not comply with the Financial Regulations, though some facets of the Financial Regulations may be in operation. (e.g. documents are available but have not been approved and are not in operation, or formally approved document but misses out the major issues)
(1) 'No':	performance does not comply with Financial Regulations. (e.g. document does not exist or is a very early draft)

Format of the Financial Governance Diagnostic Tool

The health check is laid out in the following columns:

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
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<p>This column sets out the question, or control, based on the requirements of the Financial Regulations, and against which the service area is assessed.</p>	<p>This is the service area's self assessment of how the service is performing. The score which the service representatives awarded the service is shown in red.</p>	<p>This column includes any comments which the service area representatives made in support of the score which they awarded the service.</p>	<p>This column details the evidence which Internal Audit viewed, or requested, in order to assess whether the score which the service awarded itself was appropriate.</p>	<p>This is the score which, on viewing the available evidence, Internal Audit considers to be most reflective of the service's arrangements. It is shown in blue.</p>	<p>This column sets out what actions Internal Audit recommends in order to assure full compliance with the Financial Regulations.</p>
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Financial Procedure Note 1 – Orders for Work, Goods and Services

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
1	Is a system in place to ensure that there is adequate budget provision before committing expenditure?								
2	Is a system in place to ensure that all necessary Authority approvals have been obtained for purchases made?								
3	Are procedures in place to ensure that all purchases are in accordance with Financial Regulation 8 - i.e. in line with Procurement Procedure Rules for the constituent council designated as lead authority (North Tyneside Council)?								
4	<p>Does all order documentation used meets the requirements of Financial Regulation 8. - i.e:</p> <ul style="list-style-type: none"> • be in line with Procurement Procedure Rules for the constituent council designated as lead authority (North Tyneside Council) • administered as controlled stationery • bear the cost centre to be charged <p>Is there an authorised signatory list in place?</p>								

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Financial Procedure Note 2 – Income

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
5	Are systems present to ensure that budgeted income is fully and promptly collected?								
6	Is the Chief Finance Officer promptly informed of all new sources of income, the sums anticipated and collection arrangements?								
7	Is the advice of the Chief Finance Officer sought prior to the signing of agreements which provide for variable income?								
8	Is there a system to ensure that the basis and level of fees and charges are regularly reviewed?								
9	Do systems ensure that income is collected in advance of service, or where not possible, by official invoice?								
10	Does the Authority ensure that all cheques received are made payable to 'NTCA' on behalf of the "Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority", and uncrossed cheques received are crossed 'NTCA' on behalf of the "Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority"?								

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	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
11	Is there a system to ensure that money received (other than cash paid for vehicle tolls) is acknowledged by the issue of an official receipt, ticket or voucher, and it is clear that no personal cheques are cashed from Authority funds?								
12	Is there a record to show the transfer of official money between staff is properly evidenced?								
13	Is income collected banked promptly and held securely prior to banking?								
14	Is adequate insurance in place to ensure money held awaiting banking is insured against theft?								
15	Does the system ensure money banked is credited to the correct financial account and compared to budget estimate?								
16	Is there a system to ensure that any arrangements for payment by instalment are authorised in advance by the Chief Finance Officer?								
17	Can the Authority demonstrate that prior authorisation is obtained to the write-off of uncollectable income by the Chief Finance Officer?								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
18	Can the Authority demonstrate that the Chief Finance Officer has approved claims requiring certification in the name of the Chief Financial Officer?								

Financial Procedure Note 3 – Payment for Works, Goods and Services

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
19	<p>Are pre-payment checks undertaken to ensure that:</p> <ul style="list-style-type: none"> • The goods have been received and examined, meet the required specification and work done or services rendered have been satisfactorily carried out; • The invoice is in accordance with the contract or order, is arithmetically correct, and has due discounts deducted; • The payment has not previously been made; and • The payment is authorised? 								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
20	<p>Can the Authority ensure that the method of payment is appropriate either:</p> <ul style="list-style-type: none"> • By use of the corporate creditors system for payment by BACS or cheque (note BACS is the preferred method and must be used wherever possible); • By imprest account or petty cash for minor sums; • By some other means as agreed with the Chief Finance Officer? 								
21	<p>How does the Authority ensure that payment is timely:</p> <ul style="list-style-type: none"> • To meet supplier /contractor terms of trade and legislative requirements; or • Justification is provided if urgent payment or dispatch of cheque is required? 								
22	<p>Do systems ensure that transactions are properly accounted for, including:</p> <ul style="list-style-type: none"> • proper use of financial codes; • compliance with HM Revenue and Customs regulations; and • The maintenance of a Register of Contracts by the Chief Finance Officer? 								

Financial Procedure Note 4 – Security and Control of Assets

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
23	Is proper security maintained at all times?								
24	Are all assets properly recorded and accounted for?								
25	Is the use of assets restricted to authorised Authority business?								
26	Is there a system present to ensure that surplus assets, except land and buildings, are disposed of in accordance with procedures agreed with the Purchasing Manager of the constituent council identified by the Head of Paid Service as being responsible? (North Tyneside Council)								

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Financial Procedure Note 5 – Insurance

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
27	Are new risks and any alterations to existing risks reported to the Chief Finance Officer immediately?								
28	Are Authority risks reviewed annually in accordance with a timetable issued by the Chief Finance Officer?								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
29	Are claims reported in accordance with the guidelines issued by the constituent council identified by the Head of Paid Service as being responsible for insurance and supporting information is provided within required timescales?								
30	Can the Authority demonstrate that policy requirements and warranties, notified by the constituent council identified by the Head of Paid Service as being responsible for insurance (North Tyneside Council) are complied with at all times?								
31	Are insurers' loss control requirements responded to within the relevant timescales?								

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Financial Procedure Note 6 – Staffing and Payroll

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
32	Can the Authority demonstrate that the Code of Practice on Recruitment and Selection is observed in the appointment of staff?								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
33	Is there a system to ensure that amendments to the payroll – including appointments, resignations and changes to Contracts of Employment - are notified to the Head of Service of the constituent council designated by the Chief Finance Officer as being responsible for Human Resources (Newcastle City Council) in accordance with payroll deadlines and in the form specified?								
34	Are the details of salary and wage amounts to be paid provided in a form and to a timetable determined by the Chief Finance Officer?								
35	Are uncollected payments promptly returned to the Authority that made the payment?								
36	Does the Authority undertake an annual check of staff paid and charged to the financial accounts?								

Financial Procedure Note 7 – Reimbursement of Expenses and Payment of Allowances

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
37	<u>Staff</u> Is there a system in place to ensure that claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification?								
38	Does the system ensure that allowances and expenses are as approved for payment to Combined Authority staff?								
39	Is payment made in accordance with procedures determined by the Chief Finance Officer?								
40	<u>Members</u> Is there a system is in place to ensure that claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification?								
41	Does the system ensure that allowances for independent members and expenses are as approved for payment to Authority members?								
42	Is payment made in accordance with procedures determined by the Chief Finance Officer?								

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Financial Procedure Note 8 – Banking Arrangements and Cheques

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
43	Can the Authority ensure that no bank account, or similar, is opened except with the authority of the Chief Finance Officer?								
44	Have suitable arrangements been made to ensure that the maintenance of Authority bank accounts is in accordance with arrangements determined by the Chief Finance Officer?								
45	Are cheques ordered only on the authority of the Chief Finance Officer and controlled securely prior to use?								
46	Is there a system to ensure that the approval of the Chief Finance Officer is obtained prior to any proposal to enter a credit agreement?								

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Financial Procedure Note 9 – Investments and Borrowing

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
47	Are systems in place to ensure that no investment or borrowing transaction is undertaken except with the prior written authority of the Chief Finance Officer?								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
48	Is there a process to ensure that Authority bank accounts do not become overdrawn?								
49	Has the Authority created a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities?								
50	Has the Authority created suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities?								
51	Does the content of the policy and the TMPs will follow the recommendations contained in Section 6 and 7 of the Prudential Code?								
52	Does the Authority ensure that Cabinet receives reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs?								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
53	Has the Authority formally delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Standards Committee, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who has acted in accordance with the Authority's policy statement and TMPs and that if that officer is a IPFA member, CIPFA's Standard of Professional Practice on Treasury Management?								
54	Has the Authority made arrangements for ensuring effective scrutiny of the treasury management strategy and policies?								
55	Are all investments and borrowing made by the Chief Finance Officer and in the name of the Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority?								
56	Are all securities held by the Chief Finance Officer?								
57	Is the Chief Finance Officer the Authority's Registrar of Stocks, Bonds and Mortgages?								
58	Are investments held at the end of each financial year reported to Cabinet by the Chief Finance Officer as soon as possible after 31 March?								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
59	Are all Treasury Management activities conducted in line with the relevant CIPFA Code of Practice for Treasury Management in Local Authorities?								
60	Is there an adequate division of duties between arranging and settling of transactions?								

Financial Procedure Note 10 – Information Technology and Data Protection

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
61	Does investment in IT comply with the Authority's IT and Information Security strategies and policies?								
62	Can the Authority confirm all IT purchases: i) Comply with the lead authority's corporate standards and guidelines (including the IT procurement guidelines) unless there are sound reasons to do otherwise? ii) Have necessary capital approvals in place? iii) Are included on an Authority-wide register of IT assets?								

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	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
63	Can the Authority demonstrate that the use of IT and the control of information held are subject to the IT security policy of the constituent council designated by the Head of Paid Service as being responsible for IT?								

Financial Procedure Note 11 – Commitment of Capital Expenditure.

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
64	Is there a system to ensure that procurement and contract procedures are only applied to schemes in the capital programme?								

	Control	N	QN	QY	Y	Combined Authority Comments	Evidence Viewed / Sought by Int Audit	Final Score	Recommendations
65	<p>Can the Authority demonstrate that for schemes included in the Programme for commencement in the first financial year schemes are only progressed subject to:</p> <ul style="list-style-type: none"> • Full compliance with the provisions of Financial Regulation 8 on tenders and quotations; • Tender costs not exceeding the Programme provision by more than 5% or £50,000, whichever is the lower, provided the source of funding for the additional cost has been identified; • Completion of a tender summary report in the form prescribed by the Chief Finance Officer; • Certification by the Chief Finance Officer of the tender summary report. 								
66	<p>Is there a system to ensure that proposals to incur preliminary expenditure or commitments above £50,000 are approved by the Chief Finance Officer and recorded as a delegated decision?</p>								
67	<p>Can the Authority demonstrate that contract signature requirements are in line with regulation 8 (Financial Regulations of North Tyneside Council) ?</p>								

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North of Tyne Combined Authority Internal Audit Plan 2019/20



**Shared Internal Audit and Risk
Management Service, March 2019**



1 Introduction

- 1.1 Internal Audit 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. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 It is a legal requirement under the Accounts and Audit Regulations 2015 for a Local Authority to maintain 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 (the Public Sector Internal Audit Standards).
- 1.3 Internal Audit must be independent in its planning and operation. To produce an annual opinion on the overall framework of governance, risk management and control, the Chief Internal Auditor must have unrestricted access to all parts of the Combined Authority’s operations. Audit coverage must be determined by the Chief Internal Auditor, and must be based on an assessment of audit risk for the Authority, undertaken by the Chief Internal Auditor. The Chief Internal Auditor should also consider the aspirations of key stakeholders (including senior officers of the Authority and the Audit and Standards Committee) when determining audit coverage.
- 1.4 This Internal Audit Plan has therefore been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and on an assessment of the Authority’s objectives and an assessment of audit risk. .
- 1.5 As arrangements are still being established for the new Authority, Internal Audit is proposing that 2019/20 assurance coverage is planned in detail up to 30 September 2019, with an indicative plan for coverage thereafter (up to 31 March 2020). This will allow Internal Audit to assess the evolving governance framework at the mid point of the year, and to report on that evaluation to the Audit and Standards Committee, and if necessary adapt the Audit Plan at that stage to ensure that assurance coverage in the remainder of the year is current and properly risk based.

2 Risk Assessment and Audit Planning

- 2.1 It is important that audit resources are targeted at areas in which audit coverage will produce greatest benefit. Internal Audit’s initial assessment of the Combined Authority’s key objectives, and audit risk, has identified:
- (a) the development and embedding of key governance processes and fundamental financial systems for the new Authority; and

¹ Public Sector Internal Audit Standards, CIPFA / IIA, revised April 2017

(b) meeting the outcomes set out in the Assurance Framework

as the main areas of focus in the 2019/20 year.

2.2 As the year progresses, this assessment of audit risk will be developed and used to inform a detailed Assurance Map which will be presented to Audit and Standards Committee. The Assurance Map will assess the level of confidence the Authority can have in its service delivery, management of risks, operation of controls and performance. This will adopt a 'three lines of defence' approach to assurance, which will take into account:

- the control exercised by **management**;
- the effectiveness of monitoring arrangements (**corporate oversight**);
- the need for **independent** assurance from internal audit, focussed on those areas where residual risk indicates that the organisation would benefit from further assurance.

3 Internal Control: Roles of Management and of Internal Audit

3.1 It is a management responsibility to establish effective internal controls, in order that activities are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of controls and systems, financial and otherwise, established by management to:

- safeguard assets and prevent fraud;
- ensure the completeness and reliability of records;
- monitor adherence to laws, regulations, policies and directives;
- promote operational efficiency and good value for money; and
- manage risk.

3.2 Amongst its responsibilities, Internal Audit examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit will assist management of the organisation in delivering the objectives of the Combined Authority through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment.

4 Quality Standards

4.1 As outlined above, Internal Audit will adopt the good practice set out in the Public Sector Internal Audit Standards in the conduct of its assurance coverage for the North of Tyne Combined Authority.

4.2 These regulations require that an audit charter, which sets out fundamental principles relating to the conduct of audit and the quality assurance of the audit process, is adopted. The Audit Charter for the North of Tyne Combined

Authority was presented to and agreed by the North of Tyne Combined Authority Audit and Standards Committee on Thursday 14 February 2019.

- 4.3 The Public Sector Internal Audit Standards incorporate a Code of Ethics for internal auditors, and a number of clear attribute and performance standards with which Internal Audit functions are required to comply.

5 Resource Management

- 5.1 The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 5.2 An indicative resource allocation has been identified for the 2019/20 audit of the North of Tyne Combined Authority. At the mid point in the year (September 2019), this allocation will be reviewed to determine whether resources need to be varied in order to deliver the required assurance. A further report will be presented to Audit and Standards Committee at that stage confirming whether the indicative plan for the second half of the year continues to reflect the assessment of audit risk, or whether new and emerging areas have been identified which would benefit from audit coverage.

6 Key Areas of Focus 2019/20

- 6.1 Based on Internal Audit's initial assessment of the risks as outlined in Section 2 above, it is proposed that Internal Audit coverage in the year is progressed as follows.

2019/20 coverage – to September 2019

- 6.2 It is proposed that coverage in this period is based on collaborative working with Finance Officers of the Authority, to complete a Diagnostic Assessment Tool covering the Authority's key financial system arrangements. Key financial systems comprise those major systems by which an organisation makes payments (payroll and creditor payments), and the major systems through which income is received (cash or debtor account) as well as essential accounting and banking arrangements.
- 6.3 Once Finance officers have provided their views on arrangements utilising the tool, Internal Audit will then review the evidence available and provide an independent assessment of the arrangements in place. The outcomes from management's assessment of control, together with Internal Audit's judgement, will assist the Combined Authority in targeting any areas where additional control may be needed.
- 6.4 On 27 March 2019, Internal Audit was made aware of upcoming changes regarding devolution of the Adult Education Budget to the Combined Authority. Early review of the information provided to Internal Audit (including a self-assessment evidence checklist) demonstrates a number of governance requirements involving Internal Audit and the Audit Committee. It is likely that

some Internal Audit coverage will be required in 2019/20 and the Audit Committee will need to receive appropriate information regarding this devolution of functions to the Combined Authority. At the time of writing, this is a new area notified to Internal Audit which is being evaluated in terms of assurance coverage required and timescales, and which may require some flexing or additional audit work to that currently set out in the Internal Audit Plan.

2019/20 coverage – October 2019 to March 2020

6.5 As described earlier, in September 2019 Internal Audit will re-assess planned assurance coverage in the second half of the year, in order that any new or emerging risks can be reflected in Internal Audit coverage in the remaining part of the year. At the current time, Internal Audit has identified the following planned audit coverage in the second part of 2019/20, which may flex to take into account emerging risks:

- **Assurance Framework** – evaluating the effectiveness of the Assurance Framework established to monitor delivery of those key outcomes and outputs enshrined in the devolution deal agreed with government. This will also include an assessment of any ‘early warning’ triggers, and whether these are established appropriately to allow the Combined Authority’s management and those charged with governance to become aware at an sufficiently early juncture if there is forecast to be significant deviation from targets.
- **Performance Management** – assessing the clarity of strategic objectives for the combined authority, and the adequacy of performance arrangements to monitor and measure delivery of the objectives, including those cascaded to constituent authorities.
- **Information Systems and Technology** – assessing the arrangements in place for computerised systems to support delivery of all other services and targets. In future years, this initial assessment will inform dedicated ICT audit coverage targeted at areas of specific governance or risk.
- **Risk Management** – assessing the arrangements established to identify and manage risks to the Combined Authority.

6.6 Objectives in respect of these areas of planned assurance coverage are attached as **Annex 1**.

7 Annual Opinion on the adequacy of the framework of governance, risk management and control

7.1 An annual opinion on the ‘adequacy and effectiveness of the framework of governance, risk management and control’ will be drafted and presented to the Head of Paid Service and Section 73 Officer, and Audit and Standards Committee, outlining the audit work performed during the year and summarising key themes.

7.2 The undertaking to present an annual opinion of this nature means that the Chief Internal Auditor must have unrestricted access to all aspects of the Combined Authority's operations,

Advice & Programme Assurance

Heading	Auditable Area	Audit Objectives
Advice, Contingencies & Assurance	Advice & Guidance Contingencies & Work Requests Fraud & Special Investigations	Responding to ad-hoc queries and requests for advice; Responding to requests for one-off audit assignments, where it is considered that audit involvement is necessary; Responding to allegations of fraud, if such allegations are received; Assess whether appropriate consideration has been given to internal control & governance issues when new systems are introduced.
Programme Assurance	New Systems / Methods of Service Delivery	Through development of a Diagnostic Assessment Tool for the financial governance aspects of the Combined Authority (see Core Governance Systems below), Internal Audit will add value and support the Combined Authority by evaluating the strength of controls designed to ensure compliance with the financial aspects of the Constitution and will provide advice on any additional controls considered to be necessary.

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Corporate and Cross Cutting

Heading	Auditable Area	Audit Objectives
Corporate and Cross Cutting	Annual Opinion	An annual opinion on the adequacy and effectiveness of the framework of governance, risk management and control will be drafted and presented to the Chief Executive, Section 73 Officer, and Audit and Standards Committee, outlining the audit work performed during the year, summarising key themes and evaluating the control framework.
	Follow up of Recommendations	Monitoring the implementation of Internal Audit recommendations, in consultation with the service areas which have received these recommendations.

Core Governance Systems

Heading	Auditable Area	Audit Objectives
<p>Core Governance Systems – Diagnostic Assessment Tool Self-Assessment and Review.</p>	<p>Formal Framework of Governance</p> <p>Financial Management,</p> <p>Financial Planning,</p> <p>Risk Management</p> <p>Purchasing and Creditor Payments Systems</p> <p>Banking and Treasury Management arrangements</p> <p>Payroll</p> <p>Income Management and Collection</p>	<p>To provide the Authority with assurance on the financial aspects of the framework of governance, risk management and control, by evaluating the adequacy and effectiveness of the financial governance processes which are currently in the process of being implemented.</p> <p>This work will form a strand of Internal Audit’s programme assurance function and will take the form of a self-assessment to be undertaken with Finance officers supporting the Combined Authority. Internal Audit will review the self-assessment with reference to supporting evidence and will highlight any areas in which further compliance with the Constitution, or enhanced governance arrangements, is necessary.</p>

Indicative Assurance, based on NTCA Corporate Objectives

Heading	Auditable Area	Audit Objectives
Risk Based Assessments	Assurance Framework	<p>To evaluate the effectiveness of the Assurance Framework established to monitor delivery of those key outcomes and outputs enshrined in the devolution deal agreed with government. This will include:</p> <ul style="list-style-type: none"> • A critical review of data collection and evidence gathering processes • An evaluation of reporting and monitoring arrangements in place within the Combined Authority • an assessment of any 'early warning' triggers, and whether these are established appropriately to allow the Combined Authority's management and those charged with governance to become aware at an sufficiently early juncture to be able to take action if there is forecast to be significant deviation from target
	Performance Management	To critically appraise the clarity of strategic objectives set by the combined authority, and to test and evaluate the adequacy of performance arrangements to monitor and measure delivery of the objectives, including those cascaded to constituent authorities
	Information Systems and Technology	<p>To map which ICT systems are in place within the Combined Authority and to evaluate hosting arrangements established with the lead constituent Authority, to assess whether these arrangements are suitably robust and bear adequate safeguards to protect the Combined Authority and support delivery of its operations and achievement of its business objectives.</p> <p>To undertake an early assessment of key areas of ICT risk (including perimeter security) with initial targeted testing of these areas of risk.</p>
	Risk Management	To review risk management arrangements, once these are established and assess the extent to which appropriate risk assessment and identification systems are in place and operating effectively.

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Audit and Standards Committee

4 April 2019

Subject: Strategic Risk Register

Report of: Chief Internal Auditor – Newcastle City Council

Report Summary

The purpose of this report is to introduce the draft Risk Management Policy and Strategy and provide members with information on the development of a draft Strategic Risk Register for the North of Tyne Combined Authority (NTCA).

Recommendations

The Audit and Standards Committee is recommended to:

1. Acknowledge the draft strategic risk and opportunities descriptions and note the action to identify risk owners and determine risk priorities. (Appendix A)
2. Agree the Risk and Opportunity Management Policy and Strategy (Appendix B)

1. Background Information, Proposals and Timetable for Implementation

Strategic Risk Management

- 1.1 A NTCA Staff Engagement Event was held on the 31 January 2019 where Officers were asked to identify the biggest threats and opportunities to the Combined Authority's aims and ambitions. This information along with comments from Members of this Committee at its February meeting, were used as the basis for identifying the biggest threats (risks) and potential opportunities.
- 1.2 The draft strategic risk and opportunity descriptions have been discussed with Statutory Officers and the lead officer responsible for preparing the Adult Education Budget (AEB) devolution readiness self-assessment and developing the AEB programme and projects.
- 1.3 The draft risks and opportunity are strategic risk areas which will be monitored by this Committee. Lower level operational and project risks will be managed at a project level. However, there will be effective communication plans and escalation processes developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the Strategic Risk Register.
- 1.4 Following today's Committee further work will be undertaken to identify risk owner(s) who will prioritise the risks, applying the risk methodology (Red, Amber, Green assessments), identify existing controls and develop mitigation plans, to ensure the risks are effectively managed and reported. Once the risks have been assessed and risk methodology applied they will be brought back to this Committee using the agreed reporting template. A summary of the risk and opportunity descriptions are at Appendix A.
- 1.5 This initial work has identified the following strategic risk and opportunity areas:
- Risk - Devolution
 - Risk - Operational Capacity and Resources
 - Opportunity - Partnerships
- 1.6 Risk and Opportunity Management Policy and Strategy
- The Risk and Opportunity Management Policy and Strategy has been drafted on behalf of the Audit and Standards Committee. The Committee are therefore asked to agree the documents, including the approach to identify, report and escalate risks to this Committee and Cabinet. (The Policy and Strategy have been included within Appendix B).
- 1.7 Newcastle City Council will support the Audit and Standards Committee to effectively discharge their risk duties, by providing the resource to work across the local authority boundaries, to facilitate and coordinate the identification, reporting and escalation of risks, which may impact upon the decision making of Cabinet and ultimately the successful delivery the Combined Authority's strategic priorities. This approach has been documented in the Risk Management Policy and Strategy for the Combined Authority.

2. Potential Impact on Objectives

- 2.1 The Risk Management Policy and Strategy do not impact directly on the objectives of the Authorities' policies and priorities, however the approach to strategic risk

management will support delivery of the Authority's aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

3. Key Risks

- 3.1 There are no direct risk management implications from this report. The approach to risk management is documented within the attached policy and strategy. The key risks will be reported to the next appropriate Audit and Standards Committee for agreement.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA during 2019/20 through a Service Level Agreement with Newcastle City Council.

5. Legal Implications

- 5.1 There are no legal implications arising specifically from this report.

6. Consultation/Engagement

- 6.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer have been consulted on the proposed Strategic Risk Register process.

7. Appendices

- 7.1 Appendix A – Draft risk and opportunity descriptions
Appendix B – Risk Management Policy and Strategy

8. Background Papers

- 8.1 None

9. Contact Officers

- 9.1 Philip Slater – Chief Internal Auditor - Newcastle City Council.
Philip.slater@newcastle.gov.uk.
Telephone - 0191 2116511

10. Glossary

- 10.1 None

11. Sign-off

- 11.1 Head of Paid Service: Yes
Monitoring Officer: Yes
Chief Finance Officer: Yes

Risk - Devolution

Failure to deliver the Devolution agenda, and secure future negotiations with Government will restrict powers in future funding years.

Cause(s):

- Decisions are not aligned to the Authority’s vision and strategic framework which has already been agreed with Government
- Inability to demonstrate devolution readiness to support key aspects of the devolution deal to DfE, MHCLG etc
- Insufficient projects/schemes are identified to meet investment fund spending targets
- Projects and schemes are not delivered within agreed timeframes and do not satisfy key criteria or achieve required outcomes, such projects will cover all aspects of the devolution deal including:
 - Adult Education Budget
 - Education Challenge
 - Housing & Land
 - Investment Fund

Impact(s):

- Inability to demonstrate to Government that investment funding or other criteria has been met which may jeopardise future funding from Government
- Reputational damage with Government and the public

Risk - Operational Capacity and Resources

The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver all projects and schemes, within the constraints of approved funding streams, timeframes, conditions and performance criteria.

Cause:

- There is a lack of clarity and shared understanding in the constituent authorities of the roles and responsibilities of the officers working on the Devolution agenda and supporting the Combined Authority

Impact(s):

- Duplication of activity and conflicting priorities within constituent authorities
- Existing resources are not fully utilised to effectively deliver the Authority’s strategic priorities
- Projects and schemes are not delivered within the approved timeframes and do not meet performance criteria

Opportunity - Partnerships

The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.

Benefits:

- Strengthening the synergy between Cabinet, the North East Local Enterprise Partnership and Local Authorities
- Influencing regional approaches to growth

- Improving how we work with Government, business, investors and partners

Barriers:

- The success of the Combined Authority will rely on the on-going commitment of all member authorities and how NTCA works with other partners in the region
- It is important that Cabinet share the same vision and commitment to the Combined Authority, ensuring individual plans are aligned
- It is recognised that there are a number of partners, therefore effective and timely communications and consultation is vitally important to reduce reputational impact

Risk and Opportunity Management Policy Statement

Policy Statement:

The North of Tyne Combined Authority, spanning Newcastle, North Tyneside and Northumberland's future focus is on positive change. We want to quickly and decisively make a real and positive impact on people's lives, businesses and communities.

Our vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

We have agreed a deal with Government that will secure a significant transfer of power, funding and resources to help meet our ambitions. We will work with neighbouring authorities and the North East Local Enterprise Partnership in support of our common objectives. It will require communities, businesses, the voluntary sector and our education institutions to come together to realise our potential.

Together with a Cabinet drawn from the constituent local authorities and Elected Mayor (once elected), we will work together to identify and communicate the risks and opportunities that could impact upon the success of the Authority. Where there are risks in individual Councils, which could significantly impact upon the success of the Combined Authority they will be communicated and shared across the Authority to ensure an appropriate coordinated response is agreed as necessary.

Our risk processes make clear our ability to tolerate risk or enhance opportunities by considering how they could enable or prevent us delivering our plans or affect our finances and our reputation. This allows us to take well managed risks in order to successfully deliver our strategic objectives and in partnership, the North East's Strategic Economic Plan.

To ensure accountability, integrity and transparency, risk will form an integral part of our decision making, management and improvement at all levels of Authority activities.

Principles:

- The Combined Authority will have an effective risk management system in place which delivers outcomes and provides value for money
- Risk and Opportunity Management is an integral part of our decision-making processes
- Members will ensure that risks and opportunities are identified, which underpin successful delivery of their plans and objectives, are supported by robust and measurable action plans that include specific actions and clear ownership
- Members will make decisions collectively to ensure the correct activities are identified and implemented to mitigate risks and where appropriate develop contingency plans
- Members will have agreed, clear roles and responsibilities demanding personal accountability for the management, communication, reporting and escalation of risks

- All Members will embrace and encourage a culture that is open, honest and encourages transparent risk reporting and escalation. It will support well-judged decisions about risks and opportunities, enabling innovation to be handled with confidence
- We will promote an environment where effective communication, management of interdependencies and professional relationships with internal/external partners is maintained to ensure risk management achieves results

Risk and Opportunity Management Strategy 2018/19 – 2020/21

1. Strategy Statement

Risk Management is defined as:

'The planned and systematic approach used to identify, evaluate and manage the whole range of risks and opportunities facing the Authority.

The Authority's Risk Management Strategy is to:

"Strengthen the existing partnership arrangements across the 3 neighbouring authorities and delivery agencies, responding to threats and manage significant sources of uncertainty to achieve our ambitions for a more inclusive economy that brings together people and opportunities to create vibrant communities ensuring that all residents have a stake in our region's future"

2. Why do we manage Risk and Opportunities?

Risk Management is an effective way of ensuring risk exposure is kept to an acceptable level in a cost-effective way and opportunities are identified and promoted.

It is a combination of attitudes, behaviours and activities which together form an environment in which risk considerations are part of business as usual.

The shared understanding and communication of risk information will lead to informed decision making, which will lead to fewer unanticipated problems and crises for the Authority.

By managing risks and opportunities effectively the Authority is in a stronger position to access more devolved powers and resources from government in the future, to improve the economic outcomes for the region.

3. Roles

The Combined Authority's Audit and Standards Committee - Has lead responsibility for the organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance issues.

Newcastle City Council – Will support the Audit and Standards Committee and Monitoring Officer to effectively discharge their risk duties, by providing the resource to work across the 3 Local Authority boundaries, to facilitate and coordinate the identification, reporting and escalation of risks, which may impact upon the decision making of Cabinet and ultimately the successfully delivery of the Authority's strategic objectives.

4. Objectives

The Risk and Opportunity Management Strategy describes the approach to the identification and management of risks and opportunities and its objectives are to:

- Ensure risk management is clearly and consistently integrated and evidenced in the culture of the Authority
- Communicate and share risk information
- Ensure cost effective controls are in place which respond to the changing environment in which the Authority operates
- Ensure losses penalties and fraud are minimised
- Ensure opportunities are identified and managed alongside risks
- Inform policy and operational decision making by identifying potential risk and impact
- Ensure risk is managed in accordance with best practice

These objectives will be achieved by:

- Clearly defining individual accountabilities, responsibilities and reporting lines within the Authority for risk and opportunity management
- Including risk management issues when writing reports and considering decisions
- Developing a clear and consistent approach to support the communication and escalation of risks
- Cabinet - providing leadership and support on risk and opportunity management
- Maintaining a register of strategic risks and opportunities which may affect the success of the Authority
- Monitor arrangements continually and seek continuous improvement

5. Our Approach

The Authority is committed to considering the risks inherent in all its activities. The scope of risks and the process for escalation shall also be clear. Each local authority will continue to manage the strategic risks and opportunities within their own organisations. There will be continued collaboration with Delivery Agencies and the wide range of partners including education institutions, businesses and the voluntary sector to ensure Cabinet has an awareness of the most significant risks to support their decision making and to ensure successful delivery of the strategic investment plans for the region.

The risk management process, which is summarised in Appendix A, enables those involved to systematically assess what may affect their ability to achieve objectives through a continuous 4 stage process of risk identification, analysis, control and monitoring. The Risk Analysis Toolkit at Appendix B will assist in the analysis of the risk to determine the risk priority.

6. Delivery of Risk Management

Risk Management remains the responsibility of each Local Authority. The most significant risks and opportunities will be communicated and/or escalated to Cabinet via the Audit and Standards Committee for information or decision making. (Escalation template at Appendix C)

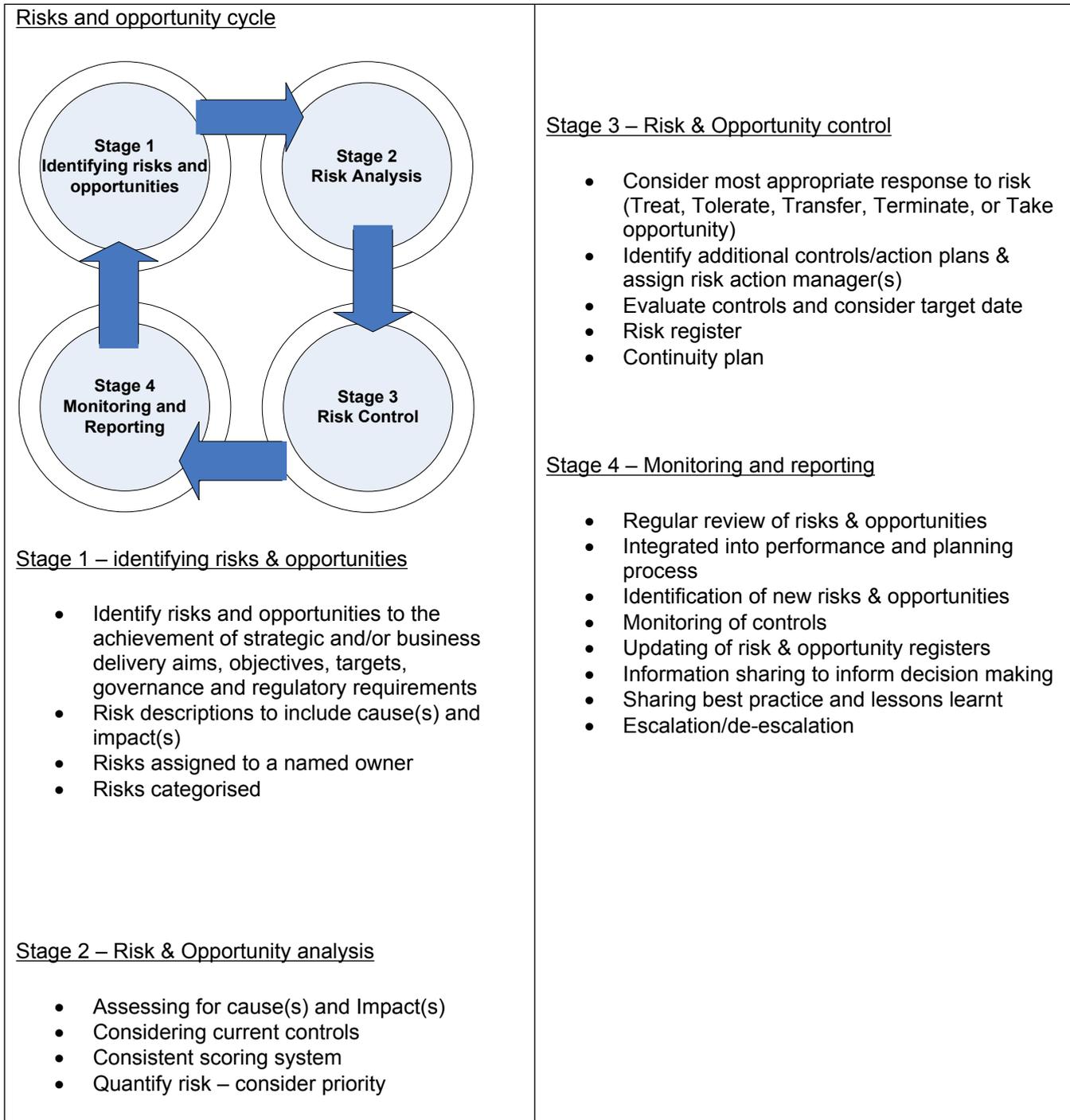
Newcastle City Council's Chief Internal Auditor will report strategic risks and opportunities to the NTCA Audit and Standards Committee, on a quarterly cycle alongside performance and financial information, and support Local Authorities to escalate and report strategic risks to the Authority for acknowledgement or decision making as appropriate. (Reporting template at Appendix D).

7. Review of Strategy

The Strategy will be reviewed annually by the Combined Authority.

Appendix A of Risk & Opportunity Management Strategy

Risk & Opportunity Management at a Glance



Risk Management Toolkit

Action plans must be developed for Red and Amber risks

Determine the risk priority					
Impact					
Likelihood		Insignificant	Minor	Significant	Critical
	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

Appendix B of Risk and Opportunity Management Strategy

Assess the likelihood of the risk occurring	
High (4)	Risk will almost certainly occur or is occurring at present
Medium (3)	Risk is likely to occur in most circumstances
Low (2)	Risk may occur
Negligible (1)	Risk is unlikely to occur

Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper Page 56	<ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision 	<ul style="list-style-type: none"> Significant change in partner services Relationship breakdown between major partners and stakeholders Serious impact on delivery of objectives Unplanned major re-prioritisation of resources and/or services in partner organisations Failure of a delivery programme/major project 	<ul style="list-style-type: none"> Inability to secure or loss of significant funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on budgets (£3m – Transport; £0.2m Central Budget) 	<ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence
Significant	<ul style="list-style-type: none"> One or more objectives/programmes affected One or more partners do not commit to shared vision Significant environmental impact 	<ul style="list-style-type: none"> Partner unable to commit to joint arrangements Recoverable impact on delivery of objectives Major project failure 	<ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on budget (£0.5m-£1.5m Transport budgets) 	<ul style="list-style-type: none"> Notable external criticism Notable change in confidence or satisfaction Internal dispute between partners Adverse national/regional media attention Lack of partner consultation Significant change in community confidence
Minor	<ul style="list-style-type: none"> Less than 2 priority outcomes adversely affected Isolated serious injury/ill health Minor environmental impact 	<ul style="list-style-type: none"> Threatened loss of partner's commitment 	<ul style="list-style-type: none"> Minor financial loss in more than one partner Some/loss of funding or funding opportunity threatened 	<ul style="list-style-type: none"> Failure to reach agreement with individual partner Change in confidence or satisfaction Minor change in community confidence
Insignificant	<ul style="list-style-type: none"> Minor effect on priorities/service objectives Isolated minor injury/ill health No environmental impact 		<ul style="list-style-type: none"> Isolated/minor financial impact in a partner organisation <p style="color: red;">Financial limits to be reviewed</p>	

Appendix C of Risk and Opportunity Management Strategy

Risk Escalation/Communication Template

Local Authority/Delivery Agency	-	
Risk Description	RAG Score	
Controls in place (and working well)		
<ul style="list-style-type: none"> • 		
Summary of why risk has been escalated and areas requiring attention by Cabinet or Audit and Standards Committee		
Cabinet/Audit & Standards Committee decisions/next steps	Action Owner	Timescale

Appendix D of Risk and Opportunity Management Strategy

Summary Risk Reporting Template	
This will form a separate appendix in committee reports which provides some detail on each risk.	
<u>Risk Description</u>	<u>Risk Owner</u>
	<u>Risk Score (see toolkit at appendix B)</u>
	
	Likelihood – Impact -
Cause:	
Impact/Consequence:	
<u>Controls (already in place)</u>	
•	
Next Steps and Deadlines	Lead Officer(s)
•	