



## Audit and Governance Committee

Members of the public are welcome to attend and listen to the discussion of items in the "open" part of the meeting. Please see notes at end of agenda concerning public rights to speak and ask questions.



The Audit and Governance meets in the Court Room of the Town Hall which is located on the ground floor. Entrance is via the main door or access ramp at the front of the Town Hall. Parking bays for blue badge holders are available in front of the Town Hall and in the car park at the rear of the Town Hall.



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**MEMBERS:** Councillor Ungar (Chairman); Councillor Mattock (Deputy-Chairman); Councillors Cooke, Ede, Harris, Heaps, Taylor and Tester

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***(Please note: Members of the Committee are required to attend a presentation at 6pm, delivered by the External Auditors BDO on Protecting the Public Purse Fraud Briefing 2014. The ordinary meeting will commence at the conclusion of this presentation.)***

## Agenda

- 1 Minutes of the meeting held on 3 December 2014 - Previously circulated.**
- 2 Apologies for absence.**
- 3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.**

**4 Questions by members of the public.**

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

**5 Urgent items of business.**

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

**6 Right to address the meeting/order of business.**

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

**7 Update: Members and Standards. (Pages 1 - 4)**

Report of Monitoring Officer.

**8 Update: The Regulation of Investigatory Powers Act (RIPA) and related legislation. (Pages 5 - 6)**

Report of Monitoring Officer.

**9 The Composition of Audit and Governance Committee. (Pages 7 - 12)**

Report of Monitoring Officer.

**10 Grants Report 2013/14. (Pages 13 - 20)**

Report of External Auditors BDO.

**11 Audit Plan 2014/15. (Pages 21 - 32)**

Report of External Auditors BDO.

**12 Planning Letter 2015/16. (Pages 33 - 36)**

Report of External Auditors BDO.

**13 Protecting the Public Purse Fraud Briefing 2014.**

Verbal Report of External Auditors BDO.

**14 Internal Audit Report to 31st December 2014. (Pages 37 - 54)**

Report of Internal Audit Manager.

**15 Risk Management.** (Pages 55 - 62)

Report of Internal Audit Manager.

**16 Draft Internal Audit Plan for 2015/16.** (Pages 63 - 74)

Report of Internal Audit Manager.

**Inspection of Background Papers** – Please see contact details listed in each report.

**Councillor Right of Address** - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

**Public Right of Address** – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting e.g. if the meeting is on a Tuesday, received by 12 Noon on the preceding Friday). The request should be made to Local Democracy at the address listed below. The request may be made by letter, fax or e-mail. For further details on the rules about speaking at meetings please contact Local Democracy.

**Disclosure of interests** - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation). If a member has a DPI he/she may not make representations first.

## Further Information

Councillor contact details, committee membership lists and other related information is also available from Local Democracy.

**Local Democracy**, 1 Grove Road, Eastbourne, BN21 4TW  
Tel: (01323) 415021/5023 Minicom: (01323) 415111, Fax: (01323) 410322  
E Mail: [localdemocracy@eastbourne.gov.uk](mailto:localdemocracy@eastbourne.gov.uk)  
Website at [www.eastbourne.gov.uk](http://www.eastbourne.gov.uk)

For general Council enquiries, please telephone (01323) 410000 or E-mail: [enquiries@eastbourne.gov.uk](mailto:enquiries@eastbourne.gov.uk)

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# Agenda Item 7

<b>Body:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>Date:</b>	<b>11 March 2015</b>
<b>Subject:</b>	<b>Members and Standards: an update</b>
<b>Report Of:</b>	<b>LAWYER TO THE COUNCIL AND MONITORING OFFICER</b>
<b>Ward(s)</b>	All
<b>Purpose</b>	To assist the Audit and Governance Committee in fulfilling its obligations in relation to member standards.
<b>Recommendations:</b>	That the Committee note the following: <ul style="list-style-type: none"><li>• The information supplied to it regarding complaints against members, dispensations issued to members and also member training on Standards</li><li>• The update provided on Standards-related matters</li></ul>
<b>Contact:</b>	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

## **1.0 Background**

1.1 Members will recall their longstanding invitation to the Monitoring Officer to provide quarterly updates on Standards-related matters. This report aims to provide such an update to this Committee in order to assist it in discharging its role in leading and overseeing standards of conduct at this authority.

## **2.0 Complaints**

2.1 No new formal complaints against members have been received in during this quarter. As none remain outstanding from previous quarters, no complaints await determination at time of writing.

## **3.1 Dispensations**

3.2 No new dispensations have been applied for since the last quarterly report.

## **4.0 Member training**

4.1 As members are aware, the Committee's remit includes responsibility to review member training and development across all areas.

4.2 Plans are currently being formulated for induction sessions for any new members who are elected in May 2015, as well as for the new programme of member training during the next financial year. In deciding on the training offer to be provided both in-person and online, consideration will be given to whether some of the generic member training led by Legal Services might be delivered jointly with Lewes District Council following the legal services merger, if appropriate and in accordance with members' requirements.

## **5.0 Update on Standards related matters**

5.1 At this authority, there has been no increase in standards-related issues in recent months. However not all authorities have been experiencing calm in the run up to May 2015. One (Hartlepool BC) has seen sufficiently large numbers of complaints to lead its Chief Executive to state publicly that the volume of tit for tat complaints is diverting resources and time which would be better spent elsewhere. Another (Bradford BC) has seen fit to amend its Code to enable the Chairman of the standards committee together with the City Solicitor to decide to take no further action about complaints against councillors deemed to be "malicious/vexatious, politically motivated, tit for tat or not sufficiently serious to warrant further action".

5.2 The only other matter to report is the fact that one of the three independent persons appointed under the Localism Act 2011 – Mr Tony Meier – has indicated a desire to resign. That leaves two independent persons in post: Allen Gale and Trevor Elliott. The intention is to submit their names to annual Council in May 2015 for re-appointment.

## **6.0 Consultation**

6.1 There has been no consultation.

## **7.0 Resource Implications**

7.1 None.

## **8.0 Financial**

8.1 None.

## **9.0 Staffing**

9.1 None.

## **10.0 Conclusion**

10.1 Authorities must have in place arrangements to monitor member conduct and to promote effective decision-making. It also a requirement that steps be taken to promote high standards of conduct. This report aims to assist this Committee in discharging its responsibilities in this regard.

**Victoria Simpson**  
**LAWYER TO THE COUNCIL AND MONITORING OFFICER**

**Appendices:**

None

**Background Papers:**

Previous reports and minutes of this Committee.

The Constitution of Eastbourne Borough Council

Articles in the Local Government Lawyer

The 2013/14 annual report of the Committee on Standards in Public Life, published in September 2014:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/358202/Annual\\_Report\\_241014\\_CSPL\\_Final\\_\\_V2\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/358202/Annual_Report_241014_CSPL_Final__V2_.pdf)

CSPL Report on Ethical standards for providers of public services:

<https://www.gov.uk/government/collections/ethical-standards-for-providers-of-public-services>

News bulletins from the local press, collated by the Standards Exchange:

[http://www.thetelegraphandargus.co.uk/news/11471689.Change\\_in\\_policy\\_agreed\\_f\\_or\\_complaints\\_about\\_councillors/](http://www.thetelegraphandargus.co.uk/news/11471689.Change_in_policy_agreed_f_or_complaints_about_councillors/)

<http://www.hartlepoolmail.co.uk/news/local/burden-of-bickering-politicians-petty-spats-put-council-staff-under-strain-1-7034075>

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# Agenda Item 8

<b>Body:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>Date:</b>	<b>11 March 2015</b>
<b>Subject:</b>	<b>The Regulation of Investigatory Powers Act and related legislation: update on the authority's usage of its powers</b>
<b>Report Of:</b>	<b>LAWYER TO THE COUNCIL AND MONITORING OFFICER</b>
<b>Ward(s)</b>	<b>All</b>
<b>Purpose</b>	<b>To assist the Audit and Governance Committee in monitoring the authority's usage of its powers under the Regulation of Investigatory Powers Act</b>
<b>Recommendations:</b>	That the Committee note that no applications were made by officers of this authority to engage in activity regulated by the Regulation of Investigatory Powers Act during the quarter leading up to 1 March 2015.
<b>Contact:</b>	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

## **1.0 Background**

- 1.1 Members will recall that the Audit and Governance Committee has agreed to receive quarterly reports on the authority's usage of its powers to conduct covert surveillance and to access communications data pursuant to the Regulation of Investigatory Powers Act.

## **2.0 Usage of the powers available to Eastbourne Borough Council to conduct covert surveillance under the Regulation of Investigatory Powers Act**

- 2.1 The quarterly returns compiled for the period 1/12/2014 to 1/03/2015 include the following data:

RIPA applications for the use or conduct of a CHIS:

Nil applications by either EBC or by partner organisations with which the authority is working on relevant matters.

RIPA applications for authorised surveillance:

Nil applications made by either EBC or by partner organisations with which the authority is working on relevant matters.

RIPA applications for communications data use and acquisition:

Nil applications made by either EBC or by partner organisations with which the authority is working on relevant matters.

2.2 The Committee will note that the returns for this quarter are consistent with EBC's infrequent recourse to the powers available to it under RIPA in recent years.

### **3.0 Consultation**

3.1 None.

### **4.0 Resource Implications**

4.1 None.

### **5.0 Financial**

5.1 None.

### **6.0 Staffing**

6.1 None.

### **7.0 Conclusion**

7.1 This report updates the Committee on the authority's arrangements for the usage of its powers to conduct covert surveillance and to access communications data when circumstances merit. The report helps this Committee ensure that the authority applies a robust approach which balances its enforcement responsibilities with the requirement to act at all times in a proportionate and human rights-compliant way.

**Victoria Simpson**

**LAWYER TO THE COUNCIL AND MONITORING OFFICER**

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### **Appendices**

None

### **Background Papers:**

Previous reports and minutes of this Committee and of Cabinet.

Articles in the Local Government Lawyer

Resources available from the Officer of the Surveillance Commissioner and from the Interception of Communications Commissioner

# Agenda Item 9

<b>Body:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>Date:</b>	<b>11 March 2015</b>
<b>Subject:</b>	<b>The composition of Audit and Governance Committee</b>
<b>Report Of:</b>	<b>LAWYER TO THE COUNCIL AND MONITORING OFFICER</b>
<b>Ward(s)</b>	<b>All</b>
<b>Purpose</b>	<b>To consider the current composition of the Audit and Governance Committee against current best practice</b>
<b>Recommendations:</b>	That this Committee review its composition in the light of revised best practice guidance and consider delegating responsibility to the Senior Head of Corporate Development and Governance, in consultation with the Chair of Audit and Governance Committee, for setting in place a recruitment process to enable the selection of an independent member to be co-opted onto the Committee in accordance with the Committee's existing terms of reference.
<b>Contact:</b>	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

## **1.0 Background**

- 1.1 The Audit and Governance Committee's terms of reference reflect its responsibility to provide oversight of the authority's audit, governance and standards arrangements. This report invites the Committee to consider the current makeup of the Committee, including amongst other things whether a co-opted member might be useful in assisting in the delivery of independent assurance on risk management, internal controls and the financial reporting and annual governance processes.
- 1.2 If the Committee is minded to follow the recommendation then it may set in motion steps to co-opt an independent member for a fixed term in accordance with the guidance, this acting within the Committee's existing terms of reference.

## **2.0 CIPFA guidance on the composition of local authority audit committees: a review of EBC's arrangements**

- 2.1 In December 2013, the Chartered Institute of Public Finance and Accounting ('CIPFA') updated its practical guidance on audit committees for local authorities and the police. That guidance considers the various elements necessary to ensure that authorities have the benefit of an audit committee which is balanced, objective and independent of mind as well as comprehensively well-equipped to discharge its role.

- 2.2 While audit committees in Welsh local authorities and police audit committees in both England and Wales are subject to specific rules on composition, there are currently no statutory requirements in place to dictate the composition of audit committees in England. The recommendations in the guidance are therefore a matter of best practice only.
- 2.3 This Committee will be familiar with the requirement that the Committee be politically balanced: a requirement which applies to all of the Council's Committees. The guidance emphasises the degree to which adopting a non-political, uninvested approach to meetings and discussions is necessary to ensure the success of the Committee. This emphasis on the independent-mindedness of the Committee informs all of the best practice recommendations in the guidance.

### **3.0 Participation by members of the executive**

- 3.1 The updated CIPFA guidance considers the practice of allowing members of the executive to sit also on audit committee. It notes that this practice creates a potential risk that any such Committee might potentially be deterred from challenging or holding to account the executive. The guidance states that such arrangements should be avoided unless other compensating arrangements are put in place to ensure independence. It is very clear in addition that where an executive member does sit on the audit committee then that person should not act as its Chair.
- 3.2 As noted above, the revised guidance provides best practice suggestions rather than imposing mandatory requirements on audit committees in England. Importantly, at this authority the Audit and Governance Committee is not chaired by a member of the executive. However the size of this authority and the limited number of elected members available to serve on committees has resulted in the current situation whereby a limited number of members who are on the executive sit also on the Audit and Governance Committee.
- 3.3 While practical considerations always need to be factored in – including the fact that members' established interests and expertise may or may not fall within the Committee's remit – this aspect of the composition of the Committee will be reviewed in any event following the upcoming council elections. Members of this Committee may nonetheless wish to discuss whether it would be useful and/or feasible to agree as a matter of best practice that where practical considerations permit, the Committee will not include executive members in the future.

### **4.0 Participation by co-opted members**

- 4.1 The CIPFA guidance notes that the co-option of independent members to local government audit committees may be beneficial, noting that such co-option is a requirement for police and local authority committees in Wales as well as in health and national government audit committees.

- 4.2 While the guidance stops short of requiring local authorities in England to co-opt members onto the Audit Committee, it notes that 'the injection of an external view can often bring a new approach to committee discussions'.
- 4.3 Some of the positive reasons for co-opting independents include the potential to import in additional knowledge and expertise as well as the reinforcement of the committee's independence and political neutrality. It warns however against over-reliance on the independents by other committee members and indeed notes that where independents do not have organisational knowledge or context then this may impact adversely on the usefulness of their contribution.
- 4.4 In terms of the profile of the Chair of the Committee, the guidance is clear that the Committee should be led by a strong, independently-minded Chair, who displays a depth of knowledge, skills and interests. Again, it is not a requirement that that person be a co-opted (as opposed to an elected) member.
- 4.5 While any change to the terms of reference of the Audit and Governance Committee can only be made by Council, the existing rules provide as follows:  
  
'The committee may co-opt one person in a non-voting capacity to provide independent advice, primarily but not exclusively, in relation to its audit functions.'
- 4.6 The authority is therefore able within existing rules to determine that such a co-optee with expertise either in audit or in one of the other areas of the committee would enhance its delivery of the function, and to co-opt an individual (after appropriate recruitment processes) if it wishes. Whether or not it chooses to co-opt a single independent member then it is free if it wishes to invite full Council to amend the terms of reference at a later date either to amend or extend the remit of the co-optee across the range of audit and governance responsibilities in a non-voting capacity, or indeed to increase the number of co-optees if it wishes.
- 4.7 If considering co-option, the Committee will need to have regard to section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected members. Where decisions are being made by the committee in any capacity other than that which is purely 'advisory' then any co-opted member would not be able to vote.
- 4.8 Under the Local Government Act 1972, and in accordance with the Constitution of this authority, where any member chairs a committee of the authority then they have a casting vote in the capacity of Chair. As a result, if a co-opted member were made Chair then they would be able to exercise a casting vote in situations where the Committee would otherwise be tied. However while appointing a co-opted member as Chair is possible in principle, setting up a structure whereby the Chair is not permitted to vote unless the vote is tied is considered to introduce a level of complexity to proceedings which is not necessary to meet the requirement for an Chair who is independently minded.

## **5.0 Next steps**

- 5.1 If the Committee does decide to introduce a co-opted member then the recruitment of such a person will need to be the subject of a dedicated, publicly advertised, recruitment process. The guidance highlights the process to be followed as well as the need to ensure that candidates are able to demonstrate their political independence as well as the necessary skills, knowledge and willingness to work with the committee. Notably the co-opted member is to be distinguished from the independent persons appointed under the Localism Act to assist the Committee in its discharge of its Standards-related functions.
- 5.2 It will be made clear that all co-optees are members of the authority and are therefore bound by the same Code of Conduct as elected members.

## **6.0 Consultation**

- 6.1 The Internal Auditor and the Chief Finance Officer have both been consulted.

## **7.0 Resource Implications**

- 7.1 None

## **8.0 Financial**

- 8.1 Allowances may be paid to co-opted members, and must be set following a review of the council's independent remuneration panel.

## **9.0 Staffing**

- 9.1 None.

## **10.0 Conclusion**

- 10.1 This report asks this Committee to review the composition of the Committee alongside revised best practice and to consider delegating the powers necessary to start the recruitment process necessary to enable it to co-opt an independent person onto the Audit and Governance Committee in accordance with existing terms, so as to enhance its performance of its functions.

**Victoria Simpson**  
**LAWYER TO THE COUNCIL AND MONITORING OFFICER**

## **Appendices**

None

## **Background Papers:**

Audit Committees: practical guidance for local authorities and the police. Published by the Chartered Institute of Public Finance and Accountancy in December 2013 and subject to copyright.

Previous reports and minutes of this Committee and of Cabinet.

Articles in the Local Government Lawyer

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# EASTBOURNE BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2014

12 January 2015



# INTRODUCTION

## Purpose of the report

This report summarises the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2014.

### Audit Commission regime

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions (CI) issued by them after consultation with the relevant grant paying body. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

For those claims with a value of between £125,000 and £500,000, we conduct only a limited review of the overall control environment before certifying the claim. Grant claims below £125,000 are not subject to audit arrangements.

After completion of the tests contained within the CI the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed. Sample sizes used in the work on the housing and council tax benefit subsidy return and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

### Other certification work

We have also been asked to certify the Decent Homes Backlog Funding return on behalf of the Council, for submission to the Homes and Community Agency (HCA). The work does not form part of the certification regime with the Audit Commission. This work was an *agreed upon procedures review* to test a sample of amounts claimed by the Council from the HCA funding allocation.

### Fees

A summary of the fees charged for certification work for the year ended 31 March 2014 is shown to the right.

Appendix I of this report shows the action plan to improve the arrangements for preparing grants and other returns as a result of the 2013/14 findings.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

## Fees

CLAIM OR RETURN	2012/13 FINAL FEE £	2013/14 PLANNED FEE £	2013/14 OUTTURN FEE £
<b>Audit Commission regime</b>			
Housing benefit subsidy	17,140	11,062	<b>11,062</b>
National non domestic rates return	3,480	-	-
Pooling of housing capital receipts	1,730	1,530	<b>1,530</b>
<b>TOTAL AUDIT COMMISSION REGIME FEES</b>	<b>22,350</b>	<b>12,592</b>	<b>12,592</b>
<b>Other certification work</b>			
Decent Homes Backlog Funding	-	-	<b>2,000</b>
<b>TOTAL CERTIFICATION FEES</b>	<b>22,350</b>	<b>12,592</b>	<b>14,592</b>

We were able to reduce the fee for our certification work on the housing benefit subsidy in 2013/14 as the claim no longer included amounts for council tax benefits, and we were able to better coordinate the work undertaken by internal audit.

The National non domestic rates return did not require certification in 2013/14 following changes to the arrangements for retaining local shares of non domestic rates income.

# Key findings

Below are details of each grant claim and return subject to certification by us for the financial year to 31 March 2014. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided.

An action plan in respect of these matters is included at Appendix I of this report.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
<b>Audit Commission regime</b>				
Housing benefit subsidy	49,369,623	Yes	No	See note below on qualification and potential DWP recovery
Pooling of housing capital receipts	1,479,555	No	No	-
<b>Other certification work</b>				
Decent Homes Backlog Funding	2,667,372	N/A	No	-

## HOUSING BENEFIT SUBSIDY

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.

In 2013/14, council tax benefit was no longer part of the subsidy arrangements following localisation of council tax reduction schemes.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £49,369,623.

## FINDINGS AND IMPACT ON RETURN

A number of errors were identified during the course of the initial testing which resulted in additional blocks of "40+" testing as noted below. The testing was completed by internal audit staff and our re-performance of the work agreed with its conclusions.

On completion of the additional testing, we concluded that the following entries in the subsidy return were incorrect and either required amendment or we were required to extrapolate the error over the relevant cell populations.

### Non HRA rent rebates Local Housing Allowance (LHA) cap applied

Initial testing found two cases where the LHA rate applied did not agree to the number of bedrooms. Testing of all 38 cases found an additional three LHA rate errors.

The total value of the errors for amounts paid above the appropriate LHA cap was £2,463. Amounts paid below the cap attract full subsidy whereas amounts paid above the cap attract nil subsidy, meaning that the Council has over claimed £2,463 of subsidy.

### Non HRA rent rebates prior year incorrect tenancy type classification

In the prior year, we reported that a number of cases had been incorrectly classified as non self-contained licensed accommodation that should have been reported as self-contained. The Council corrected these in the current year. However, the adjustment for six of these cases resulted in £3,692 of benefit being included in amounts below the LHA cap when this amount should have been shown as above the appropriate LHA cap rate.

Amounts paid below the cap attract full subsidy whereas amounts paid above the cap attract nil subsidy, meaning that the Council has over claimed £3,692 of subsidy.

**Non HRA rent rebates included a HRA property**

Initial testing found one case where a HRA property in receipt of £1,099 of benefit had been included in non HRA rent rebates subsidy. Testing of all 38 non HRA tenancies did not find any additional errors.

As the amount claimed was below the LHA cap, and receive full subsidy under both non HRA and HRA rent rebate schemes, there is no impact on subsidy claimed.

**Non HRA rent rebates misclassified overpayments**

Initial testing found two cases where an overpayment classified as local authority error should have been recorded as technical overpayments. Testing of all 17 cases included in local authority error overpayments did not find any additional errors. The total amount misclassified was £986.

As both overpayment types attract nil subsidy there is no impact on subsidy claimed.

**HRA rent rebates non dependant deductions**

Initial testing found one case where a non dependant deduction for carers allowance had been incorrectly applied resulting in an underpayment of £612. As this would only result in underpayments, and has no impact on subsidy claimed, no additional "40+" work was carried out.

**Rent allowances income assessments errors**

Initial testing found one case where the claimant's income had been incorrectly assessed resulting in underpaid benefit of £133. One additional earnings error was found in the "40+" testing but this had no impact on benefit awarded.

Therefore, these errors had no impact on subsidy claimed.

**Rent allowances Local Housing Allowance (LHA) cap applied**

Initial testing found one case where the LHA rate applied did not agree to the number of bedrooms resulting in overpaid benefit of £212. No further errors were found in the "40+" testing.

This error was extrapolated across the total value included in the LHA administered benefit cell and we reported that appropriate benefit paid was potentially overstated by £22,546. LHA benefit attracts subsidy at full rate whereas overpayments as a result of local authority error attracts nil subsidy, meaning that the Council has over claimed £22,546 of subsidy.

**Rent allowances incorrect rent amounts**

Initial testing found one case where an incorrect rent amount had been used in the assessment resulting in an underpayment of £35. No further errors were found in the "40+" testing.

Therefore, this error had no impact on subsidy claimed.

## HOUSING BENEFIT SUBSIDY (CONTINUED)

## FINDINGS AND IMPACT ON RETURN

**Modified local schemes**

Initial testing found one case where a war disablement pension uplift had not been applied on the correct date. All modified local scheme war disablement pension amounts were reviewed and nine additional errors were found.

As a result, £26 of benefit awarded should be reclassified from modified local schemes to normal benefit, resulting in under claimed subsidy of £7, since modified local schemes are recovered at only 75%.

**Reconciliation to benefit paid**

DWP requires that the amount of benefit entitlement generated, on which subsidy is calculated, be reconciled to the amounts paid out to claimants. The software supplier provides various tools to complete this reconciliation, and exception reports highlighting discrepancies for each claimant, so that these can be investigated and resolved.

Where the amounts claimed exceed the amounts that can be shown to have been paid to claimants, the lower amounts must be included in the subsidy return. Our review of the reconciliation found that the Council had paid out £2,433 less than the amount included in the subsidy return for benefits generated, suggesting that the council had over claimed subsidy entitlement by this amount.

**Overall impact on subsidy**

The errors above have been included in the qualification letter to DWP and suggests that the Council has over claimed subsidy of £31,127.

DWP has not yet written to the Council to confirm the final subsidy for 2013/14 but it is likely that it will withhold this amount from the Council.

## POOLING OF HOUSING CAPITAL RECEIPTS

## FINDINGS AND IMPACT ON RETURN

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

The return provided for audit recorded the amount payable to DCLG of £227,791, which was net of amounts that can be retained by the Council from the total receipts of £1,479,555.

The return was certified without amendment or qualification.

## DECENT HOMES BACKLOG FUNDING

The Homes and Community Agency (HCA) provides funding to local authorities to help address decent homes backlog costs.

The Council is required to provide an annual funding return to the HCA with the amounts claimed, in accordance with the funding letter requirements.

The draft return provided for review included expenditure of £2,773,782 against the capped funding of £2,667,372 in 2012/13. Total funding available across 2011/12 and 2012/13 was £3,917,922.

This review does not form part of the certification regime with the Audit Commission and we were asked to undertake this work by management. The work was an agreed upon procedures review to test a sample of amounts claimed by the Council from the HCA funding allocation and to check whether the amounts claimed were in accordance with the terms of the grant funding.

## FINDINGS AND IMPACT ON RETURN

Eastbourne Homes Limited (EHL), the Council's Arms Length Management Organisation, managed the decent homes backlog programme on behalf of the Council. The records of expenditure and capital works funded from the HCA grant funding was retained by EHL.

We checked that the return had been properly completed, was arithmetically correct and tested 20 transactions for amounts claimed by the Council between 1 April 2012 and 31 March 2013.

We reported that:

- One amount claimed in this period related to the previous year and should have been claimed against the previous year's allocation
- Three amounts were properly incurred but not paid in the period up to 31 March 2013, and the basis of the claim suggested that amounts had also to have been paid in the period to qualify
- Three invoices did not state the property on which works had been undertaken to confirm that these were qualifying properties, and
- Two amounts relating to compensation payments did not have supporting calculations or details of the receiving tenants to confirm that these were qualifying properties.

No adjustment was made by the HCA to the final amount claimed by the Council.

# APPENDIX I: ACTION PLAN

CONCLUSIONS	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p><b>Housing subsidy claim</b></p> <p>We are pleased to report that concerns raised in recent years regarding misclassified tenancies and inappropriate classification of eligible overpayments have been largely addressed.</p> <p>However, we note that there remain errors where technical overpayments have been recorded as local authority error (no impact on subsidy claimed).</p> <p>We also found this year additional errors in the correct application of the LHA cap for the number of bedrooms in the property.</p>	<p>We recommend the Council refresh the training given to staff, with particular emphasis on:</p> <ul style="list-style-type: none"> <li>(a) checking that the correct number of bedrooms are used when applying the appropriate LHA cap, and</li> <li>(b) checking to confirm underlying liability where it would be appropriate to record overpayments as technical overpayments.</li> </ul>	<p>High</p>			
<p>In the previous year we reported that the Council had not used the system reports to allow it to reconcile the benefit awarded (as claimed through subsidy) to the amounts paid.</p> <p>We note the reports have not been used again this year.</p>	<p>The Council should use the system reports which includes exception reporting that should allow the differences for each claimant to be investigated and resolved.</p>	<p>High</p>			

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# EASTBOURNE BOROUGH COUNCIL

AUDIT PLAN TO THE AUDIT AND GOVERNANCE COMMITTEE  
Audit for the year ending 31 March 2015

27 February 2015



# EXECUTIVE SUMMARY

We are pleased to present our Audit Plan for the year ending 31 March 2015. This plan summarises the work that we propose to undertake in respect of our audit of Eastbourne Borough Council for the 2014/15 financial year.

## Significant Risks

Our audit is designed to respond to significant risks and identify where we intend to focus our resources in providing our opinion on the financial statements and our value for money conclusion. Summarised below are the significant risks we are currently aware of:

### FINANCIAL STATEMENTS

Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.

Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the stated accounting policies or from an inappropriate use of estimates in calculating revenue.

The Council has replaced its housing benefits system from Northgate Iworld to Civica OpenRevenues during the year. There is a risk that benefit claimant data may not have been accurately and completely transferred between the systems, which could affect the calculations of on-going benefit expenditure awarded to claimants.

The *Code of practice for Local Authority Accounting 2014/15* includes the new consolidation suite of accounting standards (IFRS 10, 11 and 12). This introduces a new definition of control, which should be used to determine whether entities and joint arrangements should be consolidated into Group financial statements, along with the basis of accounting for the Council's and Group accounts.

### USE OF RESOURCES

The Medium Term Financial Strategy has identified further savings requirement of £0.5 million in each of the three years from 2016/17, to be met from efficiencies and procurement savings. Identifying the required level of savings from 2016/17 will be a challenge and is likely to require difficult decisions around service provision and alternative delivery models.

## Fees

The proposed core audit fee for the year is £90,374 plus VAT.

Our Planning Letter 2014/15 had previously proposed a fee of £88,920. We have revised this to include an adjustment of £1,454 for work previously undertaken as part of the certification work on NDR income (£900) and the council tax support schemes (£554) which we are now required to undertake as part of the audit of the accounts.

## Key outputs

The key reports, opinions and conclusions from the audit will be:

REPORT	DATE
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	June 2015
Final report to those charged with governance	23 September 2015 Audit & Governance Cttee
Independent auditor's report including: <ul style="list-style-type: none"> <li>Opinion on the financial statements</li> <li>Value for money conclusion</li> <li>Certificate</li> </ul>	By 30 September 2015
Assurance statement on the Whole of Government Accounts return	By 7 October 2015
Summary of findings from the audit in the Annual Audit Letter	October 2015

# SCOPE OF THE AUDIT

## Purpose of the audit plan

The purpose of this Audit Plan is to:

- Ensure that there is mutual understanding of the respective responsibilities relating to the audit
- Provide you with an overview of the planned scope of the audit for the year ending 31 March 2015
- Ensure that the areas of potential significant risk of material misstatement which we have identified are consistent with the areas which you perceive to be the key areas and to promote effective two-way communication between us.

We will also provide a report to management and those charged with governance on the findings of the audit which will focus on the significant matters arising from the audit of the Council regarding internal control, financial governance and reporting and accounting arrangements. We aim to provide management with clear recommendations that will add value to the Council.

## Code audit

The scope of the audit is determined by the Audit Commission's Code of Audit Practice for Local Government (2010) (the 'Code'), which covers two areas: providing an opinion on the financial statements, and reviewing the arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).

## Respective responsibilities

Our responsibilities, as auditors, in relation to the audit of the financial statements and other Audit Commission requirements are set out below. The audit of the financial statements does not relieve you of your responsibilities which are outlined in the Statement of Responsibilities of Auditors and Audited Bodies (2010) available from the Audit Commission's website.

Auditing Standards require auditors to communicate relevant matters relating to the audit to those charged with governance. Relevant matters include issues on auditor independence, audit planning information and findings from the audit.

We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. Communication may take the form of discussions or, where appropriate, be in writing. The audit is not designed to identify all matters that may be relevant to you.

Our contacts for communications will be the Chief Finance Officer and the Audit and Governance Committee. When communicating with the Audit and Governance Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

## Financial statements

The financial statements audit requires that we obtain assurance:

- That the financial statements give a true and fair view of the financial position of the Council at the year end and the expenditure and income for the year
- That the financial statements have been prepared properly in accordance with relevant legislation and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom
- That the information given in the explanatory foreword in the Statement of Accounts is consistent with the financial statements
- That the Annual Governance Statement meets the disclosure requirements and is not misleading or inconsistent with our knowledge.

## Internal controls

As part of our audit we obtain an understanding of the Council's system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

In order to achieve an efficient and cost effective audit, we aim to work closely with internal audit to minimise duplication and the overall level of audit resource input. We have planned the audit on the basis that we will be able to place full reliance on the work of internal audit where they intend to provide assurance over key controls within the financial systems.

We will communicate to management any deficiencies in internal control identified during the audit. Where those deficiencies are significant, we will also communicate to those charged with governance.

### **Misstatements due to fraud**

The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and the Audit and Governance Committee.

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We have discussed possible risk of material misstatement arising from fraud with the Chief Finance Officer and Head of Internal Audit.

We will write to the Chair of the Audit and Governance Committee to request confirmation of how the Committee oversees management processes to identify and respond to the risk of fraud, and whether there is knowledge of any actual, suspected or alleged frauds affecting the Council other than those reported by management.

Please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

For all fraud risks, and for any actual frauds that have been identified and we have been informed of, we will consider the possible impact on your financial statements and our audit programme.

### **Materiality and triviality**

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

For planning purposes, we have set materiality at £2 million (2% of average gross expenditure in the Comprehensive Income and Expenditure Statement excluding non-recurrent expenditure).

For reporting purposes, we consider misstatements of less than £40,000 to be trivial, unless the misstatement is indicative of fraud. We are required to bring to your attention unadjusted audit differences that are more than trivial that the Audit and Governance Committee is required to consider and we will request that you correct them.

### **Whole of Government Accounts**

Local authorities are required to prepare information in the Data Collection Tool (DCT) to allow HM Treasury to prepare consolidated Whole of Government Accounts (WGA) based on the statutory financial statements.

The Council's return is below the threshold for full audit and therefore we undertake limited testing to agree the consistency of property, plant and equipment and pension balances included in the DCT.

## Use of resources

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience (robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future)
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness (prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity).

Our work will include reviewing the Council's medium term financial strategy and proposals to deliver the necessary savings in the coming years in response to expected reductions in Government grant funding for local authorities.

## Engagement partner

Leigh Lloyd-Thomas is the engagement partner and is the person in the firm who is responsible for the audit engagement and its performance and for the report that will be issued on behalf of the firm.

We aim to provide a high quality of service to you at all times. If, for any reason or at any time, you would like to discuss how we might improve the service, or if you are in any way dissatisfied, please contact Leigh Lloyd-Thomas in the first instance. Alternatively you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

Upon the demise of the Audit Commission on 31 March 2015, Public Sector Audit Appointments Ltd (a company created by the Local Government Association) will take over responsibility for audit appointments, including investigating complaints.

## Independence and objectivity

We are required to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff.

In relation to the audit of the financial statements for Eastbourne Borough Council for the financial year ending 31 March 2015, we are able to confirm that the Audit Commission's requirements in relation to independence and objectivity have been complied with and we are not aware of any relationships that would affect our independence. Should this change we will update you accordingly.

## Future audit arrangements

The Local Audit and Accountability Act 2014 received Royal Assent on 30 January 2014. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015.

There will be a new framework for local public audit, due to start after the Audit Commission's current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all the contracts are extended. Public Sector Audit Appointments Ltd will manage the existing contracts through this period.

Several of the Audit Commission's functions will continue after its closure. The Local Audit and Accountability Act gave the Comptroller and Auditor General a duty to prepare and issue Codes of Audit Practice and guidance to auditors; and a power to carry out examinations into the economy, efficiency and effectiveness with which relevant authorities have used their resources. The NAO is currently consulting on a revised Code of Audit Practice to come into effect from 2015/16.

The Act also provides for the Audit Commission's data matching powers, and therefore the National Fraud Initiative, to transfer to the Cabinet Office. The government has announced that the Commission's counter-fraud function will transfer to a new public sector 'Counter Fraud Centre' to be established by the Chartered Institute of Public Finance and Accountancy.

# RISK ASSESSMENT

We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. The determination of significant risks is a matter for auditors' professional judgement.

For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly. If you consider there to be other significant risks of material misstatement in the financial statements or, arrangements for securing economy, efficiency and effectiveness in the use of resources, whether due to fraud or error, please let us know.

Summarised below are the significant audit risks that impact on our audit of which we are currently aware.

FINANCIAL STATEMENTS SIGNIFICANT AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
<b>MANAGEMENT OVERRIDE</b>	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	Financial statement level risk across all account headings and assertions.	We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.
<b>REVENUE RECOGNITION</b>	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the stated accounting policies or from an inappropriate use of estimates in calculating revenue.	Existence, completeness and accuracy of income	We will substantively test a sample of income received and debtor accruals to ensure that accounting policies have been correctly applied in determining the point of recognition of income.
<b>CHANGE IN HOUSING BENEFITS SYSTEM</b>	The Council has replaced its housing benefits system from Northgate Iworld to Civica OpenRevenues during the year. There is a risk that benefit claimant data may not have been accurately and completely transferred between the systems, which could affect the calculations of on-going benefit expenditure awarded to claimants.	Completeness and accuracy of housing benefit expenditure	We will review work done by internal audit to test the migration of data from the previous benefits system to the new system, and associated reconciliations. We will carry out further testing as necessary to obtain assurance over the completeness and accuracy of the benefit claimant data transfer.

FINANCIAL STATEMENTS SIGNIFICANT AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
<b>NEW ACCOUNTING STANDARDS</b>	<p>The <i>Code of practice for Local Authority Accounting 2014/15</i> includes the new consolidation suite of accounting standards (IFRS 10, 11 and 12). This introduces a new definition of control, which should be used to determine whether entities and joint arrangements should be consolidated into Group financial statements, along with the basis of accounting for the Council's and Group accounts.</p> <p>The Council will need to review its interests in other entities and contractual arrangements to determine whether it has rights to, or is exposed to, variable returns and the power to affect the amount of those returns.</p>	Completeness of income and expenditure and balances for entities requiring consolidation	We will review the Council's justification for its accounting treatment of all material interests in other entities, and underlying records, to determine whether the new definition of control under IFRS 10 and 11 has been sufficiently considered and appropriately applied.
USE OF RESOURCES SIGNIFICANT RISKS			
RISK	RISK DETAIL	AUDIT RESPONSE	
<b>FINANCIAL RESILIENCE</b>	<p>Reductions in Government funding and other inflationary pressures requires savings of £2.4 million to balance the 2015/16 budget. This has been addressed through planned efficiency savings of £1 million, additional income of £0.5 million, and a draw from earmarked reserves of £0.9 million.</p> <p>The refresh of the Medium Term Financial Strategy in July 2014 identified further savings requirement of £0.5 million in each of the three years from 2016/17, to be met from efficiencies and procurement savings.</p> <p>Identifying the required level of savings from 2016/17 will be a challenge and is likely to require difficult decisions around service provision and alternative delivery models. However, the Council maintains healthy levels of revenue reserves and balances and has planned to use only £0.25 million each year to support budgets.</p>	<p>We will review the assumptions used in the Council's Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied.</p> <p>We will monitor the delivery of the budgeted savings in 2014/15 and the plans to reduce services costs and increase income in 2015/16.</p> <p>We will also review the Council's strategies to close the budget gap after 2016/17.</p>	



# AUDIT TIMETABLE

The timetable for key reports, opinions and conclusions from the audit will be:

FINANCIAL STATEMENTS	
Interim visit	March - April 2015
Final audit visit	July - August 2015 Clearance early September
Independent auditor's report covering: <ul style="list-style-type: none"> <li>• Opinion on the financial statements</li> <li>• Value for money conclusion</li> <li>• Certificate</li> </ul>	By 30 September 2015
Assurance statement on the Whole of Government Accounts return	By 7 October 2015
USE OF RESOURCES	
Review of economy, efficiency and effectiveness	March - July 2015
Value for money conclusion	By 30 September 2015
REPORTING	
Report on any significant deficiencies in control (if required)	June 2015
Final report to those charged with governance	23 September 2015 Audit & Governance Ctte
Annual Audit Letter	October 2015

We will agree specific dates for our visits with officers in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers to discuss progress on the audit and obtain an update on relevant issues.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# EASTBOURNE BOROUGH COUNCIL

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Planning Letter 2015/16  
22 December 2014



# PROPOSED FEES

## Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2015/16 financial year.

The proposed fee is based on the consultation undertaken by the Audit Commission in October 2014. Although the Commission will close on 31 March 2015, the Department for Communities and Local Government (CLG) has asked the Commission to set fees for principal bodies before it closes.

The existing Commission's Code of Audit Practice will be replaced by a new Code of Audit Practice to be issued by the National Audit Office, currently being consulted on. In setting fees, the Commission has assumed that there is little change to the scope of the work required to be undertaken by auditors.

The new Code audit fee is expected to cover:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government Accounts return.

There is a separate proposed fee for the certification of the Housing Benefit subsidy return on behalf of the Department for Work and Pensions.

## Indicative fees

The indicative fee does not include any time required to investigate questions or objections from members of the public. Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

From 1 April 2015, the Public Sector Audit Appointments Limited (PSAA) will oversee the Commission's contracts through to the end of 2017. It will also be responsible for setting fees in the future.

If we need to propose any amendments to the audit fee during the course of the audit or where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Director of Corporate Services and seek approval from the Audit Commission for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

## Fees

AUDIT AREA	PROPOSED FEE 2015/16 (£)	PROPOSED FEE 2014/15 (£)	ACTUAL FEE 2013/14 (£)
Code audit fee	<b>67,781</b>	90,374	89,636
Certification fee	<b>8,297</b>	11,062	12,592
Total audit fees	<b>76,078</b>	101,436	102,228

In 2013/14, the proposed Code audit fee was £88,920 and we included a variation of £716 for work previously undertaken as part of the certification fee that has now been undertaken under the Code audit fee. The certification fee had reduced from £22,350 in 2012/13 to £12,592, resulting in a net savings of £9,042.

The Commission has consulted on rebasing the Code audit fee from 2014/15 for the work previously undertaken as part of the certification work and reviewed the additional work that we are required to undertake following the withdrawal of the audit requirement to certify NDR income and the local council tax support expenditure. From 2014/15, we have therefore increased the Code audit fee by £900 and £554 respectively. The £900 increase has been included in the current published indicative fees (2014/15 £89,820) and we await approval from the Commission for the remaining £554 fee variation.

The Commission has set the indicative certificate fees based on outturn fees from 2012/13. As a result of improvements to the housing benefits work undertaken by internal audit, we are able to reduce the indicative fees from £15,080 in 2014/15 to £11,062 using the 2013/14 outturn costs.

The Commission completed a further audit procurement exercise in April 2014 which has enabled the Commission to further reduce fees for the two years from 2015/16, and CLG may wish to extend these contracts to lock in the reduced fees for a further three years. This has allowed the Commission to reduce fees by an additional 25%. This, along with the other savings above, has resulted in combined Code and certification fee savings of £35,192 since 2012/13 (£111,270) for the Council.

# AUDIT ARRANGEMENTS

## Planned outputs

We plan to issue the following reports and opinions over the course of the 2015/16 audit:

REPORT	DATE
Progress reports to the Audit and Governance Committee	each meeting
Detailed audit plan	March 2016
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	May 2016
Final report to those charged with governance	September 2016
Independent auditor's report including: <ul style="list-style-type: none"><li>Opinion on the financial statements</li><li>Value for money conclusion</li></ul>	September 2016
Whole of Government Accounts assurance statement and report to the NAO	October 2016
Summary of findings from the audit in the annual audit letter	October 2016
Grant claims and returns certification report	December 2016

## Audit team

The key members of the audit team will be:

### Engagement Lead - Leigh Lloyd-Thomas

email: leigh.lloyd-thomas@bdo.co.uk

Tel: 020 7893 2616

Leigh will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

### Engagement Manager - Janine Combrinck

email: janine.combrinck@bdo.co.uk

Tel: 020 7893 22631

Janine will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

### Team Leader - Lucy Ballard

email: lucy.ballard@bdo.co.uk

Tel: 020 7034 5878

Lucy will lead the delivery of the financial statements audit.

## Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Leigh in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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# Agenda Item 14

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	11 <sup>th</sup> MARCH 2015
<b>Subject:</b>	Internal Audit Report to 31 <sup>st</sup> December 2014
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To provide a summary of the activities of Internal Audit for the third quarter of the financial year 2014/15.
<b>Recommendation(s):</b>	That the information in this report be noted and members identify any further information requirement and timescales.
<b>Contact:</b>	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

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## 1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2014/15 was agreed by the Audit and Governance Committee in March 2014.

## 2.0 Review of work in the third quarter of the financial year 2014/15.

- 2.1 A list of all the audit reports issued in final from 1<sup>st</sup> April to 31<sup>st</sup> December 2014 is as follows:

Benefits (Annual 2013/14)	Performing Well
Cash and Bank (Annual 2013/14)	Performing Excellently
Council Tax (Annual 2013/14)	Performing Excellently
Creditors (Annual 2013/14)	Performing Excellently
Debtors (Annual 2013/14)	Performing Excellently
Main Accounting (Annual 2013/14)	Performing Well
NNDR (Annual 2013/14)	Performing Excellently
Payroll (Annual 2013/14)	Performing Excellently
Treasury Management (Annual 2013/14)	Performing Well
IT (Annual 2013/14)	Performing Excellently
Theatres Reconciliation (Annual 2013/14)	Performing Well
Events	Performing Adequately
GIS LLPG	Performing Adequately

Daily Cash Reconciliations	Performing Well
Risk Management	Performing Well
Housing Rents (Annual 2013/14)	Performing Excellently
Tourist Information Centre	Performing Adequately
BACAS Cemeteries System	Performing Excellently
Government Network	Performing Well
Printing	Performing Adequately
Members Allowances	Performing Well
Pest Control and Public Health Burial	Performing Adequately
Open Spaces	Performing Adequately
Car Parking	Performing Adequately

### Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 Appendix A shows the work carried out against the annual plan to the end of December 2014. The following comments explain the main points to be noted from the table:

- Annual audits for BDO – The number of days taken to carry out the work currently refers to work which relates to the last financial year but which was carried out in this year. The external auditors requested some extra work be undertaken.
- Government Connect – this was originally carried out as four separate reviews but these were collated into one this year. The review took longer than was anticipated.

2.3 From the second half of December the focus of work moves to the annual audits. Any time left at the end of the year will be spent completing as many reviews from the plan as possible. Any reviews not started will be moved to the annual plan for the new financial year.

2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below “Performing Excellently”, with any issues highlighted in the reviews which informed the assurance level given.

2.5 The committee is reminded that these are the assurance levels that were given at the time the final report was issued and do not reflect recommendations that have been addressed. In order to clarify this a column has been added to show the assurance level given in the latest follow up carried out.

2.6 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been

implemented along with the month when the next follow up is due.

Points to note are:

- Corporate Equality – the outstanding recommendation concerns publication of data for the Transparency Agenda (Open Data). The publication of this data is being monitored separately and therefore this will not be followed up as part of the Corporate Equality review.
- Catering was not due for a follow up until January and therefore outside the scope of this report. However as the priority for this review was “high” the results of the follow up carried out in January have been noted in this report. It can be confirmed that all the outstanding recommendations from the review have now been addressed.
- The follow up of Events was carried out in December and the assurance level remained at “adequate” with a priority level of “high”.

2.7 Where the column “priority” in Appendix C shows “High” the outstanding recommendations, and client comments from the report, have been listed at Appendix D. Appendix D is designated as “Confidential” to reduce the risk of opportunities to commit fraud. The appendix was reviewed by CMT and comments from Managers/Heads of Service have been included in the final column.

### 3.0 Frauds over £10k

3.1 It is a requirement that frauds over £10k are reported to our external auditors. Usually such frauds are only found by the Benefit Fraud section however a request is now also sent quarterly to Eastbourne Homes Ltd to ask them to confirm whether they have been aware of any frauds over £10k within that quarter.

3.2 The Benefit Fraud section now report these frauds to Internal Audit on a quarterly basis and these are passed on to the external auditors.

3.3 No frauds over £10k were recorded in this quarter. Only one fraud of over £10k has been identified this year and this is shown below.

Overpayments over £10,000 between 01/04/14 and 31/12/14					
Suspected Fraud	Proven Fraud	Source of Info	Completed	Progress & Outcome	Over payment
Undeclared Capital	Undeclared Capital	Anon letter	04-09-14	Proven-being repaid	£13,380.05

### 4.0 Corporate Fraud

4.1 All relevant Housing Benefit investigations migrated over to SFIS for 1<sup>st</sup> November. Since this date 64 allegations of fraud have been reported to DWP. 1 case concluded by DWP from 01/11/14 to 14/01/15.

The SPOC (Single Point of Contact Officer) is recording the amount of time spent on each DWP enquiry. Averaging 1 ½ hours per case.

- 4.2 The Corporate Fraud Team has identified that there is a need to conduct 'Interventions' on some benefit claims. This allows for checks to be made on the customer's circumstances prior to a claim being put into payment. The team has been endeavouring to work with SFIS to maintain communication between the two bodies.
- 4.3 Eastbourne Borough Council has been successful in securing 3 bids for Counter Fraud Funding from the DCLG. One for an East Sussex Fraud Hub, which will be project led by Eastbourne. Funding has also been received for High Risk Intervention work to be undertaken for Council Tax Reduction cases and the Council will also be part of a country wide Fraud APP project which will allow members of the public to report fraud and learn about fraud trends in their area

The East Sussex Fraud Hub will see Eastbourne, Wealden, Lewes, Brighton and Hove, and East Sussex County Council building together a Fraud Hub, sharing resources, good working practices and undertaken joint working. Hastings and Rother Councils wish to buy services from the Hub.

- 4.4 The Corporate Fraud team has commenced Single Person Discount review checks for the Revenues Department. They are also undertaking reviews around class L exemptions (Mortgage provider in possession) and Student discount reviews.
- 4.5 Time has been spent researching the Housing Department's systems and processes in order to identify where fraud is most likely to occur. This has also allowed the team to understand the customer's journey through the processes from homeless application to allocation.

Following Fraud's intervention, four applications for homelessness have been disallowed and withdrawn. An in-depth fraud review is being undertaken on the Housing Waiting List to check for customers failing to report changes in their circumstances or making false application.

Two investigations involving current tenants have been completed resulting in keys being obtained from the tenant, allowing properties to be re allocated.

- 4.6 A brief investigation was undertaken when a member of public used the Town Hall as their correspondence address when purchasing property in France. The conclusion of the investigation resulted in Single Person Discount being disallowed for 6 months.

## **5.0 Consultation**

- 5.1 Respective Service Managers and Heads of Service as appropriate.

## **6.0 Resource Implications**

- 6.1 Financial – Delivered within the approved budget for Internal Audit

6.2 Staffing – None directly as a result of this report.

**7.0 Other Implications**

7.1 None

**8.0 Summary of Options**

8.1 None

**9.0 Recommendation**

9.1 That the information in this report be noted and members identify any further information requirement and timescales.

**Jackie Humphrey**  
**Internal Audit Manager**

**Background Papers:**

The Background Papers used in compiling this report were as follows:

*None*

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			Planned days	Actual days	Reason for Variance
<b>CORE ANNUAL AUDITS</b>	Benefits	Governance	15	8	
	Cash and Bank	Governance	10	0.6	
	Council Tax	Governance	10	3.4	
	Creditors	Governance	15	6.1	
	Debtors	Governance	15	4.6	
	Housing Rents	Governance	15	4.9	
	Main Accounting	Governance	10	7.5	
	NNDR	Governance	10	6.2	
	Payroll	Governance	10	4	
	Treasury Management	Governance	10	0.8	
	IT	Governance	4	0.2	
	Theatres Reconciliation	Governance	5	2.2	
	Claims work		80	99.5	COMPLETED - extra work requested by external auditor

Contingency		25		
NFI		20	15.9	
Special Investigations/advice		30	17.2	
Follow ups re audits carried out in previous year		30	26.9	
Consultancy		25		

<b>REQUESTS</b>	Shared Sports Facilities	Review	10	4.7	DRAFT
	Rent Support Loans	Review	10	1.1	
	Corporate Fraud	Consultancy	10	3.9	Some work undertaken on report for CMT New Corp Fraud team now to come under Internal Audit
	Daily Cash Reconciliations	Review	5	3.1	COMPLETED
	Waste	Review	15		
	Petty Cash	Review	10	15	Ongoing training with new member of staff

Please turn over

			Planned days	Actual days	Reason for Variance
<b>MEDIUM RISK REVIEWS</b>	Government Connect	IT	10	15.8	COMPLETED Brought 3-4 reviews together for the first time.
	Software Compliance	IT	5		
	Internet Controls	IT	10		
	Change Controls	IT	5		
	Conference and Group Travel	Review	10	9.2	
	Tourist Information Centre	Review	10	8.4	COMPLETED
	Printing	Review/Consultancy	20	8	COMPLETED
	Members	Review	15	13.2	COMPLETED
	CHRIS	IT	5	1.4	
	Elections Computer System	IT	5	1.7	
	Homelessness/Temporary Accommodation	Review	10	4.2	
	BACAS Cemeteries Systems	IT	5	4.2	COMPLETED
	Customer Contact	Review	10	1.6	
	Pest control/Public Health Burial	Review	10	11.3	COMPLETED
	Open Spaces	Review	15	16.7	COMPLETED
	Licences	Review	10	5.4	
	Car Parking	Review	10	10	COMPLETED
	Planning System	IT	10		
Risk Management	Review	10	14.4	COMPLETED	

<b>CONTINGENCY</b>	Leasing and Licensing	Brought forward	15		
	Backup and Storage	Brought forward	5		
	Right to Buy	Requested after plan agreed	10	0.1	



**APPENDIX B****Reasons for original assurance levels given (below Excellent)**

N.B. The issues noted here may have been addressed since the original report was issued.

<b>AUDIT REVIEW</b>	<b>ASSURANCE LEVEL</b>	<b>ISSUES NOTED</b>	<b>Level at follow up</b>
Benefits	Well	<ul style="list-style-type: none"> <li>• Performance monitoring could be improved – resource issue</li> <li>• Instances of incorrect percentage of Council Tax liability being entered.</li> </ul>	N/A
Main Accounting	Well	<ul style="list-style-type: none"> <li>• Some reconciliations not being carried out on a monthly basis.</li> <li>• Some reconciliations are not dated nor noted with the name of the person carrying out the reconciliation.</li> </ul>	N/A
Treasury Management	Well	<ul style="list-style-type: none"> <li>• Evidence of authorisation could not be found for one investment.</li> </ul>	N/A
Theatres Reconciliation	Well	<ul style="list-style-type: none"> <li>• "Tops and tails" (show details) are not signed and dated to demonstrate a check being carried out.</li> </ul>	N/A
Events	Adequate	<ul style="list-style-type: none"> <li>• One instance was found of the contract procedure rules not being followed.</li> <li>• Purchase orders are not being raised at the time the order is placed.</li> <li>• GRNs are not being completed as soon as goods and services are received.</li> <li>• No reconciliation is carried out of car parking tickets to income taken.</li> <li>• No reconciliation is carried out of beer festival tokens to income taken.</li> <li>• Copies of receipts for cash taken from traders at events are not retained.</li> </ul>	Adequate

**APPENDIX B****Reasons for original assurance levels given (below Excellent)**

N.B. The issues noted here may have been addressed since the original report was issued.

<b>AUDIT REVIEW</b>	<b>ASSURANCE LEVEL</b>	<b>ISSUES NOTED</b>	<b>Level at follow up</b>
GIS & LLPG	Adequate	<ul style="list-style-type: none"> <li>Addresses not standardised which could affect implementation of Phase 2 software.</li> <li>Back-ups are not regularly tested.</li> <li>There is only one member of staff trained as a system administrator.</li> </ul>	Adequate
Risk Management	Well	<ul style="list-style-type: none"> <li>Departmental and operation risk registers are not being regularly reviewed.</li> <li>Risks relating to large contracts are not recorded on risk registers.</li> <li>No explanation is given where residual risks remain high.</li> </ul>	Excellent
Daily Cash Reconciliations at Venues	Well	<ul style="list-style-type: none"> <li>Recommendations from the previous review have been addressed. However as there were no variances which required investigations it was not possible to ensure that these were carried out and recorded correctly.</li> </ul>	Well
Tourist Information Centre	Adequate	<ul style="list-style-type: none"> <li>There were issues around who could "void" a sale and how these are recorded and monitored.</li> <li>"No sales" did not appear to be checked.</li> <li>No records of stock checks are retained although the manager stated that these were undertaken.</li> <li>Stock rooms left unlocked.</li> </ul>	Excellent
Government Network	Well	<ul style="list-style-type: none"> <li>Risk register not completed and uploaded to Covalent</li> <li>Risk vulnerabilities identified in health check not addressed at time of review</li> </ul>	Not yet followed up

**APPENDIX B****Reasons for original assurance levels given (below Excellent)**

N.B. The issues noted here may have been addressed since the original report was issued.

<b>AUDIT REVIEW</b>	<b>ASSURANCE LEVEL</b>	<b>ISSUES NOTED</b>	<b>Level at follow up</b>
Printing	Adequate	<ul style="list-style-type: none"> <li>• Procurement exercises are not well documented</li> <li>• Waste paper collection is not part of the Council wide contract</li> <li>• Income is not regularly paid in</li> <li>• Work is being carried out without a purchase order being received.</li> <li>• Work being outsourced without contracts, quotes or market testing.</li> </ul>	Not yet followed up
Members Allowances	Well	<ul style="list-style-type: none"> <li>• One instance found of an incorrect rail fare claimed in error.</li> <li>• One instance of a receipt missing from a petty cash claim.</li> </ul>	Not yet followed up
Pest Control and Public Health Burial	Adequate	<ul style="list-style-type: none"> <li>• No written procedures.</li> <li>• No departmental risk assessments were in place</li> </ul>	Not yet followed up
Open Spaces	Adequate	<ul style="list-style-type: none"> <li>• Relevant policies do not include details of author/owner, date or review date.</li> <li>• Risk registers on Covalent are not regularly reviewed.</li> <li>• Safety signage noted as in need of renewal in Zurich report has not been replaced.</li> </ul>	Not yet followed up
Car Parking	Adequate	<ul style="list-style-type: none"> <li>• Backlog of reconciliations of cash to audit tickets.</li> <li>• Penalty notices not being passed to General Income in a timely manner.</li> <li>• Inaccurate information e.g. phone number on signage</li> </ul>	Not yet followed up

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AUDIT	NUMBER OF RECS		FOLLOW UP DUE	OUTSTANDING RECS		CURRENT POSITION	NOTES RE FOLLOW UP/RECS OUTSTANDING	PRIORITY
	HIGH	MEDIUM		HIGH	MEDIUM			
Leaseholders Recharges	0	3	Jan-15	0	1	Not Yet Due	One recommendation being considered	Medium
Catering	11	6					ALL RECS ADDRESSED	
Corporate Equality	0	1	-	0	1		Recommendation is being dealt with as part of monitoring of Transparency Agenda	
Corporate Complaints	0	5	Dec-14	-	-	Due	This was due but there are too few complaints to check on the new system. Follow up postponed until December.	
Page 49 HR Management	0	4	Dec-14	0	2	Due	One rec being worked on by IT the other refers to agreements and no new ones have been issued since the report.	Medium
Community Enforcement	1	3	Mar-15	0	1	Not Yet Due	Stated outstanding rec will be actioned in March	Medium
Tenancy Management	8	5	Jan-15	0	1	Not Yet Due	Remaining rec reliant on Phase 2	Medium
GIS & LLPG	1	2	Mar-15	1	2	Not Yet Due	A lot of work ongoing in IT - will review in 6 months	Medium
Events	6	3	Mar-15	5	0	Not Yet Due	See separate report	High
Tourist Information Centre	2	4		0	0		ALL RECS ADDRESSED	
Pest Control and Public Health Burial	2	1	Feb-15	-	-	Not Yet Due		
Printing	5	6	Jan-15	-	-	Not Yet Due		
Members Allowances	0	2	Jan-15	-	-	Not Yet Due		
Car Parking	1	2	Feb-15	-	-	Not Yet Due		
Network	0	3	Jan-15	-	-	Not Yet Due		
Open Spaces	1	3	Mar-15	-	-	Not Yet Due		

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	11 <sup>th</sup> March 2015
<b>Subject:</b>	Risk Management
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To provide a report on the updating of the Strategic Risk Register and changes made to it.
<b>Recommendation(s):</b>	To consider and agree the amended Strategic Risk Register.
<b>Contact:</b>	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address <a href="mailto:jackie.humphrey@eastbourne.gov.uk">jackie.humphrey@eastbourne.gov.uk</a>

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## **1.0 Introduction**

- 1.1 The terms of reference for the Audit and Governance Committee include the following: Review the effectiveness of the Council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.
- 1.2 It has been agreed that the Strategic Risk Register need only be reported to Committee when there are any changes made.

## **2.0 Quarterly review of Strategic Risk Register**

- 2.1 The Strategic Risk Register was taken to Corporate Management Team on 17<sup>th</sup> February 2015 for the regular quarterly review.
- 2.2 All the risks were considered in terms of whether there were any new ones which should be added or whether any of the current risk scores needed to be changed.
- 2.3 It was agreed that with the local and general elections being held in May the risk level of the risk SR\_001 should be raised. It was agreed to raise the current risk level back to the original risk score which changes this risk from green to amber.
- 2.4 This risk score will be reassessed once the elections have taken place.
- 2.5 The updated Strategic Risk Register is appended to this report.

## **3.0 Consultation**

3.1 Corporate Management Team.

**4.0 Resource Implications**

4.1 Financial – Delivered within the approved budget for Internal Audit

4.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

**5.0 Other Implications**

5.1 None

**6.0 Recommendations**

6.1 To consider and agree the amended Strategic Risk Register.

**Jackie Humphrey**  
**Internal Audit Manager**

**Background Papers:**

The Background Papers used in compiling this report were as follows:

*None*

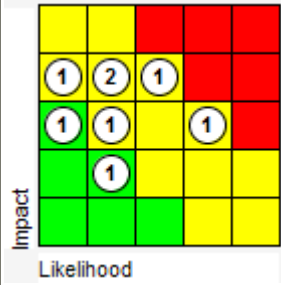
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# **STRATEGIC RISK REGISTER**

**MARCH 2015**

<b>Code &amp; Title</b>	SR_000 Strategic Risk Register
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**Current Risk Matrix**



**LIKELIHOODIMPACT**  
 1 - Unlikely 1 - Minor  
 2 - Possible 2 - Moderate  
 3 - Likely 3 - Significant  
 4 - Highly Likely 4 - Major  
 5 - Almost Certain 5 - Critical

The numbers relate to the amount of risks currently positioned in each box.

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_001	No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	3	4	12	<ol style="list-style-type: none"> <li>1. Create inclusive governance structures which rely on sound evidence for decision making.</li> <li>2. Annual review of corporate plan and Medium Term Financial Strategy</li> <li>3. Creating an organisational architecture through the DRIVE Programme that can respond to changes in the environment.</li> </ol>	CMT; SHoS	3	4	12	Amber	01-Aug-2015
SR_002	Changes to the economic environment makes the Council economically less sustainable	<ol style="list-style-type: none"> <li>1. Economic development of the town suffers.</li> <li>2. Council objectives cannot be met.</li> </ol>	4	4	16	<ol style="list-style-type: none"> <li>1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.</li> <li>2. Creating an organisational architecture through the DRIVE Programme that can respond to changes in the environment.</li> </ol>	CMT; SHoS	4	3	12	Amber	01-May-2015
SR_003	Unforeseen socio-economic and/or demographic shifts creating	<ol style="list-style-type: none"> <li>1. Unsustainable demand on services.</li> <li>2. Service failure.</li> </ol>	2	4	8	<ol style="list-style-type: none"> <li>1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Local Futures Toolkit/data)</li> </ol>	CMT; SHoS	2	3	6	Amber	01-May-2015

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	significant changes of demands and expectations.	3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.				modelling; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)						
SR_004	The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	4	4	16	1. DRIVE change programme to increase non-financial attractiveness of EBC to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. 3. Review of organisation delivery models to better manage the blend of direct labour provision.	CMT; SHoS	2	2	4	Green	01-May-2015
SR_005	Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in	3	4	12	1. Deliver a fit for purpose organisational culture through DRIVE change programme. 2. Continue to develop our performance management capability to ensure early intervention where service	CMT; SHoS	2	4	8	Amber	01-May-2015

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		absenteeism. 5. Service failure 6. Increased possibility of fraud.				and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.						
SR_006	Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people	3	5	15	1. Regularly reviewed and tested Business Continuity Plans. 2. Regularly reviewed and tested Disaster Recovery Plan. 3. DRIVE change programme has created a more flexible, less locationally dependent service architecture. 4. Adoption of best practice IT and Asset Management policies and procedures.	CMT; SHoS	2	4	8	Amber	01-May-2015
SR_007	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result	3	5	15	1. Ongoing and robust risk profiling of local area (demographic and geographic). 2. Review budget and reserves in light of risk profile.	CMT; SHoS	1	3	3	Green	01-May-2015

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		of the impact of the event.				3. Working in partnership with other public bodies.						
SR_008	Failure to meet regulatory or legal requirements (e.g. Data Protection Act)	<p>1. Credibility of the Council is negatively impacted.</p> <p>2. Deterioration of financial position as a result of regulatory activity/penalties.</p> <p>3. Deterioration of service performance as a result of regulatory activity/penalties.</p> <p>4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties.</p> <p>5. Possibility of fraud and bribery.</p>	3	4	12	<p>1. Developing, maintaining and monitoring robust governance framework for the Council.</p> <p>2. Building relationships with regulatory bodies.</p> <p>3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise.</p> <p>4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property.</p> <p>5. Ensure there is full understanding the impact of new legislation (e.g. Localism Act).</p>	CMT; SHoS	1	4	4	Amber	01-May-2015



<b>Body:</b>	AUDIT COMMITTEE
<b>Date:</b>	11 MARCH 2015
<b>Subject:</b>	Draft internal audit plan for 2015/16
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To propose an internal audit plan for 2015/16
<b>Recommendation(s):</b>	To consider and adopt the proposed plan.
<b>Contact:</b>	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

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## **1.0 Introduction**

- 1.1 The internal audit function contributes to the Council's overall governance arrangements through the audits carried out in the annual internal audit plan.
- 1.2 The annual audit plan includes a number of managed audits which are required to be carried out by the external auditors and upon which they place reliance for the work of internal audit.

## **2.0 The Audit Universe**

- 2.1 The Audit Universe is the list of all areas around the Council which can be reviewed.
- 2.2 The universe was completely reviewed in discussion with Heads of Service ahead of the 2014/15 plan.

## **3.0 Production of the draft audit plan for 2015/16**

- 3.1 The internal audit plan for each year begins by calculating the number of audit days available.
- 3.2 There are twelve "managed" audits which have to be undertaken every year in order to satisfy the external auditors. These are:-

- Benefits
- Cash and Bank
- Council Tax
- Creditors
- Debtors
- Housing Rents
- Main Accounting (Financial Ledger)
- NNDR
- Payroll

Treasury Management  
IT  
Theatres

- 3.3 As well as these core audits, work is carried out annually on verifying the NNDR 3 and Benefits Subsidy Claim and time must also be set aside in the audit plan for unplanned work (contingency), advice, special investigations, follow ups, work on the National Fraud Initiative etc.
- 3.4 Once the days necessary to carry out the work listed above are calculated the figure can be taken from the "auditor time available" and the remaining figure is the number of days available for carrying out other audits specifically for the Council. These calculations can be seen as part of Appendix A.
- 3.5 In order to produce the annual internal audit plan a risk assessment of the areas listed in the audit universe is carried out by the Internal Audit Manager. Weighting factors used are :-

The number of transactions in the system;  
System changes;  
Internal control score (evaluated from last review);  
Length of time since last review.

- 3.6 The completed risk assessment can be found at Appendix B. This has been sorted by level of risk and then by the date the last audit review was undertaken.
- 3.7 The draft audit plan is then produced using the risk assessment to select areas for review up to the amount of time available.

#### **4.0 Draft audit plan for 2015/16**

- 4.1 The draft audit plan for the new year which was drawn up using the process described above was taken to CMT for discussion on the 17<sup>th</sup> February 2015. No changes were proposed. This plan can be seen at Appendix C
- 4.2 There are three high risk areas identified in the risk assessment. Two of these are still subject to follow up reviews after an earlier audit. These have therefore not been included in the draft plan.
- 4.3 There are two reviews due to be carried out in Planning. One is for the actual process and the other for the Planning computer system. It is proposed to carry out the one for the computer system this year and other in the next financial year. This is so that one area is not over-audited in the year.
- 4.4 All the reviews from the last financial year that were not started have been put into the plan for 15/16. For those that were started in 14/15 but will be completed in 15/16, time has been allocated within contingency.
- 4.5 More time has been given to the review of Procurement. This will allow time for a review of contract monitoring and enable the audit team to capture information from across the Council about all contracts and set up a list which can then be kept up to date and published under the Transparency agenda.

## **5.0 Eastbourne Homes Ltd**

- 5.1 The Internal Audit team has been asked to take on the Internal Audit work for Eastbourne Homes Ltd from 1<sup>st</sup> April 2015.
- 5.2 In order to cover the extra work the part time auditor has been asked to take on extra hours. These will be completely funded by Eastbourne Homes Ltd.

## **6.0 Consultation**

- 6.1 The Corporate Management Team.

## **7.0 Resource Implications**

- 7.1 Financial – Delivered within the approved budget for Internal Audit
- 7.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

## **8.0 Other Implications**

- 8.1 None

## **9.0 Summary of Options**

- 9.1 None

## **10.0 Recommendation**

- 10.1 To consider and adopt the proposed plan.

**Jackie Humphrey**  
**Internal Audit Manager**

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### **Background Papers:**

The Background Papers used in compiling this report were as follows:

*None*

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APPENDIX A

<b>AUDIT RESOURCE FOR THE 2014/15 AUDIT PLAN</b>					
	Totals	Internal Auditor Manager	Revenues & Benefits Auditor	Internal Auditor	Internal Auditor (P/T Hrs)
<b>FTE POSTS</b>	3.60	1.00	1.00	1.00	0.60
<b>DAYS AVAILABLE FOR EBC</b>	936	260	260	260	156
<b>DAYS AVAILABLE FOR EHL</b>	36				36
<b>PLANNED AUDITS</b>					
Annual Governance Audits	129				
Grant Claims / National Fraud Initiative	100				
Audit Advice / Special Investigations	40				
Follow ups	30				
High Risk Audits	10				
Carry forwards	80				
Medium Risk Audits	110				
Low Risks	10				
Requests	20				
Contingency	45				
<b>Total Chargeable Days</b>	<b>574</b>				
<b>NON-CHARGEABLE TIME</b>					
Supervision and management	50	50			
Seminars and training	33	11	6	6	10
Team meetings	5	5			
Performance appraisals	0				
Strategic, Annual and Business Planning	5	5			
Annual Leave	98	27	27	27	17
Public Holidays	35	10	10	10	5
Concessionary Leave	7	2	2	2	1
Sickness	18	5	5	5	3
Monthly / Quarterly reports on Audit	10	10			
Maternity / Paternity leave	0				
Vacancies	0				
Admin / Reading / Elections	61	20	16	15	10
External Audit Liaison	15	10	5		
<b>Total Non-Chargeable Days</b>	<b>337</b>	<b>155</b>	<b>71</b>	<b>65</b>	<b>46</b>
<b>RISK MANAGEMENT</b>	<b>20</b>				
<b>PEER REVIEWS</b>	<b>5</b>				
<b>TOTAL EBC RESOURCE REQUIREMENT</b>	<b>936</b>				
<b>TOTAL EBC AVAILABLE DAYS</b>	<b>936</b>				
<b>EHL INTERNAL AUDITING</b>	<b>36</b>				

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**Appendix B - Risk Assessment**

<b>Service Name</b>	<b>Audit Type</b>	<b>Transactions Score</b>	<b>Internal Control Score</b>	<b>System Changes Score</b>	<b>Risk Level</b>	<b>Planned Time</b>	<b>Last audited</b>	
Open Revenues	Computer	5	4	4	35	10	NYA	
Catering	Review	4	5	4	35	10	Sep-14	Still being followed up
Events & Attractions	Review	5	5	2	34	15	Dec-14	Still being followed up
Planning System	Computer	3	5	3	30	10	NYA	
Telephones	Review	4	4	3	30	10	NYA	
Waste Contract	Review	4	3	4	29	10	NYA	
Planning	Review	3	4	3	27	10	NYA	
Engineering	Review	3	4	2	25	10	NYA	
Customer Services/Postfield	Computer	1	5	3	24	10	NYA	
Personal Loans	Review	2	4	2	22	10	NYA	
Seafront Services	Review	2	4	2	22	10	NYA	
Conferences & Group Travel	Review	3	3	2	22	10	May-04	ongoing
Homelessness/Temp Accommodations	Review	4	3	3	27	10	Jun-04	Partially ongoing
Software Compliance	Computer	3	3	2	22	5	Dec-05	
Internet Controls	Computer	3	3	3	24	10	Sep-06	
Licenses - Entertainment & Taxi	Review	3	3	2	22	10	Mar-07	
Business Continuity Planning (Incl IT)	Review	3	4	5	31	15	Aug-09	
Capital Programme	Review	5	2	2	25	15	Oct-11	
Procurement (Purchasing and contracts)	Review	5	3	2	28	10	Jan 12	
Economic Development	Review	3	3	2	22	15	Jan-12	
Cafi - Bank Reconciliations	Computer	5	3	4	32	10	Feb-12	
Leasing & Licensing	Review	5	3	2	28	15	Jun-12	
W2	Computer	5	2	4	29	15	Sep 12	
Sports and Community Centres	Review	5	2	2	25	10	Sep-12	ongoing
Asset Management	Review	5	3	4	32	15	Nov-12	
Cafi - Debtors	Computer	5	1	4	26	10	Nov-12	
Cafi - General Ledger	Computer	5	1	3	24	4	Nov-12	
Theatres (Box office/FOH/ Marketing)	Review	5	3	2	28	20	Feb-13	
Devolved Budgets	Review	3	2	4	23	10	Mar-13	
Cafi - Creditors	Computer	5	2	4	29	15	Jul-13	
Cafi - Purchasing	Computer	5	1	4	26	25	Jul-13	
Security of Data Movement	Computer	4	1	3	21	5	Aug-13	
Housing (inc EHL contract)	Review	5	2	3	27	15	Oct-13	

## Appendix B - Risk Assessment

Health & Safety	Review	5	1	3	24	20	Oct-13		
Corporate Complaints	Review	3	3	2	22	4	Oct-13	Still being followed up	
Human Resources (Pers/recruit/training)	Review	5	2	3	27	15	Nov-13	Still being followed up	
Access to Information	Review	3	2	3	21	15	Nov-13		
Land Charges & Searches	Review	4	2	4	26	5	Dec-13		
Community Grants	Review	4	1	3	21	10	Jan-14		
Tenancy Management	Review	4	5	2	31	10	Feb-14	Still being followed up	
Information Governance inc records managem	Review	3	5	3	30	15	Feb-14		
Leaseholders and Recharges	Review	4	2	2	22	10	Feb-14	Still being followed up	
Civil Contingency	Review	3	2	3	21	15	Mar-14		
Redoubt	Review	5	2	2	25	20	May 14		
Civica ICON and KPR	Computer	5	1	2	22	10	Jun-14		
Daily Cash Reconciliations at venues	Review	4	2	2	22	10	Jun-14		
Project Management Control	Review/Comp	3	3	3	24	15	Jul-14		
GIS System & LLPG	Computer	3	3	3	24	5	Sep-14		
Car Parking inc. Parking Permits	Review	3	3	3	24	10	Oct-14		
Government Connection	Computer	3	3	3	24	10	Oct-14		
Post Control and Public Health Burial	Review	4	3	1	23	10	Oct-14		
Members (allowances/Interests/Support/hospit	Review	4	2	2	22	15	Oct-14		
Printing Services	Review	3	3	2	22	5	Oct-14	Still being followed up	
Open Spaces	Review	4	3	2	25	10	Dec-14		
Electoral Computer Sys.	Computer	3	2	1	17	5	Mar-04		
CHRIS Computer System	Computer	3	1	3	18	5	Feb-08		
IT Contract	Computer	3	1	1	14	10	Jul-08		
Change Controls	Computer	3	1	2	16	5	Dec-09		
Performance Management	Review	3	1	3	18	15	May 10		
Internet/intranet/telephone payments/PCIDSS	Computer	5	1	1	20	10	Oct-11		
Insurances	Review	3	1	2	16	10	Feb-12		
Corporate Strategy/Priorities/Plan	Review	3	1	3	18	10	Jun-12		
Development Control & S106	Review	4	1	2	19	20	Nov-12		
Partnerships	Review	4	1	2	19	15	Nov-12		
Elections and Electoral Register	Review	3	1	4	20	10	Dec-12		
Postal Services	Review	3	1	4	20	10	Mar-13		
APP	Computer	3	1	3	18	10	Mar-13		
Covalent	Computer	3	1	2	16	5	Mar-13		
Imp. Grants (DFG's) & HMO Licencing	Review	3	1	1	14	10	Aug-13		
Cemeteries & Crematorium	Review	5	1	1	20	10	Oct-13		
Destination Management System (DMS)	Computer	3	1	1	14	5	Dec-13		





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<b>AUDIT RESOURCE FOR THE 2015/16 AUDIT PLAN</b>	
<b>ANNUAL GOVERNANCE AUDITS</b>	<b>2015/16</b>
Benefits	15
Cash and Banking	10
Council Tax	10
Creditors	15
Debtors	15
Housing Rents	15
Main Accounting	10
NNDR	10
Payroll	10
Treasury Management	10
ICT	4
Theatres	5
<b>TOTAL</b>	<b>129</b>
<b>GRANT CLAIMS / NFI</b>	<b>100</b>
<b>AUDIT ADVICE / SPECIAL INVESTIGATIONS</b>	<b>40</b>
<b>FOLLOW UPS</b>	<b>30</b>
<b>CONTINGENCY</b>	<b>45</b>
<b>CARRY FORWARDS FROM 14/15 PLAN</b>	
Waste contract	10
Software compliance	5
Internet controls	10
Change controls	5
CHRIS	5
Electoral Computer System	5
Customer Contact <sup>see note 1</sup>	10
Planning System	10
Leasing and Licensing	10
Right to Buy	10
<b>TOTAL</b>	<b>80</b>
<b>HIGH RISK AUDITS</b>	
Open Revenues	10
<b>TOTAL</b>	<b>10</b>
<b>REQUESTS</b>	
IT Systems resilience and redundancy <sup>see note 2</sup>	10
Building Control	10
<b>TOTAL</b>	<b>20</b>
<b>MEDIUM RISK AUDITS</b>	
Engineering	10
Telephones	10
Personal Loans	10
Seafront Services	15
Asset Management	10
Licences (Entertainment and Taxis)	10
Procurement	20
Business Continuity Planning	10
Cafi Bank Rec	10
Performance Management	10
<b>TOTAL</b>	<b>115</b>
<b>LOW RISK AUDITS</b>	
IT Contract	5
<b>Page 73 TOTAL</b>	<b>5</b>

APPENDIX C

<b>CHARGEABLE TIME</b>	<b>574</b>
<b>NON-CHARGEABLE TIME</b>	<b>337</b>
<b>OVERALL TOTAL</b>	<b>911</b>

**Note**        Emails/face to face/telephone - procedures followed for passing contacts on e.g W2 or email. How dealt with once passed on. What reports are produced and how dealt with. Discuss scope with Melanie Thompson in the first instance.

**Note**        Re VOIP downtime and members issues with ipads