



## Audit and Governance Committee

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**MEMBERS:** Councillor Swansborough (Chairman); Councillor Sabri (Deputy-Chairman); Councillors Choudhury, Di Cara, Dow, Holt, Smart and Taylor

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## Agenda

- 1 Minutes of the meeting held on 11 March 2015 - 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 Internal Audit Report to 31st March 2015.** (Pages 1 - 24)

Report of Internal Audit Manager.

**8 Annual Governance Statement.** (Pages 25 - 48)

Report of Internal Audit Manager.

**9 Strategic Risk Register.** (Pages 49 - 56)

Report of Internal Audit Manager.

**10 Annual Accounts 2014/15.** (Pages 57 - 60)

Report of Financial Services 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.

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# Agenda Item 7

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	24 <sup>TH</sup> JUNE 2015
<b>Subject:</b>	Internal Audit Report to 31 <sup>ST</sup> March 2015
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	<p>To provide a summary of the activities of Internal Audit for the year 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015.</p> <p>To document the Internal Audit Manager's opinion of the internal control environment as required for the Annual Governance Statement.</p> <p>To consider compliance with the Public Sector Internal Audit Standards.</p>
<b>Recommendation(s):</b>	That the information in this report be noted and members identify any further information requirements.
<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 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 2015.

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

- 2.1 A list of all the audit reports issued in final from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 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
Shared Sports Facilities	Performing Well
Petty Cash	Performing Adequately
Cash and Bank (Annual 2014-15)	Performing Excellently
Creditors (Annual 2014-15)	Performing Well
Debtors (Annual 2014-15)	Performing Excellently
Main Accounting (Annual 2014-15)	Performing Well
Payroll (Annual 2014-15)	Performing Excellently
Treasury Management (Annual 2014-15)	Performing Excellently
Theatres Reconciliation (Annual 2014-15)	Performing Excellently

#### 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 No reports have been issued within this financial year with the assurance level of “inadequate”.
- 2.3 It should be explained that seven of the 12 annual audits for 14-15 were actually completed during the year. As this was not the case last year they therefore appear twice in the list at 2.1 with one entry referring to the report issued for the 13-14 work and the other for the 14-15 work.
- 2.4 Appendix A shows the work carried out against the annual plan. The following comments explain the main points to be noted from the table:

- 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.
- During the year the team lost the Computer Auditor. This meant that there was a loss of resource while the post was replaced. The replacement member of staff then required time to train up which took some of the available time of the Internal Audit Manager. At the end of the financial year another member of staff took retirement and therefore could not start any new work before leaving. These issues with resources have meant that several audits were not carried out. However all those not started have been carried forward onto the plan for 2015-16.
- In two instances Internal Audit was asked to postpone audit reviews as the areas to be audited came under the remit of Phase 2 and therefore a lot of work was to be carried out on reviewing processes to be modelled for the new way of working.

2.5 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.

2.6 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.

2.7 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.

2.8 Where the column “priority” in Appendix C shows “High” the outstanding recommendations, and client comments from the report, have been listed at Appendix D. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.

2.9 Appendix D was reviewed by CMT and comments from 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 were 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 Corporate Fraud section now report these frauds to Internal Audit on a quarterly basis.

- 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.

<b>Overpayments over £10,000 between 01/04/14 and 31/03/15</b>					
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. Work has continued on some benefit claims in the form of interventions. It was felt that these cases needed an immediate investigation. 27 cases were checked resulting in changes to 16 cases.
- 4.2 Investigations were undertaken on Council Tax and Housing/Council Tax/NNDR mixed cases. 8 were checked in total resulting in 5 positive outcomes. One case in particular identified 4 unregistered properties.
- 4.3 Work is also being carried out on the NFI data matching exercise. Of 1,769 matches reported 508 have been processed and 125 are being worked on.
- 4.4 Other work is ongoing on Housing investigations, non-responses to the SPD review and exemption/discount reviews. With Housing investigations, two properties were returned to stock which had been inappropriately tenanted. This has been calculated as a saving to the Council of £36k being £18k per property. (Tackling Social Housing Fraud, National Fraud Authority 2010 - £18,000 average cost of housing a family in Temporary accommodation per year).
- 4.5. During the year the team has also identified overpayments and incorrect benefit paid both from their own investigations and from investigating cases from the Housing Benefits Matching Service reports. This has resulted in the following amounts being identified.

<b>Investigations initiated by Fraud section</b>	
Overpayments identified	£200,553
Weekly incorrect benefits identified	£179,841
<b>Investigations into HBMS cases</b>	
Overpayments identified	£59,925
Weekly incorrect benefits identified	£155,744

The overpayment amounts are recoverable monies. The Weekly Incorrect Benefit figures is the estimated amount of saving of having identified the overpayment; i.e. the amount the Council would have paid out if the overpayment had continued.

- 4.6 A Corporate Fraud presentation has been given to EHL and the team has attended training on Prevention and Detection of Housing Fraud and Procurement Fraud.



4.7 The Corporate Fraud Manager has also been taking the lead for exploring both case management and tenancy solutions for use by the East Sussex Counter Fraud Hub members. The cost of this is covered by the grant awarded to the Hub. It should also be noted that confirmation has recently been received that the Hub will receive the grant for the second year of funding.

## **5.0 Annual Governance Statement and Opinion of the Internal Audit Manager**

5.1 The work referred to in this report has been used as the basis for the opinion of the overall effectiveness and adequacy of the internal control environment along with other ad hoc work undertaken by the auditors.

5.2 It is the opinion of the Internal Audit Manager that internal controls across the authority were generally found to be sound.

5.3 CMT were asked to consider potential governance issues to be reported in the Annual Governance Statement. The issue of the number and pace of changes at the Council was put forward for consideration and was discussed by CMT. The results are reported in the Annual Governance Statement report.

## **6.0 Self Assessment**

6.1 The Public Sector Internal Audit Standards came into effect from 1<sup>st</sup> April 2013 and the work of the Internal Audit section is assessed for compliance against these standards annually.

6.2 A checklist for compliance has been completed and it is found that the Internal Audit function is "generally conforming" to the standards. Of the 211 (applicable) points against which conformance is measured the following was found:

**97.63% conformance**  
1.89% partial conformance  
0.47% non conformance

6.3 Areas of partial or no conformance are listed in the attached table with explanations and actions to be taken where appropriate. Progress will continue on addressing the issues required to ensure better compliance and this will be reported to the committee.

6.4 An agreement has been reached within the Sussex Audit Group on how to carry out the external reviews. A schedule had been set up so that each authority's compliance with the standards will be reviewed by the Internal Audit Manager from two other authorities. These will not be neighbouring authorities in order to ensure independence and objectivity is demonstrated. The authority being reviewed will also have access to a third Internal Audit Manager who will act as a "critical friend". It is intended that Eastbourne will be reviewed in 15-16.

## **7.0 Consultation**

7.1 Respective Service Managers and Heads of Service as appropriate.

## **8.0 Resource Implications**

8.1 Financial – Delivered within the approved budget for Internal Audit

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

## **9.0 Other Implications**

9.1 None

## **10.0 Summary of Options**

10.1 None

## **11.0 Recommendation**

11.1 That the information in this report be noted and members identify any further information requirements.

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

### **Background Papers:**

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

*Public Sector Internal Audit Standards - checklist*

## AREAS OF NON COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

No/ Partial conformance	Requirement	Reason for partial/non conformance	Actions	Timescale
No	Has the Internal Audit Manager carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	None have been carried out previously and some training is required in order to carry one out correctly.	The Sussex Audit Group, is currently researching options for training/mentoring on carrying out such an exercise for all the members of the group.	6 months
Partial	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	The Internal Audit team is small with some specialisms. It is therefore not possible to rotate all engagements.	None planned	N/A
Partial	Has the Internal Audit Manager agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	The external assessment has to be carried out within 5 years. One has not yet been undertaken so these requirements will be met but not until the assessment is undertaken.	The Audit and Governance Committee have been informed of the need for an external assessment. The scope of the assessment is still being considered by the Sussex Audit Group since there is no adequate information being provided by CIPFA on how these reviews should be undertaken.	Before April 2018
Partial	Has the Internal Audit Manager agreed the scope of the external assessment with the external assessor or assessment team?	The external assessment has to be carried out within 5 years. One has not yet been undertaken so these requirements will be met but not until the assessment is undertaken.	These are being discussed with the Sussex Audit Group since there is no adequate information being provided by CIPFA on how these reviews should be undertaken.	Before April 2018
Partial	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud?	This has not been carried out in any formal way but high level risk areas are considered when putting together the annual audit plan.	The newly formed Corporate Fraud team will undertake the risk assessment as part of their objectives.	September 15

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			Planned days	Actual days	Reason for Variance
	Benefits	Governance	15	27.2	Part 13-14 and part 14-15
	Cash and Bank	Governance	10	3.3	COMPLETED
	Council Tax	Governance	10	12.5	Part 13-14 and part 14-15
	Creditors	Governance	15	14	COMPLETED
	Debtors	Governance	15	15.3	COMPLETED
	Housing Rents	Governance	15	10.1	
	Main Accounting	Governance	10	8.3	COMPLETED
	NNDR	Governance	10	11.9	
	Payroll	Governance	10	10.6	COMPLETED
	Treasury Management	Governance	10	5.1	COMPLETED
	IT	Governance	4	4.6	
	Theatres Reconciliation	Governance	5	2.2	COMPLETED
	Claims work		80	99.5	COMPLETED - extra work requested by external auditor
			<b>209</b>	<b>224.6</b>	

	Contingency		25	8.1	
	NFI		20	17	
	Special Investigations/advice		30	23.1	
	Follow ups re audits carried out in previous year		30	28.8	
	Consultancy		25		
			<b>130</b>	<b>77</b>	

<b>REQUESTS</b>	Shared Sports Facilities	Review	10	4.8	COMPLETED
	Rent Support Loans	Review	10	1.7	Asked to postpone due to Phase 2
	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		Carried forward to 15-16
	Petty Cash	Review	10	15	COMPLETED
			<b>60</b>	<b>15</b>	

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			Planned days	Actual days	Reason for Variance
MEDIUM RISK REVIEWS	Government Connect	IT	10	15.9	COMPLETED Brought 3-4 reviews together for the first time.
	Software Compliance	IT	5	0.8	} Carried forward to 15-16 plan
	Internet Controls	IT	10		
	Change Controls	IT	5	0.3	
	Conference and Group Travel	Review	10	14.7	
	Tourist Information Centre	Review	10	8.4	COMPLETED
	Printing	Review/Consultancy	20	8.2	COMPLETED
	Members	Review	15	14.3	COMPLETED
	CHRIS	IT	5	2.4	} Carried forward to 15-16 plan
	Elections Computer System	IT	5	2.2	
	Homelessness/Temporary Accommodation	Review	10	4.4	
	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	8.5	
	Car Parking	Review	10	12	COMPLETED
	Planning System	IT	10		Carried forward to 15-16 plan
Risk Management	Review	10	14.4	COMPLETED	
			<b>185</b>	<b>140.3</b>	

**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>	Adequate
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>	Excellent
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>	Adequate
Shared Sports Facilities	Well	<ul style="list-style-type: none"> <li>• Agreements do not reflect the current service and are nearing the end of their terms.</li> <li>• Sole usage is not adequately formalised.</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>
Petty Cash	Adequate	<ul style="list-style-type: none"><li>• Written procedures do not reflect the current practices and are not accessible to users.</li><li>• Changes to petty cash floats are not recorded at the time of the change.</li><li>• VAT receipts are not always submitted.</li><li>• Not all annual certificates had been authorised by relevant managers.</li></ul>	Not yet followed up
Creditors	Well	<ul style="list-style-type: none"><li>• Managers are not always dealing with alerters in a timely fashion.</li><li>• No details noted when a "prevent payment" maker was put on and taken off.</li><li>• GRNs are not being completed in a timely manner.</li></ul>	N/A
Main Accounting	Well	<ul style="list-style-type: none"><li>• Some reconciliations are not being carried out on a monthly basis.</li><li>• It was unclear in one instance whether variances were being investigated.</li></ul>	N/A

## APPENDIX C

MONITORING OF RECOMMENDATIONS AS AT END MARCH 2015

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		0	1		One rec to be considered as part of Phase 2. Further review will be carried out after the move to Phase 2.	
Corporate Complaints	0	5	Ongoing	-	-	Due	<i>Completed in next quarter - all addressed</i>	
HR Management	0	4	Jun-15	0	2	Not Yet Due	Work on recommendations ongoing.	Medium
Community Enforcement	1	3	Apl 15	0	1	Not Yet Due	<i>Completed in next quarter - all addressed</i>	Medium
GIS & LLPG	1	2	Jul-15	1	1	Not Yet Due	One rec is dependant on Phase 2. Disaster recovery testing is to be rescheduled.	Medium
Events	6	3	Sep-15	5	0	Not Yet Due		High
Pest Control and Public Health Burial	2	1	Ongoing	-	-	Due	<i>Completed in next quarter - all addressed</i>	
Printing	5	6	Jun-15	3	4	Not Yet Due	One ongoing and others reliant on shared service outcomes or staffing.	High
Car Parking	1	2	Jun-15	1	2	Not Yet Due	Issues with machines meaning variance in income; delays in invoicing and one med rec progressing	Medium
Network	0	3	July	0	2	Not Yet Due	<i>Completed in next quarter - work ongoing</i>	Medium
Open Spaces	1	3		1	3	Not Yet Due	<i>Completed in next quarter - progress reliant on Service and Financial Planning</i>	
Petty Cash	0	8	Apl 15	-	-	Not Yet Due		
Shared Sports Facilities	0	5	Jun-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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# Agenda Item 8

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	24 JUNE 2015
<b>Subject:</b>	Annual Governance Statement
<b>Report Of:</b>	Internal Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To consider the Annual Governance Statement to be signed by the Council Leader and Chief Executive.
<b>Recommendation(s):</b>	The Committee approves the Annual Governance Statement.
<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 Background**

1.1 Corporate governance involves everyone in local government. Two definitions are:

“Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.

“How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – CIPFA/SOLACE

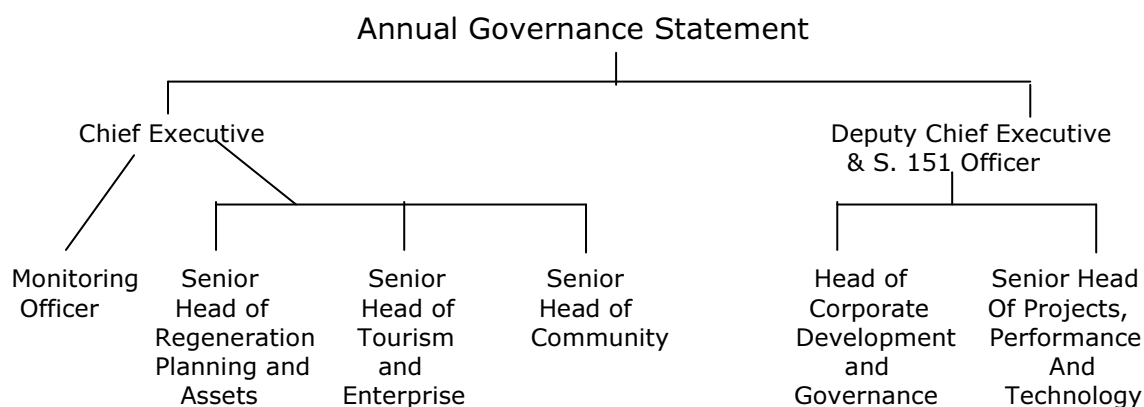
1.2 The Council has a legal requirement to produce an Annual Governance Statement each year. The statement accompanies the Statutory Statement of Accounts once adopted.

1.3 The Audit and Governance Committee is tasked with overseeing the risk management, internal control and reporting to the Council. A key component of this work is to approve the Annual Governance Statement.

## **2.0 Governance Framework**

2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the Council. However this is just the end product of the framework of governance operating within the authority throughout the year.

- 2.2 Appendix 1 shows the framework for gathering the assurances and how this is affected by and affects the relationship with partners, stakeholders and the community. Following this framework should ensure that the Council meets the six principles of corporate governance.
- 2.3 Use of this framework also allows the Council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.
- 2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year end in order to feed directly into the Annual Governance Statement.
- 2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline (end June) for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.
- 2.6 Appendix 3 shows the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, RIPA and frauds over £10k. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the Council.
- 2.7 These statements are completed by Heads of Service/Senior Heads of Service and are then passed through the Chief Executive and Deputy Chief Executive. The comments made on the statements are considered for inclusion in the Annual Governance Statement. e.g.:



### **3.0 Annual Governance Statement**

- 3.1 The Annual Governance Statement is a document that provides a structure in which to consider the Council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.



- 3.2 There are essentially three parts to the statement:
- A statement of responsibility and purpose
  - A description of the components of the governance framework that exist in the Council
  - The resulting issues and actions arising from those arrangements

#### **4.0 The 2014/15 Review**

- 4.1 The 2013/14 governance issues and subsequent action plan has been compiled from:

The annual report of the Internal Audit Manager  
Corporate Management Team  
Scrutiny reports  
Standards reports  
External Audit reports  
Reports of external review bodies  
Managers' Assurance Statements  
Evidence from the Council's Monitoring Officer(s)  
Review by the Chief Finance Officer, Deputy Chief Executive and Internal Audit Manager.

- 4.2 Completed Managers' Assurance Statements were returned from all Heads of Service and from Eastbourne Homes Limited. Six Managers' Assurance Statements mentioned minor concerns around capacity and capability of staff.
- 4.3 The Council is continuing with a programme of change called "Future Model" which is redesigning the Council's services to be more focussed around the needs of customers as well as realising efficiency savings. The Council is involved in shared service agreements principally with Lewes D.C. There are also significant asset projects underway such as the development of Devonshire Park. Together this means that there is a significant volume and variety of change which brings a cumulative risk. The Council is aware of this and receives regular updates on its Sustainable Service Deliver Strategy (SSDS) and ongoing performance monitoring and reporting. Project boards and an overall cross party "DRIVE" board oversee the change programme. The Council has set aside financial resources to deal with short term needs via its strategic change fund and deploys additional resources on a project by project basis.
- 4.4 CMT was asked to consider whether this should be noted as a significant issue for the Annual Governance Statement. This was discussed and it was agreed although it should be mentioned in the body of the statement it did not represent a significant issue as the programmes are being adequately monitored. Therefore no significant risks have been reported this year.
- 4.5 Once approved the Annual Governance Statement will be signed by the Leader of the Council and the Chief Executive and will be published alongside the annual accounts.

## **5.0 Recommendation**

5.1 The committee approves the Annual Governance Statement.

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

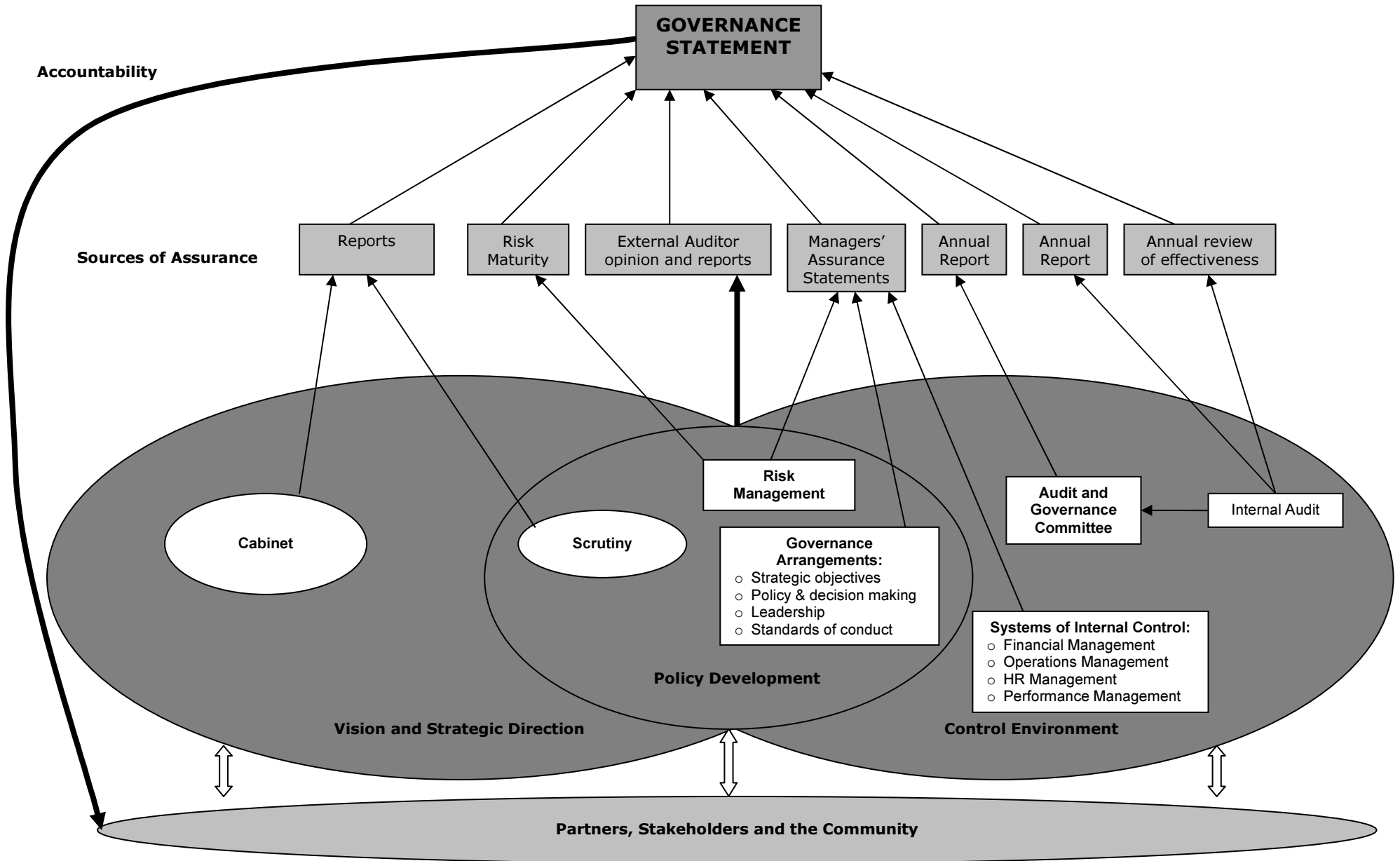
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### **Background Papers:**

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

*None*

**APPENDIX 1**



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## Appendix 2

### ANNUAL GOVERNANCE STATEMENT TIMETABLE

<b>Deadline</b>	<b>Responsibility</b>	<b>Action</b>
Throughout year		1/4ly updates of the Strategic Risk Register
	Internal Audit Manager	Internal Audit reports
	BDO	External Audit reports
	All Managers	Management reports
		Other sources of assurance
April/May	All Managers	Managers Assurance Statements completed (to include RIPA statement)
	Chief Finance Officer	Preparation of the Annual Governance Statement
	CMT	Annual Governance Statement considered
June	Internal Audit Manager	Internal Audit Annual report presented to Audit and Governance Committee
	Internal Audit Manager	Internal Audit Annual report presented to Audit and Governance Committee
	Chief Finance Officer, Leader and Chief Executive	Annual Governance Statement signed by Leader and Chief Executive
	Audit and Governance Committee	Annual Governance Statement published

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DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns  Action Plan
1.	<p><b>Services are planned and managed to implement the priorities of Eastbourne Borough Council.</b></p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> <li>• Service plan aligned to the Council's priorities</li> <li>• Plans in place to monitor the quality of service to users and seek continuous improvements</li> <li>• Making best use of resources to ensure excellent service and value for money is achieved</li> <li>• Dealing effectively with any failures in service delivery.</li> </ul>						
2.	<p><b>There are good working relationships with Members and officers responsibilities are clearly defined.</b></p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> <li>• Statutory Officers have clearly defined scope and status to fulfil their roles</li> <li>• Delegated powers are clearly defined and understood</li> <li>• Member/officer protocol operates effectively in practice</li> <li>• Partnership governance arrangements are clearly defined and appropriate</li> </ul>						

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns  Action Plan
3.	<p><b>The values of good governance are demonstrated and high standards of conduct and behaviour.</b></p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> <li>• Effective communication to all staff of the code of conduct, standing orders, Financial Procedure Rules, Contract Procedure Rules and Anti Fraud and Corruption Policy</li> <li>• Effective performance management of staff and regular appraisals</li> <li>• The Council's values are understood and promoted</li> </ul>						
4.	<p><b>Management decision making and advice to Members are well founded and involve consideration of professional advice and identified risks.</b></p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> <li>• Effective arrangements to ensure data quality (complete, accurate, timely and secure)</li> <li>• The internal control framework operates effectively</li> <li>• Professional advice is obtained where appropriate and is recorded</li> <li>• Risk management operates effectively in strategic,</li> </ul>						



DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns  Action Plan
	project and operational areas <ul style="list-style-type: none"> <li>• Decisions made are in accordance with delegated powers and the Council's constitution</li> <li>• Arrangements are in place to obtain assurance on the management of key risks</li> </ul>						
5.	<p><b>The capacity and capability of officers has been developed to ensure effective performance.</b></p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> <li>• Training and development of staff</li> <li>• Workforce planning to ensure there are adequate staffing levels</li> <li>• Statutory officers have sufficient resources to fulfil their role</li> </ul>						
6.	<p><b>Robust public accountability is ensured by engaging with local people and stakeholders</b></p> <p>Demonstrated through:</p> <ul style="list-style-type: none"> <li>• Arrangements to communicate with relevant sections of the community</li> <li>• Undertaking effective consultation with public and other stakeholders</li> <li>• Consultation with staff and engagement in decision making is undertaken</li> </ul>						

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
7.	<b>Adequate processes have been put in place for the safeguarding of children and vulnerable adults.</b>						
8.	<b>Adequate action has been taken to ensure compliance with the requirements of the Bribery Act.</b>  Demonstrated through: <ul style="list-style-type: none"> <li>• Proportionate procedures have been put in place to prevent bribery</li> <li>• The risks of bribery have been assessed and added to the departmental risk register</li> <li>• Procedures and risks are regularly monitored and reviewed.</li> </ul>						
		<b>Yes</b>	<b>No</b>	<b>Considered but not used</b>			
9.	<b>Have you had reason for using/considering using surveillance which would fall under RIPA?</b>						
		<b>Yes</b>	<b>No</b>	<b>If yes, please give details</b>			
10.	<b>Are you aware of any frauds over £10k that have not already been informed to the Internal Audit section.</b>						

# **Annual Governance Statement**

## **Scope of responsibility**

Eastbourne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Eastbourne Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website ([www.eastbourne.gov.uk](http://www.eastbourne.gov.uk))

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

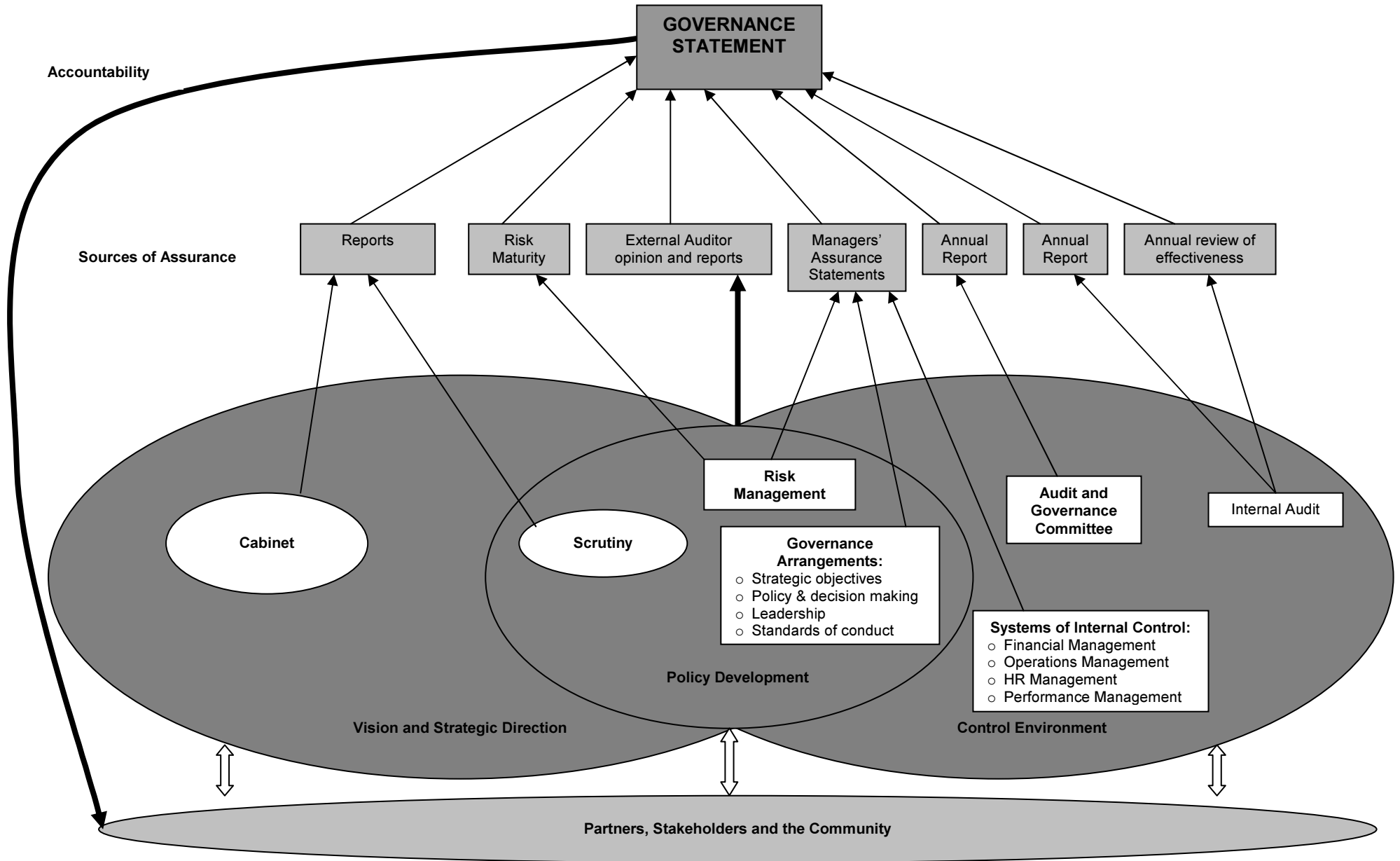
## **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the Annual Reports on financial Outturn and performance and Statement of Accounts.

# THE GOVERNANCE FRAMEWORK



## **THE GOVERNANCE FRAMEWORK**

The diagram of the Governance Framework at Eastbourne Borough Council demonstrates how the information concerning the needs, requirements and views of partners, stakeholders and the community are used in decision making processes across the authority and eventually feeds into the Annual Governance Statement as part of our accountability to the community.

Key elements of the systems and processes that comprise the authority's governance arrangements are described below.

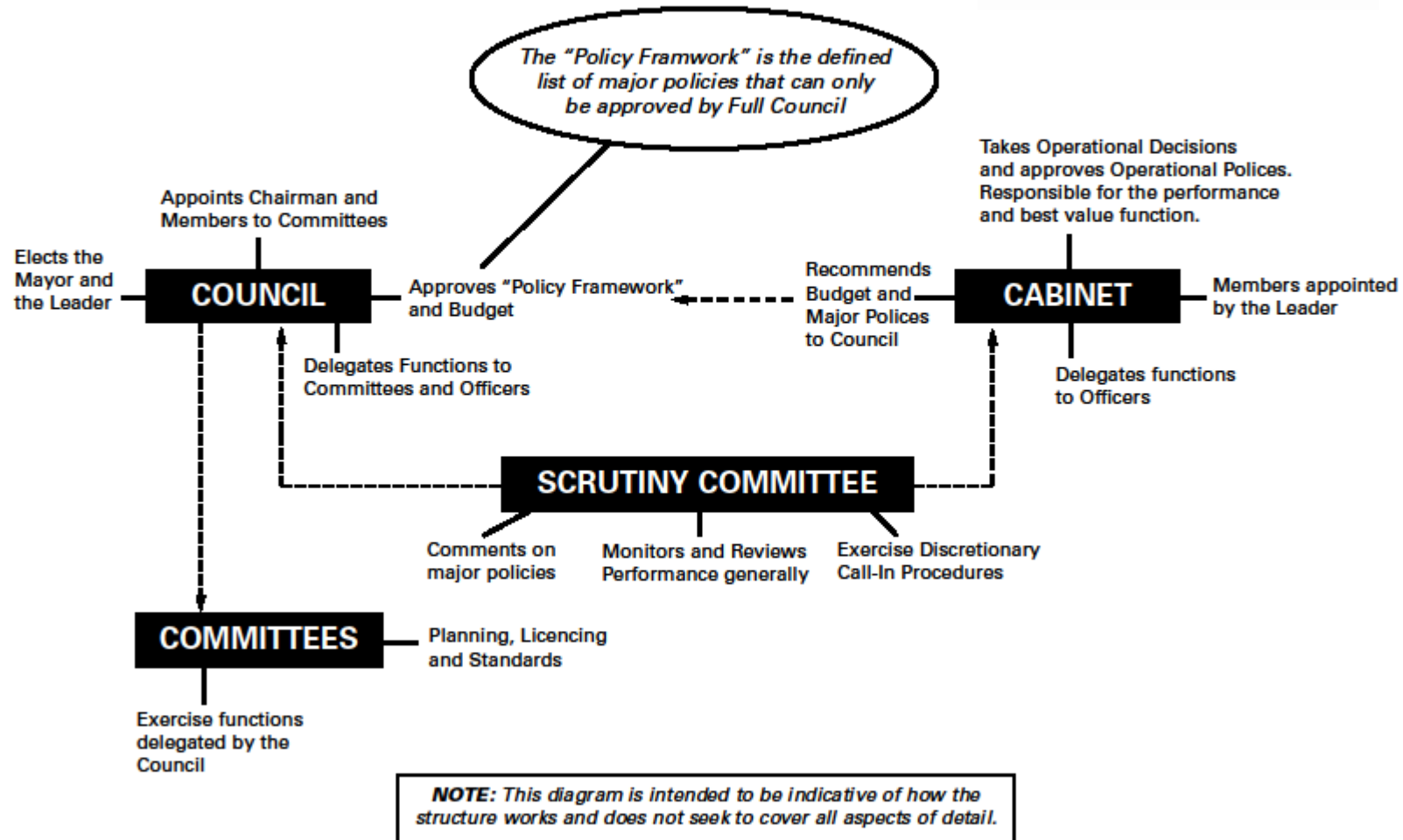
The Council's Corporate Plan 2010-15 sets out the authority's vision, objectives, values and priorities. It brings together key actions and performance indicators to measure progress against priority projects. A public consultation was run to discover what the public wanted more/less spend on and which services they most/least valued. Information was also taken from a MORI Place Survey which was a statutory bi-annual consultation. Other data was used that placed Eastbourne in the wider context as well as the results of the 2009 Comprehensive Area Assessment. All this information was used to create the current corporate priority themes, 5-year vision statement and initial priority projects for the first year of the 2010-15 corporate plan.

The plan is reviewed annually with high level public consultation exercises taking place to re-test the top priorities ahead of a refresh of the plan. Each year the plan is approved by full Council. The Corporate Plan is available to view on the Council's website.

The priorities listed in the Corporate Plan are set up as programmes and key projects / activities feeding into these are specified. Each project is allocated an owner and the relevant objectives, milestones, performance indicators, planned activities and time tables are identified. All this information is uploaded into performance management software to allow for ease of monitoring and reporting. This is then regularly updated with information about progress against the objectives. There are monthly monitoring management and intervention arrangements in place through the Corporate Management Team and Scrutiny in addition to quarterly reporting to Cabinet

The Council is required to hold a written constitution under the provisions of the Local Government Act 2010. The constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. The Council's current constitution was originally adopted in May 2002 and has been the subject of update and amendment since that time. Some of the content of the constitution is required by law and other content is for the Council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the Council including Council, Cabinet and committees

## The Modernised Political Structure - How it Works



(see The Modernised Political Structure – How It Works diagram). It also contains a Scheme of Delegation which allows officers to take decisions on behalf of the Council. The responsibilities of each officer are clearly documented.

Standards of behaviour and conduct of Members and staff are laid down in relevant sections of the constitution. Other relevant policies include the Anti Fraud and Corruption Policy (containing sections on Whistleblowing and the Bribery Act), disciplinary and grievance procedures and the Dignity at Work Policy. The Monitoring Officer and the Standards Panel have responsibility for considering complaints against Members. All policies and guidance are available to staff and Members on the Council's intranet.

All aspects of the decision making framework, including schemes of delegation, are contained in detail in the Council's constitution and summarised in the articles of the constitution. The content of this document is specifically ratified each year by the annual meeting of the Council. Any proposed changes to the Council's constitutional rules and delegations can be considered at any time, drafted, and put to the next available Council meeting for decision. Different elements of the constitution are owned by the Monitoring Officer and the Section 151 Officer as relevant. The Constitution is published in full on the Council's website.

The Data Quality Strategy is reviewed annually and any changes are signed off by the Audit and Governance Committee. Data Quality is managed day to day by managers using performance management software. Any issues are reported to the Corporate Management Team and reports are taken quarterly to the Scrutiny Committee.

The Council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. This strategy is reviewed annually. Project, operational, departmental and strategic risk registers are now held on performance management software so that they can be updated regularly by managers who have complete ownership and responsibility for reviewing and updating the registers. The Strategic Risk Register is reviewed by the Corporate Management team quarterly.

The terms of reference for the Audit and Governance Committee include the requirement to review the effectiveness of the Council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.

The Council holds an Anti Fraud and Corruption Policy which contains sections on Whistleblowing, Anti Money Laundering and the Bribery Act. This is reviewed annually to ensure that it is kept up to date. The Council now has a Corporate Fraud team which proactively seeks out cases of fraud across all areas of the Authority. The Council also participates in the biennial National Fraud Initiative programme which seeks to identify fraud by matching data with other authorities and agencies. An overview of these areas is set out in the terms of reference for the Audit and Governance Committee.

The Council is currently going through a period of change moving toward a more customer-focussed provision of services. Consultants are working with management and staff to identify and develop new methods of delivery. The programme is being overseen by senior management and Members and is being managed using established project management protocols. As the second phase of implementation progresses the performance management software will be used to monitor progress of work streams and the results will feed into meeting the objectives of the Corporate Plan priorities.

The chief financial officer role is held by the Deputy Chief Executive and s.151 Officer and is a member of the Council's Corporate Management Team. In this position the Deputy Chief Executive and s.151 Officer has input into developing and implementing strategies and advising on financial resources. The Deputy Chief Executive and s.151 Officer is responsible for developing the authority's financial strategies and will consider business decisions in line with these. The Deputy Chief Executive and s.151 Officer manages the Finance and Internal Audit teams and is a suitably qualified accountant. The Council therefore conforms with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council holds Financial Procedure Rules and monthly budget monitoring meetings are held by Finance staff with managers responsible for budgets. Financial performance is reported regularly to Members.

The Internal Audit Manager proposes a risk-based audit plan for the year which is discussed with, and agreed by, the Corporate Management Team and the Audit and Governance Committee. It is ensured that the scope of the plan is sufficient to allow the Internal Audit Manager to be able to use the evidence gained during the year to base the opinion of the control environment upon at the end of the year. Each audit review carried out during the year is given an assurance rating based on the risks and controls in operation in that area. Each of these is taken into consideration when the annual report of the work of Internal Audit is written and feeds into the overall opinion of the control environment operating at the Authority.

The Internal Audit Manager undertakes an annual review of the Internal Audit function which assesses the function against the Public Sector Internal Audit Standards. The results of this self-assessment and any non-conformity with the standards is reported to the Audit and Governance Committee.

The role of Monitoring Officer sits with the post of Senior Head of Corporate Development and Governance. As monitoring officer, the post has appropriate autonomy and/or a direct reporting line to the Chief Executive. The function is also supported by a designated deputy and a network of officers trained in investigative procedures. Reporting line to members is to a specifically constituted Standards Sub Committee which in turn reports to the Council's Audit and Governance Committee.



The Council has established an Audit and Governance Committee. The committee generally conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities". Its terms of reference include:

- To receive reports on and to monitor the operation of the Council's constitution;
- Have an overview on the Council's whistleblowing policy;
- Deal with audit or ethical standards issues which may arise;
- Carry out independent scrutiny and examination of the Council's processes, procedures and practices with a view to providing governance arrangements and risk and financial management;
- Meet the requirements of the Audit and Account Regulations Act 2011;
- Consider reports from the external auditors;
- To make recommendations to Council, the Cabinet or Scrutiny as appropriate with a view to improving the effectiveness, accountability and transparency of the decision making process and the Council's governance arrangements;
- Promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's codes of conduct and registers of interest.

The Council holds a Whistleblowing Policy which forms part of the Anti-Fraud and Corruption Policy. This clearly sets out how concerns raised should be handled, recorded and reported. The Authority also has a Comments, Compliments and Complaints procedure. The public may contact the Council with a complaint via telephone, email, letter or online. A page on the website clearly explains the process. Complaints are managed and monitored using performance management software. Similarly the public can make complaints about Councillors. Information on how to do so can also be found on the website. These complaints are handled by the Monitoring Officer.

When there is a change of administration or a raft of new Councillors then a general induction programme is organised. Annually the leaders of the parties will discuss with members any specific training or development needs. Human Resources will then put together a programme of training events for Members to attend. There are also statutory updates. Senior officers have annual appraisals at which any training and development needs are identified. Some of this may be necessary CPD (continuing professional development) required for professional memberships.

Annual bespoke consultation is designed each year alongside the Corporate Plan, budget and service planning processes jointly owned by senior management and Scrutiny. This consultation uses a variety of methods including social media, online surveys, presentations to groups and open public sessions to test the proposed priority projects in the annual refresh of the Corporate Plan.

Other communications include:

- Comprehensive consultation on corporate priority themes and goals prior to the publication of each new 5-year Corporate Plan.
- Monthly electronic communiqué to a list of free subscribers (business partners and community groups) providing updates on progress of major projects.
- Frequent engagement with equality groups – DIG (Disability Involvement Group), Faiths Forum and Bourne-Out.
- A new scheme “Talk with Us” has been put together whereby ward Councillors in partnership with neighbourhood officers from other agencies (e.g. Police and Housing agencies) will visit communities for direct contact. Estate audits will also be carried out and all observations will be fed back into relevant projects at the Council.
- Annual Youth Fair to bring together agencies that provide services and activities with the youth of the town to increase awareness.
- Standing items on Cabinet and committee agendas enabling public rights of address on items to be discussed and/or open questions by members of the public.
- Improving service delivery from the Council with the introduction of the Neighbourhood First Team which has regular community contact and feedback surgeries.

All working partnerships have previously been the subject of equality impact assessments and are properly constituted. Elected member representatives appointed annually by full Council and listed in the Council’s constitution.

## **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

### **Internal Audit**

The Council’s Internal Audit section is an independent assurance function that reports on the adequacy of the whole system of internal control across the Authority. The section generally conforms with the Public Sector Internal Audit Standards (PSIAS) and this has been reported to the Audit and

Governance Committee. There are no major areas of non conformance to report within the Annual Governance Statement.

All reports from Internal Audit reviews are seen by the Section 151 Officer, Chair of the Audit and Governance Committee and the Portfolio Holder for Finance. Quarterly and annual reports on the work carried out by the Internal Audit function are considered by both the Corporate Management Team and the Audit and Governance Committee. The "audit opinion" of the control environment, including IT governance, given in the annual report feeds into the Annual Governance Statement.

The Strategic Risk Register has been adopted by the Audit and Governance Committee. The register is reviewed quarterly by the Internal Audit Manager and the Corporate Management Team and any changes are reported to the Audit and Governance Committee.

### **Corporate Management Team**

The roles of this team are to provide strategic management and planning, oversee priority and budget setting, service planning and performance management. The team provides organisational leadership, engages with Cabinet on strategic issues/direction and, in partnership with members, develops relationships with key stakeholders.

Individual members of the team are responsible for the performance of their relevant department/service area, progress of their relevant portfolio themes and liaison with portfolio holding members.

The Corporate Management Team gives consideration to the Internal Audit Plan, Strategic Risk Register and Annual Governance Statement.

Consideration was given by the Corporate Management Team to any significant non-delivery of strategic objectives, potential exposure to loss through fraud, corruption or error and litigation through non-compliance. No instances were identified as significant governance issues.

### **Audit and Governance Committee**

The Audit and Governance Committee is responsible, amongst other things, to carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk. This is with a view to providing assurance on the adequacy and effectiveness of internal controls, risk, financial and performance management, fraud detection and prevention and the work of Internal Audit.

The Audit and Governance Committee reviews reports submitted by the Head of Internal Audit including the Annual Governance Statement, Internal Audit provision, all internal audits and the Strategic Risk Register. It also considers the draft annual financial statements including the Annual

Governance Statement in June and then the final statements following audit in September.

### **Scrutiny Committee**

The Scrutiny Committee meets to review the delivery of services as a result of previous council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Scrutiny Committee reviews the delivery of services and performance and supports the work of the Cabinet and the Council as a whole. It allows Councillors outside the Cabinet and members of the public to have a greater say in Council matters by investigating issues of local concern. It also acts as the Council's Crime and Disorder Committee to look at the formulation and implementation of the Crime and Disorder strategies.

### **Cabinet**

The Cabinet is responsible for most day-to-day decisions of the Council. The Cabinet is made up of the Leader of the Council and 5 Councillors from the majority political group, the Liberal Democrats. Each member is assigned portfolios identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers.

The Shadow Cabinet is made up of 7 members of the Opposition, the Conservative group, with each member similarly being assigned portfolios.

Cabinet considers the External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports. It also sponsors and recommends adoption of the accounts.

### **Managers' Assurance Statements**

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Heads of Service, the monitoring officer and Eastbourne Homes Ltd. Once completed their contents are used to inform the governance statement.

Six Managers' Assurance Statements mentioned minor concerns around capacity and capability. The Council is continuing with a programme of change called "Future Model" which is redesigning the Council's services to be more focussed around the needs of customers as well as realising efficiency savings. The Council is involved in shared service agreements principally with Lewes District Council. This programme was designed to preserve and enhance the way the Council provides front line services whilst dealing with funding reductions. The work has been ongoing for a number of

years and it is acknowledged that changes had to be made to keep the authority sustainable in a challenging environment. There are also significant asset projects underway such as the development of Devonshire Park. Together this means that there is a significant volume and variety of change which brings a cumulative risk. The Council is aware of this and receives regular updates on its Sustainable Service Deliver Strategy (SSDS) and ongoing performance monitoring and reporting. Project boards and an overall cross party "DRIVE" board oversee the change programme. The Council has set aside financial resources to deal with short term needs via its strategic change fund and deploys additional resources on a project by project basis.

### **External Reviews**

The external auditor's Annual Audit Letter and other commissioned audit reports are presented to, and considered by, the Audit and Governance Committee.

Reviews carried out by external agencies, e.g. APP; Benefit Performance Review; RIPA inspection, which impact on the governance framework are taken into consideration when preparing the Annual Governance Statement.

### **Eastbourne Homes Ltd**

Governance arrangements at Eastbourne Homes Ltd (EHL) are also considered. Reviews are carried out and reports written by the internal and external auditors engaged by EHL which are reported to their own Audit Committee and Board. Ad hoc reviews are carried out on EHL systems by the internal auditors of the council. At the end of year the Audit Committee of EHL have a minuted disclaimer concerning fraud and corruption. EHL are also required to complete an assurance statement at the end of each year which helps inform the Annual Governance Statement.

### **STATEMENT**

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2013/14

Area	Issue	Actions Planned	Update
Catering	Control weaknesses identified when the service was taken back in-house.	<p>The service has been reviewed by Internal Audit and ongoing monitoring of the progress of recommendations made will be made until they are addressed.</p> <p>Work on addressing the recommendations is already progressing. A restructure has been carried out and additional resources identified through Service and Financial Planning.</p>	<p>All recommendations have been addressed.</p> <p><b>ADDRESSED</b></p>

## SIGNIFICANT GOVERNANCE ISSUES 2014/15

Internal controls across the authority were generally found to be sound.

There are no significant governance issues to report.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Eastbourne Borough Council:

.....  
 Leading Member

.....  
 Chief Executive

Date:

# Agenda Item 9

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	24 <sup>th</sup> June 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 19<sup>th</sup> May 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 May local and general elections being completed the risk level of SR\_001 could be reduced back to its previous score. This changes this risk from amber back to green.
- 2.4. In view of the current job vacancies at the Council and the unemployment rate in the town it was agreed to raise the likelihood of risk SR\_004 (employment market) from a 2 to a 3. This changes the risk from green to amber.
- 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**

**May 2015**

<b>Code &amp; Title</b>	SR_000 Strategic Risk Register
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<b>Current Risk Matrix</b>		<b>LIKELIHOOD</b> 1 – Unlikely 2 – Possible 3 – Likely 4 – Highly Likely 5 – Almost Certain	<b>IMPACT</b> 1 - Minor 2 - Moderate 3 - Significant 4 - Major 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	3	4	12	1. Create inclusive governance structures which rely on sound evidence for decision making.  2. Annual review of corporate	CMT	1	2	2	Green	01-Aug-2015

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		and Medium Term Financial Strategy unfit for purpose.				plan and Medium Term Financial Strategy  3. Creating an organisational architecture through the DRIVE Programme that can respond to changes in the environment.						
SR_002	Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers.  2. Council objectives cannot be met.	4	4	16	1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.  2. Creating an organisational architecture through the DRIVE Programme that can respond to changes in the environment.	CMT	4	3	12	Amber	01-Aug-2015
SR_003	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services.  2. Service failure.  3. Council structure unsustainable and not fit for purpose.  4. Heightened likelihood of fraud.	2	4	8	1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Local Futures Toolkit/data modelling; East Sussex in Figures data modelling).  2. Ensuring community and interest group engagement in policy development (e.g.	CMT	2	3	6	Amber	01-Aug-2015

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						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	3	2	6	Amber	01-Aug-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 absenteeism. 5. Service failure 6. Increased possibility of fraud.	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 and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.	CMT	2	4	8	Amber	01-Aug-2015

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
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	2	4	8	Amber	01-Aug-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 of the impact of the event.	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. 3. Working in partnership with other public bodies.	CMT	1	3	3	Green	01-Aug-2015
SR_008	Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted.	3	4	12	1. Developing, maintaining and monitoring robust governance framework for the Council.	CMT	1	4	4	Amber	01-Aug-2015

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<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>				<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> <p>6. Ensure compliance with legislation such as Data Protection and Safeguarding.</p>						

**BODY:** **AUDIT AND GOVERNANCE COMMITTEE**

**DATE:** **23 June 2015**

**SUBJECT:** **Annual Accounts 2014/15**

**REPORT OF:** **Financial Services Manager**

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**Ward(s):** All

**Purpose:** To present the annual accounts for 2014/15

**Contact:** Pauline Adams, Financial Services Manager Tel: 01323 415979.

**Recommendations:** Members are asked to note the draft annual accounts for 2014/15.

## **1.0 Introduction**

**1.1** The Accounts and Audit Regulations 2011 require the Council to formally approve and publish the Statement of Accounts for the financial year ending 31 March 2015 by 30 September 2015.

**1.2** It is the Chief Financial Officer's (CFO) responsibility to ensure the preparation of the Statement is in accordance with the CIPFA/LASAAC Code of Practice on local Authority Accounting in the United Kingdom (the Code). The CFO is also responsible for certifying that the accounts represent a true and fair view of the authority's financial position by 30 June.

**1.3** The responsibility for the formal adoption of the accounts has been delegated to this Committee and the accounts together with any audit amendments will be presented back to this committee prior to the September deadline so that members can comply with this duty. This responsibility is intended to enhance the corporate accountability and ownership of the finances of the authority. It is also a requirement under the Accounts and Audit Regulations for the person presiding at the Committee at which approval is given to sign and date them.

**1.4** The Statement of Accounts is to be considered by the Cabinet on 8 July 2015 and any comments from this Committee will be reported verbally.

## **2.0 Format of the Statement of Accounts**

**2.1** The format of the Statement of Accounts has been prepared in line with the requirements of the Code and related guidance notes.

**2.2** The draft statement of accounts is circulated separately and an overview and key points of interest is attached at Appendix 1.

**2.3** There have been no major changes to the Code this year.

There have been some minor changes that affect the accounting for schools and are therefore not applicable to this Council.

**2.4** The Annual Governance Statement is not reported within the Statement of Accounts but sits along side the statement giving members assurance that the data supporting the figures included in the accounts are based on sound financial systems.

### **3.0 Financial Results**

**3.1** The provisional outturn for the general fund, HRA and capital was reported to the Cabinet on 1 June 2015. An analysis of the Council's financial activity of the year 1 April 2014 to 31 March 2015 can be found in the Foreword of the Statement of Accounts and the key issues are outlined in the overview attached at Appendix 1.

### **4.0 External Audit**

**4.1** The 2014/15 Statement of Accounts is still subject to external audit by BDO LLP and the outcome of the audit will be reported back to this committee at its September meeting. Any significant subsequent changes to the Statement also will be reported at that time.

**4.2** BDO are due to start their audit work on 20 July 2015.

### **5.0 Consultation**

**5.1** The accounts will be open for public inspection between 13 July and 7 August 2015 when any taxpayer of the Borough is entitled to come, inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts related to those accounts. The date set for questioning the external auditor has been set as 10 August 2015 until the end of the audit. All queries and questions must be put in writing to him and sent directly to his offices.

### **6.0 Summary**

**6.1** Members are asked to note the annual accounts for 2014/15.



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**Background Papers:**

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

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and Guidance notes for practitioners.

2014/15 Final Accounts working papers.

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