



Audit and Governance Committee

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

Agenda

- 1 Minutes of the meeting held on 22 June 2016 - 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 Updated Covert Surveillance Policy. (Pages 1 - 6)

Report of Deputy Chief Executive.

8 Internal Audit Report to 30th June 2016. (Pages 7 - 28)

Report of Internal Audit Manager.

9 Risk Management. (Pages 29 - 38)

Report of Internal Audit Manager.

10 Annual Governance Report 2015/2016.

Report of External Auditors BDO – **To follow.**

11 Statement of Accounts 2015/16.

Report of Financial Services Manager – **To follow.**

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

Body:	Audit and Governance Committee
Date:	21 September 2016
Subject:	Updated Covert Surveillance Policy
Report Of:	Deputy Chief Executive
Ward(s)	All
Purpose	To seek the Committee's views on a draft updated Covert Surveillance Policy, and to recommend approval by Cabinet
Recommendation(s):	That Audit & Governance Committee consider the updated Covert Surveillance Policy at Appendix 1, and recommend it to Cabinet for approval, incorporating any amendment the Committee consider necessary.
Contact:	Oliver Dixon, Lawyer, Telephone 01323 415881 or internally on extension 5881. E-mail address: oliver.dixon@eastbourne.gov.uk

1.0 Introduction

- 1.1 In common with all district councils in England and Wales, Eastbourne Borough Council may only carry out certain types of covert surveillance if it has complied with the relevant provisions of Part II of the Regulation of Investigatory Powers Act 2000 ('RIPA'). This is to ensure that investigations involving covert surveillance are exercised in a manner compatible with the European Convention on Human Rights.
- 1.2 Under Part II of RIPA, the Council may carry out the following two types of 'covert surveillance' if certain strict conditions are met:
- (i) Directed surveillance – this is covert surveillance conducted for a specific purpose or operation and likely to result in the obtaining of information about a person's private or family life. 'Covert surveillance' means surveillance conducted in such a way as to ensure that the person(s) under surveillance are unaware that these activities are taking place.
 - (ii) Covert Human Intelligence Source surveillance. A covert human intelligence source ('CHIS') is an informant. Any operation that involves inducing, asking or assisting a CHIS to establish or maintain a personal or other relationship with another person for the purpose of:
 - (a) covertly obtaining information about that person, and
 - (b) covertly disclosing that information to the Council

will fall within this category of surveillance activity.

- 1.3 Part II of RIPA and associated subordinate legislation set out the conditions which must be satisfied before covert surveillance may lawfully take place. Further, local authorities should comply with any statutory code of practice issued from time to time by the Office of Surveillance Commissioners. Under these provisions, the key requirements are that covert surveillance be necessary and proportionate and, following authorisation by a designated Council officer, approved by a magistrate.
- 1.4 A local authority may only grant an authorisation under RIPA for the use of directed surveillance where it is investigating particular types of criminal activity. These are offences which attract a maximum custodial sentence of six months or more, or offences relating to the under-age sale of alcohol or tobacco.

2.0 Main Body of Report Heading

- 2.1 Every local authority should have a policy setting out the principles and procedures it intends to observe in complying with Part II of RIPA and related orders, regulations and codes of practice.
- 2.2 Eastbourne Borough Council's existing Covert Surveillance policy was formulated in March 2013 and is due an update.
- 2.3 The Council has procured the latest RIPA policy and procedures toolkit from Act Now Ltd, a recognised national expert in surveillance law. Act Now's template policy forms the basis of the Council's updated policy at Appendix 1.
- 2.4 There are no significant differences between the previous and updated policies, but the new version –
- (i) recognises that covert surveillance may be physical or on-line;
 - (ii) includes a specific provision (at paragraph 7(iii)) on the investigation of social networking sites;
 - (iii) requires reports to be submitted to this Committee every 12 months on any required changes to the policy; how the policy has been implemented; and any RIPA activity authorised during the preceding 12-month period.

The Chief Surveillance Commissioner's annual report (July 2016) highlights a widespread omission among local authorities to provide regular reports to their elected councillors of all relevant RIPA activity or, if it is the case, inactivity. Inclusion in the Council's policy of item (iii) above addresses this point.

- 2.5 The Council's policy of carrying out covert surveillance only as a last resort, where all other investigative options have been deemed insufficient is retained at paragraph 8.

3.0 Consultation

3.1 The views of this Committee are sought prior to its recommendation being referred to Cabinet, the body with power to approve the policy.

4.0 Resource Implications

4.1 If the policy is approved as drafted, some refresher training for investigating officers and authorising officers will be required during 2016/17, to ensure they maintain awareness of, and adherence to, current legislation and procedures.

5.0 Other Implications

5.1 The principal legal implications of this report are incorporated above. The formulation of RIPA policy is an executive function and may only be exercised by Cabinet. However, it is a proper function of Audit & Governance Committee to consider the draft policy and refer it, with comments and any recommended amendment, to Cabinet for approval.

6.0 Conclusion (this should include a summary of the reasons for the recommendations).

6.1 The Council must comply with part II of RIPA before it conducts any covert surveillance of the type covered by that legislation. The Council's updated policy on covert surveillance – at Appendix 1 – details the high level principles and procedures it will adopt to ensure it does so comply.

Lead officer name: Oliver Dixon

Job title: Lawyer

Appendices: Appendix 1 – draft Covert Surveillance Policy (September 2016)

Background Papers:

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

- Regulation of Investigatory Powers Act 2000, Part II, and statutory instruments made thereunder
- Covert Surveillance and property Interference – Code of Practice, issued by Home Office, December 2014:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/384975/Covert_Surveillance_Property_Interference_web_2_.pdf
- Annual Report of the Chief Surveillance Commissioner, July 2016:
<https://osc.independent.gov.uk/wp-content/uploads/2016/07/OSC-Annual-Report-2015-2016-2.pdf>

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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EASTBOURNE BOROUGH COUNCIL
COVERT SURVEILLANCE POLICY STATEMENT

Introduction

1. Eastbourne Borough Council ('the Council') is committed to building a fair and safe community for all by ensuring the effectiveness of laws designed to protect individuals, businesses, the environment and public resources.
2. The Council recognises that most organisations and individuals appreciate the importance of these laws and abide by them. The Council will use its best endeavours to help them meet their legal obligations without unnecessary expense and bureaucracy.
3. At the same time the Council has a legal responsibility to ensure that those who seek to flout the law are the subject of firm but fair enforcement action. Before taking such action, the Council may need to undertake covert surveillance of individuals and/or premises to gather evidence of illegal activity.

Procedure

4. All covert surveillance, whether physical or on-line, shall be undertaken in accordance with the procedures set out in this document.
5. The Council shall ensure that covert surveillance is only undertaken where it complies fully with all applicable laws, in particular the:
 - Human Rights Act 1998
 - Regulation of Investigatory Powers Act 2000
 - Protection of Freedoms Act 2012
 - Data Protection Act 1998
6. The Council shall, in addition, have due regard to all official guidance and codes of practice, particularly those issued by the Home Office, the Office of Surveillance Commissioners (OSC), the Security Camera Commissioner and the Information Commissioner.
7. In particular, the following guiding principles shall form the basis of all covert surveillance activity undertaken by the Council:
 - (i) Covert surveillance shall only be undertaken where it is absolutely necessary in order to achieve the desired aims.
 - (ii) Covert surveillance shall only be undertaken where it is proportionate to do so and in a manner that is proportionate.
 - (iii) No monitoring of social network sites for investigation purposes shall take place without considering whether such monitoring constitutes directed surveillance; nor, where it is considered to be so, without obtaining the requisite prior authorisation and approval.
 - (iv) Adequate regard shall be had to the rights and freedoms of those who are not the target of the covert surveillance.

- (v) All authorisations to carry out covert surveillance shall be granted by appropriately trained and designated authorising officers.
 - (vi) Covert surveillance regulated by RIPA shall only be undertaken after obtaining judicial approval.
8. With this mind, the Council has adopted a policy of not normally conducting covert surveillance but of doing so only as a last resort, where all other investigative options have been deemed insufficient. Whilst each situation will be considered on its own merits and all relevant factors will be taken into account, covert surveillance will be considered only where deemed a proportionate response of last resort.

Training and Review

- 9. All Council officers undertaking covert surveillance shall be appropriately trained to ensure that they understand their legal and moral obligations.
- 10. Regular audits shall be carried out to ensure that officers are complying with this policy.
- 11. The Senior Responsible Officer for RIPA (currently the Assistant Chief Executive), in consultation with the Assistant Director of Legal & Democratic Services shall review this policy at least once a year in the light of the latest legal developments and changes to official guidance and codes of practice.
- 12. The operation of this policy shall be overseen by the Council's Audit and Governance Committee by receiving reports every 12 months on this policy and its implementation, and on any RIPA activity conducted during the preceding 12-month period.

Conclusion

- 13. All citizens will reap the benefits of this policy, through effective enforcement of criminal and regulatory legislation and the protection that it provides.
- 14. Adherence to this policy will minimise intrusion into citizens' lives and will avoid any legal challenge to the Council's covert surveillance activities.
- 15. Any questions relating to this policy should be addressed to:

Alan Osborne, Deputy Chief Executive and RIPA Senior Responsible Officer

Oliver Dixon, Lawyer and RIPA Co-ordinator

DATE: September 2016.

Agenda Item 8

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	21 SEPTEMBER 2016
Subject:	Internal Audit Report to 30 th June 2016
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a summary of the activities of Internal Audit for the year 1 st April 2016 to 30 th June 2016.
Recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

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 2016/17 was agreed by the Audit and Governance Committee in March 2016.

2.0 Review of work in the financial year 2016/17.

- 2.1 A list of all the audit reports issued in final from 1st April 2016 to 30th June 2016 is as follows:

NB. These are the Assurance Levels given at the time of the initial report and do not reflect findings at follow up.

Open Revenues	Performing Well
Debtors (Annual 2015/16)	Performing Excellently
Planning (process)	Performing Well
Housing Rents (Annual 2015/16)	Performing Well
Creditors (Annual 2015/16)	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 June 2016. The following comments explain the main points to be noted from the table:

- Once the annual reviews were completed work was undertaken on outstanding follow ups before moving on to beginning new audit reviews.
- Following the external auditor's qualification of the 2014/15 Housing Benefit final subsidy claim the DWP required further work to be undertaken in light of errors found due to the data migration between Northgate and Open Revenues. Civica had analysed cyclic payments above £6000, however the DWP required the authority to undertake further work to enable the external auditor to conclude that the affected subsidy cells are fairly stated or to quantify, via an extrapolation, the amount of misstated expenditure (relating to cases under £6,000).

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

2.4 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

2.5 Where follow ups of reviews given an Inadequate assurance level show recommendations are not being addressed, the outstanding recommendations, and client comments from the report, have been listed at Appendix C. 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.

2.6 Appendix C was reviewed by CMT. As a comment was added for Events for the last report and the area will not be followed up until the autumn no further comment has been added. Also, as a follow up of Licences was recently carried out the comments for this have been added.

3.0 Peer Review

- 3.1. As reported in annual self assessment of Internal Audit, the Public Sector Internal Audit Standards state that an external review should be carried out at least every 5 years.
- 3.2. When these standards came into effect the Sussex Audit Group decided to carry out these reviews as a peer review exercise. A table was set up to ensure that neighbouring authorities did not audit each other and to enable a "critical friend" review before that actual review took place.
- 3.3. The "critical friend" role for Eastbourne was carried out by the Chief Internal Auditor at Horsham District Council. The feedback received was positive and a few minor alterations were made to processes before the full review began.
- 3.4. The full review was carried out by the Audit and Risk Manager at Crawley Borough Council and by the Head of Internal Audit at Adur and Worthing Councils (employed by Mazars).
- 3.5. The review itself consisted of looking at examples of forms, documents and work carried out by the section and comparing these to the requirements of the Public Sector Internal Audit Standards. Questionnaires were also sent to all Senior Heads of Service, the Chief Executive and the Chair of the Audit and Governance Committee.
- 3.6. The review took longer than planned owing to the workload of the Head of Internal Audit at Adur and Worthing. Also, Eastbourne is the first member of the Sussex Audit Group to undergo the review and therefore all involved were learning as they went along. The lessons learned from carrying out the process will now be fed back to the Sussex Audit Group to aid those who are next to have the review carried out.
- 3.7. The final report has now been issued and the final assessment is that internal audit function at Eastbourne "generally conforms" with the Public Sector Internal Audit Standards.
- 3.8. There were nine recommendations made all of which are relatively minor and, if not already addressed, will be addressed as soon as possible.
- 3.9. The following are the recommendations made in the report along with timescales and responses.

Remedial Actions	Target Date	Responsibility
Include in the Internal Audit Charter details of how the Internal Audit section provides assurance regarding the adequacy of the risk management framework.	January 2017	Internal Audit Manager
Consider asking the S.151		The Internal Audit Manager raised this with the S.151

officer to send completed appraisal document for the Internal Audit Manager to the Chair of the Audit and Governance Committee and invite comments.		officer when the standards were first published. The S.151 officer is of the view that the Chair meets with the Internal Audit Manager before each committee meeting and can meet with the S.151 officer at any time, therefore any issues the Chair may have can be raised then.
Include reference to declaration of interests of audit staff in the Audit Charter.	January 2017	Internal Audit Manager This is already in the Code of Ethics but the Charter will be updated to make reference to this.
Audit staff to declare conflicts of interest when they arise and not just annually.	January 2017	Internal Audit Manager The reference to conflicts of interest in the Code of Ethics implies auditors must consider this at all times. Experience shows that auditors do in fact report any conflicts as and when they occur. However this will be made explicit.
Consideration should be given to developing an assurance framework.	April 2017	Internal Audit Manager
Key auditees/contacts to be recorded in working papers/audit brief.	Already put in place	This was put in place as soon as it was flagged up. Names are not given as this is not our policy in reports but roles are given now in both the working programme and the report.
Record/retain approval of audit brief	Already put in place	This was put in place as soon as it was flagged up. Staff have already been informed that they must do this.
Record review/approval of work programme by a senior staff member/IAM before use by auditor.	Already put in place	Where the Internal Audit Manager makes comments these are saved on the form in the appropriate folder. However, there was a lack of saving emails which agreed the programme when no comments had been made. Auditors were made aware of this when the point was first raised.
Minute details of exit meetings	December 2016	Internal Audit Manager

4.0 Corporate Fraud

- 4.1. Work has been continuing on looking at fraud risks in the process of housing application to allocation of tenancy.
- 4.2 A new case management system has been purchased using money granted through the East Sussex Fraud Hub. Work has been ongoing in setting up the system and beginning to populate it with cases.
- 4.3 52 investigations were concluded in the quarter with a further 72 remaining open. These cases include Right to Buy applications, incorrect Council Tax discount, unregistered properties, Council Tax Reduction scheme undeclared changes of circumstance, subletting, abandonment and undeclared capital.
- 4.4. Appendix D shows the work of the Corporate Fraud team across the year.

5.0 East Sussex Counter Fraud Hub

- 5.1. A new case management system rolled out to all Hub members, with the exception of Brighton and Hove who continue to use their existing system. The introduction of this system will enable consistency of recording and reporting of investigations and their outcomes across the Hub.
- 5.2. Training was provided to investigators and managers on "Open Source" (using the internet as a source of information gathering). A RIPA refresher course was also provided to members of the hub and extended to other officers within member authorities.
- 5.3. Lewes and Wealden have used Hub funding to purchase Housing Partner's "Who's Home" program which has now been renamed Insite.
- 5.4 Owing to the absence of the Corporate Fraud Manager it was not possible to report on the full year performance figures of the Hub at the last meeting. These are now reported at Appendix E and show that the Hub performed well against the set targets. It has not been possible to report the first quarter figures for this year as two authorities have yet to forward their figures. However with the introduction of the new case management system outcomes will be recorded which can then be accessed centrally in order to produce the figures to report.

6.0 Consultation

- 6.1 Respective Service Managers and Directors as appropriate.

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.

8.0 Other Implications

8.1 None

9.0 Summary of Options

9.1 None

10.0 Recommendation

10.1 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:

Sussex Audit Group – Peer Review of Eastbourne Borough Council

			Planned days	Actual days	Reason for Variance
ANNUAL REVIEWS	Benefits	Governance	15	0.4	15/16 work
	Cash and Bank	Governance	10		
	Council Tax	Governance	10		
	Creditors	Governance	15	2.6	15/16 work
	Debtors	Governance	15	0.7	15/16 work
	Housing Rents	Governance	15	3.2	15/16 work
	Main Accounting	Governance	10	0.1	15/16 work
	NNDR	Governance	10		
	Payroll	Governance	10	0.1	15/16 work
	Treasury Management	Governance	10		
	IT	Governance	4		
	Theatres Reconciliation	Governance	5		
	Claims work		100	26.9	15/16 extra work requested
			229	34	
Page 13	Contingency		40		
	Special Investigations/advice		40		
	Follow ups re audits carried out in previous year		30		
				110	0
CARRY FORWARDS FROM 15/16 PLAN	Right to Buy	Operational	10	8.5	Ongoing
	IT Contract	IT	10	5.5	Ongoing
	Change Controls	IT	5	5.1	Ongoing
	Performance Management	Operational	10	0	
			35	19.1	
REQUESTS	Prevent and Detect	Joint Lewes	5		
	Leisure Trust	Joint Lewes	5		
				10	0
HIGH RISK	Buildings H & S (asbestos, legionella, gas)	Operational	10		
	VAT	Operational	10	1.2	
				20	0

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			Planned days	Actual days	Reason for Variance
MEDIUM RISK REVIEWS	Private Housing Grants	Operational	10		
	Rent and Deposit Loans	Operational	10	1.4	
	Planning Process	Operational	10	10.2	Completed
	Engineering	Operational	10		
	Homelessness/Temporary Accommodation	Operational	10	11.6	In draft
	Box Office Computer System	IT	10	1	
	Access to Information	Operational	15	14.9	Ongoing
	Security of Data Movement	IT	5	1.7	Ongoing
	Economic Development	Operational	8		
Capital Programme	Operational	10			
			98	40.8	
LOW RISK	Car Loans and Leasing	Operational	10		
	Internet/Intranet/Phone payments and PCIDSS	IT/Operational	10		
			20	0	
PLAN TOTAL			522	93.9	

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

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

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Creditors (Annual 15-16)	Adequate	<ul style="list-style-type: none">• Payments over £25k were not always checked promptly by a senior officer• Purchase order and Goods Received Notes not being raised in a timely manner.	Adequate

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	QUARTER ONE				QUARTER TWO				QUARTER THREE				QUARTER FOUR				YEAR TOTAL				
	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	
NATIONAL FRAUD INITIATIVE																					
Number of cases open	55																55				
Number of cleared cases	13																13				
Number of errors identified	10																10				
Number of frauds identified	0																0				
Overpayments identified			8,636.68															8,636.68			
HOUSING BENEFIT MATCHING SERVICE																					
Number of open matches	0																0				
Number of closed matches	118																118				
Overpayments identified			12,651.85															12,651.85			
Weekly incorrect benefit identified			26,790.72															26,790.72			
OTHER INVESTIGATIONS																					
Number of open investigations	37																37				
Number of closed investigations	46																46				
Overpayments identified			21,504.88															21,504.88			
Weekly incorrect benefit identified			15,473.60															15,473.60			
Removal of SPD saving			961.17															961.17			
Increase in Council Tax liability			2,002.03															2,002.03			
Recovery of Council property																		0.00			
Income from court costs																		0.00			
Income from Adpen collection																		0.00			
TOTALS	279	£0.00	£88,020.93	£30,857.02	0	£0.00	£0.00	£0.00	0	£0.00	£0.00	£0.00	0	£0.00	£0.00	£0.00	279	£0.00	£88,020.93	£30,857.02	

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	Full Year			FULL YEAR		
	Forecasted performance 15/16 (£,000)	Actual performance First three quarters of year (£,000)	Variance (£,000)	Forecasted performance 15/16 (£,000)	Actual Performance (£,000)	Variance (£,000)
Reduction in procurement	500	513	13	500	513	13
Social housing tenancy fraud	500	792	292	500	792	292
Right to Buy fraud	75	78	3	75	78	3
CTRS fraud	50	60	10	50	60	10
CT discount fraud	100	37	-63	100	37	-63
NNDR fraud	50	17	-33	50	17	-33
Grant fraud	5	0	-5	5	0	-5
Blue Badge fraud	10	267	257	10	267	257
Direct Payments	0	0	0	0	0	0
	1290	1,764	474	1290	1,764	474
Other work not forecast						
Housing Benefit	0	198	198	0	198	198
Employment fraud	0	1.5	1.5	0	1.5	1.5
Rental recovery	0	10	10	0	10	10
	0	210	209.5	0	210	210
TOTAL	1290	1,974	683.5	1290	1,974	684

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Agenda Item 9

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	21 st September 2016
Subject:	Risk Management
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a report on the updating of the Strategic Risk Register and changes made to it.
Recommendation(s):	To consider and agree the amended Strategic Risk Register.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

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 23rd August 2016 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 proposed that to increase the original likelihood score of the first risk SR_001 (No political and partnership continuity/consensus with regard to organisational objectives) from a 3 to a 4. This was proposed owing to the referendum result to leave the EU. This change raises the original risk score from 12 to 16. However it was agreed to leave the current risk score as it stands as the risk is currently being well managed and any issues arising from the exit from the EU will be monitored.
- 2.4. In addition it was suggested that consideration be given to the differing political landscapes of Eastbourne and Lewes and the political decisions to be

made at each, both similar and differing. The Chief Executive recommended that time be put aside at the next review of the risk register to thoroughly discuss this and update the register accordingly.

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:

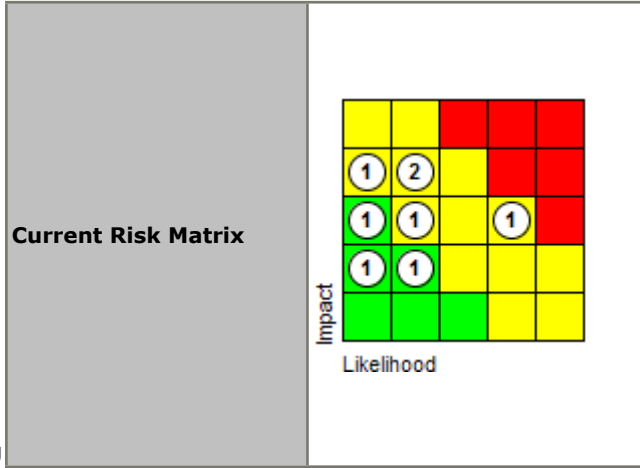
None

STRATEGIC RISK REGISTER

September 2016



Code & Title	SR_000 Strategic Risk Register
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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.	4	4	16	<p>1. Create inclusive governance structures which rely on sound evidence for decision making.</p> <p>2. Annual review of corporate plan and Medium Term Financial Strategy</p> <p>3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.</p>	Jackie Humphrey	1	2	2	Green	01-Nov-2016
SR_002	Changes to the economic environment makes the Council economically less sustainable	<p>1. Economic development of the town suffers.</p> <p>2. Council objectives cannot be met.</p>	4	4	16	<p>1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.</p> <p>2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.</p>	Jackie Humphrey	4	3	12	Amber	01-Nov-2016
SR_003	Unforeseen socio-economic and/or demographic shifts creating	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p>	2	4	8	1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Local Futures Toolkit/data	Jackie Humphrey	2	3	6	Amber	01-Nov-2016

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. Joint Transformation 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. Pursuit of mutually beneficial shared service arrangements.	Jackie Humphrey	2	2	4	Green	01-Nov-2016
SR_005	Not being able to sustain a culture that supports organisational objectives and future	1. Decline in performance. 2. Higher turnover of staff.	4	4	16	1. Deliver a fit for purpose organisational culture through Joint Transformation programme. 2. Continue to develop our	Jackie Humphrey	2	4	8	Amber	01-Nov-2016

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	development.	3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud.				performance management capability to ensure early intervention where service 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. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. 4. Adoption of best practice IT and Asset Management policies and procedures.	Jackie Humphrey	2	4	8	Amber	01-Nov-2016
SR_007	Council materially impacted by the medium to long term effects of	1. Service 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).	Jackie Humphrey	1	3	3	Green	01-Nov-2016

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	an event under the Civil Contingencies Act	2. Cost profile of the Council changes materially as a result of the impact of the event.				2. Review budget and reserves in light of risk profile. 3. Working in partnership with other public bodies.						
SR_008	Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory activity/penalties. 3. Deterioration of service performance as a result of regulatory activity/penalties. 4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties. 5. Possibility of fraud and bribery.	3	4	12	1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation (e.g. Localism Act).	Jackie Humphrey	1	4	4	Amber	01-Nov-2016

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>6. Ensure compliance with legislation such as Data Protection and Safeguarding.</p> <p>7. Entering into contracts etc. without having adequate finance in place.</p>				6. All managers are required to abide by the Council's procurement rules.						

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