

Audit and Governance Committee

MEMBERS: Councillor Swansborough (Chairman); Councillor Tester (Deputy-Chairman); Councillors Choudhury, di Cara, Holt, Metcalfe, Robinson and Taylor

Agenda

1 Minutes of the meeting held on 29 November 2017. (Pages 1 - 4)

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 Polling district and polling places review (part review of Upperton ward - polling district UPA). (Pages 5 - 10)

Report of Electoral Services Lead – Eastbourne.

8 Internal Audit Report to 31 December 2017. (Pages 11 - 36)

Report of Audit Manager.

9 Draft Internal Audit Plan for 2018/19. (Pages 37 - 50)

Report of Internal Audit Manager.

10 Covert Surveillance update. (Pages 51 - 56)

Report of Deputy Chief Executive.

11 Annual Audit Plan 2017 - 2018. (Pages 57 - 78)

Report of BDO.

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).

Further Information

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

Local Democracy, 1 Grove Road, Eastbourne, BN21 4TW

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

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Wednesday, 29 November
2017
at 6.00 pm



Audit and Governance Committee

Present:-

Members: Councillor Swansborough (Chairman) Councillor Tester (Deputy-Chairman) Councillors Choudhury, Holt, Metcalfe, Robinson, Taylor and Freebody (as substitute for di Cara)

17 Minutes of the meeting held on 20 September 2017.

The minutes of the meeting held on 20 September 2017 were submitted and approved and the Chair was authorised to sign them as an accurate record.

18 Apologies for absence.

An apology for absence was reported from Councillor di Cara.

19 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.

There were none.

20 Internal audit report to 30 September 2017.

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the second quarter of the year. A list of all final audit reports issued from 1 July 2017 to 30 September 2017 and the level of assurance attained were detailed in the report. None of the reports had been given an assurance level of inadequate.

Audit work carried out to date against the audit plan to the end of September 2017 was set out in appendix A. Main points from the appendix were summarised in the report and related to "IT Contract and Change Controls".

Further information on reports issued in final during the year with an assurance level below "Performing Well" was set out in Appendix B, with any issues highlighted in the reviews which informed the assurance level given. The committee noted that the Buildings Health and Safety review detailed as 'adequate' was due for review.

The Committee was reassured that this status was the assurance level given at the time the final report was issued and did not reflect recommendations that had been addressed.

Due to there being no outstanding actions relating to audits that were issued with an "inadequate assurance level" there was no appendix C.

Work undertaken by the Corporate Fraud team and East Sussex Counter Fraud Hub was also detailed in the report.

Councillor Swansborough queried the 'Right to Buy' interventions figure. The committee was advised that the £1.6m highlighted within the report referred to the discount if the properties had been sold and therefore lost to the Council. Detailing this figure was a notional practice for accounting purposes and not actual losses to the Council.

Councillor Taylor queried the issues highlighted in Appendix B relating to Buildings Health and Safety and was advised that due to the alignment of teams through the Joint Transformation Programme, it would be necessary to amend and improve the policies related to this area. The Deputy Chief Executive also stated that not all policies would be co-terminus and that a careful assessment of each was needed.

RESOLVED: That the report be noted.

21 Risk management.

The Committee considered the report of the Internal Audit Manager regarding an update of the Strategic Risk Register.

The Strategic Risk Register had been taken to Corporate Management Team (CMT) on 31 October 2017 for the regular quarterly review and the updated register was appended to the report.

Changes to risk SR_008 General Data Protection Regulation (failure to meet regulatory or legal requirements) and SR_009 Commercial Enterprises were detailed in the report.

Councillor Swansborough queried how staff would be 'upskilled' to work in the new commercial setting and was advised that a number of new staff had been employed through the Joint Transformation programme with the necessary skills and experience. Directors would also receive extensive training, through the relevant professional bodies, to meet the requirements of working within the emerging commercial enterprises.

Councillor Taylor queried the cost of creating new commercial enterprises and was advised that the cost was minimal and provided the Council with a method of mitigating risk in other areas through their creation.

Councillor Freebody queried the risk against impact scores and was advised that in reducing risk, controls were in place to reduce impact. The Audit Manager agreed to provide further information following the meeting.

RESOLVED: (Unanimous) That the amended Strategic Risk Register as appended to the report be agreed.

22 Treasury management mid-year review report.

The Committee considered the report of the Chief Finance Officer regarding a mid-year review of the Council's treasury management activity for 2017/18.

The report had been prepared in compliance with Chartered Institute of Public Finance and Accountancy's (CIPFA's) code of practice on treasury management and provided an economic update for the first six months of the year. The report reviewed the council's treasury management strategy statement and annual investment strategy, its capital expenditure, investment portfolio, borrowing strategy, debt rescheduling and compliance with treasury and prudential limits. Further details were contained in the report.

The Committee referenced the 2017/18 revised estimate of £145.4 million in relation to borrowing activity. It was clarified that this was the Council's need to borrow and did not reflect the actual amount the Council was borrowing. As at 30 September 2017, the Council's net borrowing was £96.5 million and that was expected to rise to £122.5 million by the end of the year. The revised estimate had been increased from the original forecast Capital Financing Requirement due to the increased borrowing for EHIC Loan, Aspiration Homes and changes to the financing of the Devonshire Park Project.

RESOLVED: (Unanimous) That the report be noted.

23 Annual Audit Letter (year end 31 March 2017).

The Committee considered the report of BDO regarding the Annual Audit Letter, which set out the key findings of audit work for 2016/17. The report summarised the results of the audit work in respect of the Council's financial statements, use of resources, exercise of statutory powers, grant claims and returns certification and any other matters.

Ms Janine Combrinck representing BDO was in attendance to present the report and respond to Members' questions.

RESOLVED: (Unanimous) That the Annual Audit Letter for 2016/17 be noted.

The meeting closed at 6.37 pm

Councillor Swansborough (Chair)

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Agenda Item 7

Body: Audit and Governance Committee

Date: 7 March 2018

Subject: Polling district and polling places review (part review of Upperton ward – polling district UPA)

Wards: Upperton

Report of: Electoral Services Lead - Eastbourne

Purpose: To agree revised polling arrangements in respect of polling district UPA of Upperton ward as a consequence of the loss of Upperton United Reformed Church Hall, due to redevelopment.

Contact: Tracey Pannett, Electoral Services Lead- Eastbourne
Tel. (01323) 415074 or internally on ext. 5074.
Email: tracey.pannett@lewes-eastbourne.gov.uk

Summary:

This report deals with a review of part of the current Upperton ward as a consequence of the loss of Upperton United Reformed Church Hall due to redevelopment.

The council has a duty to undertake a full review at intervals of not less than 4 years and at all other occasions when a change is proposed.

The council is expected to ensure that all electors in the constituency have reasonable facilities for voting as are practicable in the circumstances and that so far as is reasonable and practicable the polling places are accessible to those who are disabled.

A consultation was held between 31 January and 12 February 2018.

Following this review, the revised polling arrangements will be implemented for the 2 May 2019 Eastbourne Borough Council Elections and any other elections or referenda, called in the interim period.

Recommendations:

(1) That the Acting Returning Officer's proposal in respect of polling district UPA (Upperton ward) be approved.

(2) That the Electoral Services Lead, on behalf of the Acting Returning Officer and Electoral Registration Officer, be authorised to implement the committee's decision in respect of the review.

1.0 Introduction

- 1.1 The council must regularly review the division of its area into polling districts and the places where electors are asked to vote. A full review of the whole borough must be undertaken at intervals of not less than 4 years and at all other occasions when a change is proposed.
- 1.2 The relevant legislation can be found in section 16 of the Electoral Administration Act 2006, the Representation of the People Act 1983 and the Review of Polling Districts and Polling Places (Parliamentary Elections) Regulations 2006. Guidance is also published by the Electoral Commission.
- 1.3 This matter is brought before the committee as decisions on matters in respect of polling district boundaries and polling places cannot be dealt with by a council's executive (i.e. the Cabinet) by virtue of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000. This committee has delegated power to deal with minor reviews, with full reviews being the responsibility of full council.
- 1.4 The council's last full review was carried out in 2014 and approved in November of that year.

2.0 Review process

- 2.1 As part of the review process the council must:
- Seek to ensure that all electors in the constituency have such reasonable facilities for voting as are practicable in the circumstances;
 - Seek to ensure that so far as is reasonable and practicable the polling places are accessible to those who are disabled, and
 - When considering or reviewing the designation of a polling place, have regard to the accessibility needs of disabled persons.
- 2.2 The consultation period for this full review ran from 31 January to 12 February 2018. Public notice of the review was published and information about the review made available on the council's website. Any elector in the whole of the Eastbourne constituency (whether they live in the borough or not) was entitled to make representations.
- 2.3 The consultation document, together with map showing the polling district boundary, is available as a background document.
- 2.4 As well as being supplied on request, the consultation document was sent to the local member of parliament, borough and county councillors in the relevant ward and local political parties. It was also sent to the members of the Eastbourne Disability Group (DIG) as required under the regulations as persons having particular expertise in relation to access to premises or facilities for persons who have different forms of disability. The DIG is an umbrella group of local organisations that represent many of the disabled people living in Eastbourne.

3.0 The proposal and comments received

- 3.1 Upperton United Reformed Church Hall has been used as the polling place for the UPA polling district in Upperton Ward for many years, following the 2017 Parliamentary election, Electoral Services were advised that the Church were redeveloping the site and the venue would not be available for a period of approximately two years.
- 3.2 Officers conducted an analysis of other potential premises in the polling district and shortlisted three possible venues; Community Wise, Ocklynge Road, The Hurst Arms, Willingdon Road and The Hub, St Michael and All Angels, Willingdon Road.
- 3.3 Community Wise, Ocklynge Road indicated that their rooms were in constant use and could not be made readily available. The venue is situated in a narrow street, on a busy junction with extremely limited parking. Hurst Arms Public House, Hurst Road is not considered suitable as the room is open and cannot be shut off from the main bar. It is not wheelchair accessible and there is no parking. The Hub at St Michael and All Angels, has ample off-road parking, a ramped access and is considered to provide reasonable facilities for voters and although falling just outside the UPA boundary, is suitably located in relation to the polling district. It has not been possible to locate any other suitable alternatives within the area.
- 3.4 It is proposed that the Hub on the Hill in the grounds of St Michael and All Angels Church, Willingdon Road , Eastbourne, BN21 1TW (opp Mill Road) be used as the polling place for UPA, until such time as the original venue becomes available again. Whilst Councillor Rodohan has asked that we call it the Church Hall, it is actually a separate building located beyond the church and is called The Hub and so feel that adding Church Hall may confuse the electorate as to where the polling station is located. We will ensure that there is clear signage from the entrance of Willingdon Road down to the location of the Hub.
- 3.5 The following representations were received...

Richard Horne, who has been appointed as a Presiding Officer for this polling district for the last eighteen years indicated his support for the proposal when invited to comment.

Councillor Patrick Rodohan Upperton Ward & County Councillor stated 'I support the use of the Hub on the Hill as the designated Polling Station until such time as Upperton United Reform church is rebuilt and available again.

However, please describe the new Polling Station with clarity, as Hub on the Hill is unknown to the vast majority of Residents – The Church Hall and also Willingdon Road is very long.

My suggested address would be – The Church Hall (Hub on the Hill) St. Michael & All Angels Church, Willingdon Road opposite Mill Road.'

No other representations were received.

4.0 Implementation and polling places

- 4.1 The new polling place will be used for all elections and referenda, until such time that Upperton United Reformed Church Hall becomes available again.
- 4.2 Following the decision formal notice will be given and correspondence and representations made, minutes and other details must be published.
- 4.3 The outcome of the review will mean a change in the polling station allocated to the electors of UPA. As such, we will communicate the changes clearly in advance of the 2019 borough elections. Polling cards will also draw attention to the change of polling station venue.

5.0 Committee consideration

- 5.1 The committee is asked to consider the foregoing proposal and representations received and make a final decision. Reasons must be given (see para 3.3 above). In the event that the Acting Returning Officers recommendation is supported these are as set out above in para.3.5.

6.0 Challenge

- 6.1 The grounds under which the review outcome can be challenged are that the Council has failed to:
- meet the reasonable requirements of the electors in the constituency, or a body of them (i.e. the reasonable requirements of a particular area of the authority have not been satisfactorily met); or
 - take sufficient account of the accessibility to disabled persons of polling stations within a designated polling place.
- 6.2 The following may make representations to the Electoral Commission namely;
- not less than 30 registered electors in the constituency
 - any person who made representations to the council when the review was being undertaken (except the Acting Returning Officer)
 - any person who is not an elector within the constituency who the Electoral Commission feel has sufficient interest in the accessibility of disabled persons;

Also the Acting Returning Officer may make observations on any representations made to the commission.

7.0 Legal implications/risk assessment

- 7.1 The council is under a legal duty keep their polling place arrangements under review at not less than 4-yearly intervals and to follow prescribed procedures when carrying out such reviews.

8.0 Policy and performance implications

8.1 This review helps meet the council's corporate plan objectives under the heading "thriving communities" for encouraging peoples' involvement in their neighbourhoods and the heading "sustainable performance" in ensuring a customer focus in the delivery of its services.

8.2 The Electoral Commission is empowered under section 9A of the Political Parties, Elections and Referendums Act 2000 to set out for local returning officers and Electoral Registration Officers the performance standards to be achieved in the conduct of their duties. This review and the associated documentation will help demonstrate that Eastbourne Borough Council is meeting the required standard.

9.0 Financial and resourcing implications

9.1 Election costs are borne by the body holding the election. For parliamentary elections and referendums the government pays and East Sussex County Council pays for county elections. The foregoing proposal will not increase the number of venues or polling stations overall and there should therefore be no impact on staffing costs.

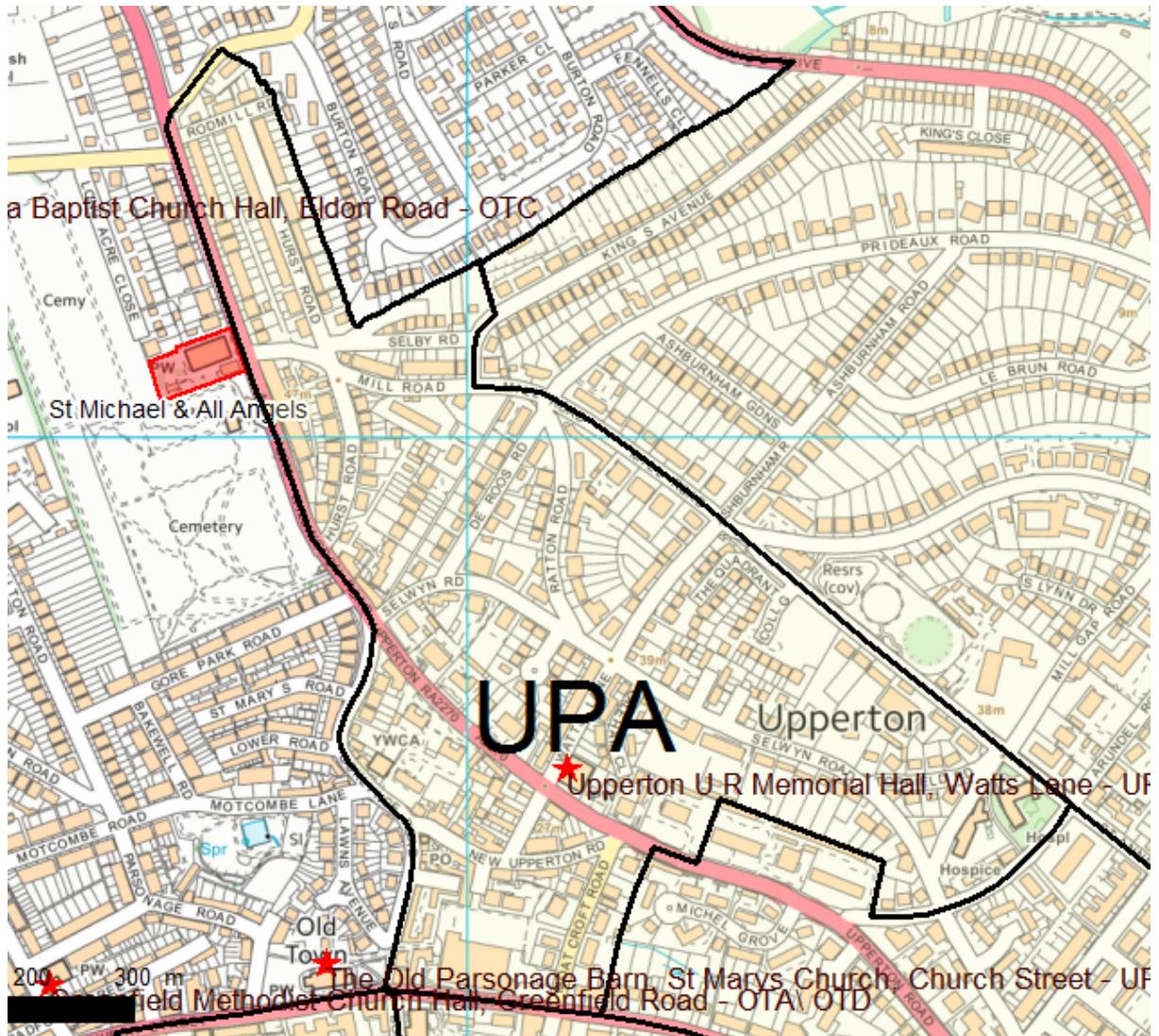
Tracey Pannett
Electoral Services Lead

Background papers:

- Consultation document - <http://www.lewes-eastbourne.gov.uk/consultations/part-review-of-polling-districts-and-polling-places-in-eastbourne/>

To inspect or obtain copies of background papers please refer to the contact officers listed above or access via the weblink above.

Appendix A: Map Showing UPA boundary and location of St Michael & All Angels



Agenda Item 8

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	7 MARCH 2018
Subject:	Internal Audit Report to 31 ST December 2017
Report Of:	Audit Manager
Ward(s)	All
Purpose	To provide a summary of the activities of Internal Audit for the period 1 st April 2017 to 31 st December 2017.
Recommendation(s):	<ul style="list-style-type: none">• That the information in this report be noted and members identify any further information requirements.• To approve the proposed revised version of the Charter for Audit and Counter Fraud (see Appendix A).
Contact:	Jackie Humphrey, Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-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 2017/18 was agreed by the Audit and Governance Committee in March 2017.

2.0 Review of work carried out in the period 1st April to 31st December 2017/18.

- 2.1 A list of all the audit reports issued in final from 1st April 2017 to 31st December 2017 is as follows:

Main Accounting (Annual 2016/17)	Performing Excellently
Payroll (Annual 2016/17)	Performing Adequately
Security of Data Movement	Performing Adequately
IT Contract	Performing Well
Change Controls	Performing Well
VAT	Performing Excellently
Box Office Computer System	Performing Excellently

Cafi Debtors	Performing Excellently
Engineering	Performing Well
Insurances	Performing Well
Building Health and Safety	Performing Adequately
Cafi GL	Performing Excellently
Corporate Plan	Performing Excellently

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

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 with an assurance level of inadequate in this quarter.

2.3 Appendix A shows the work carried out against the annual plan to the end of June 2017. The following comments explain the main points to be noted from the table:

- During the quarter October to December the focus of the work of the audit team moved to the annual reviews meaning that work on the other audits of the plan is now at a minimum.
- Two of the annual reviews have already exceeded the time allocated. This is due to one being carried out by the new member of staff who has never undertaken annual reviews and the other is being carried out by a member of staff who has never audited that area previously.

Previously reported:

- IT Contract and Change Controls – when the draft audit plan was put together in February 2017, it was not known whether these could be started in 16/17 and therefore they were carried forward into the 17/18 plan. However, these were started in the last financial year and were just completed in the first quarter of 17/18

2.4 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.

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

- 2.6 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, will be 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.
- 2.7 However, there is no appendix C attached to this report there are no outstanding actions relating to audits that were issued with an "inadequate" assurance level.

3.0 Corporate Fraud

- 3.1. The Corporate Fraud Team (CFT) has had a number of changes of personnel during this period; with the return of the Corporate Fraud Officer from maternity leave in December and the appointment of a new Corporate Fraud Investigations Manager in October. Despite the disruption to the team and adjustments applied to factor in the Joint Transition Plans implemented across Lewes and Eastbourne councils, a steady work flow has continued.
- 3.2. Work continues with Right to Buy applications, 18 applications have passed through the Corporate Fraud Team. Nine of which resulted in the applications being withdrawn or cancelled.
- 3.3. During the 3rd quarter, 125 Council Tax Reduction (CTR) cases, where no change has been reported for two years, have been investigated. To date, 300 cases have been reviewed, resulting in £34,272.00 in weekly incorrect CTR being cancelled and £56,608.93 in CTR excess being identified. As part of this exercise other errors are also being identified, including Council Tax occupancy, Single Person Discount and Housing Benefit.
- 3.4. The Tenancy Occupancy Review project, to update tenant information held on the Orchard system, has almost been completed with only a handful of cases outstanding. The Corporate fraud team has had success during this period with a proven false housing application and false homeless application, saving the council in excess of £36000.

4.0 Audit Charter

- 4.1. The Public Sector Internal Audit Standards (PSIAS) have been updated, with new standards published in April 2017. The Head of Audit and Counter Fraud has reviewed the PSIAS for their impact on Internal Audit and Counter Fraud. The changes are not significant, being mainly concerned with clarifications to the wording in areas dealing with issues such as safeguarding the independence of Internal Audit, the monitoring of the effectiveness of Internal Audit and the role of Internal Audit in improving an organisation's governance processes. The Head of Audit and Counter Fraud believes that the changes are not sufficiently material to justify a separate report to the Committee.

- 4.2. The formal integration of the Internal Audit and Counter Fraud Teams in EBC and LDC took place on 1 July 2017 as part of the integration of the majority of council services via the Joint Transformation Programme (JTP). The review of the PSIAS 2017 has provided the opportunity to update the Charter to introduce a common approach for the shared services at both councils.
- 4.3. Previous versions of the respective charters at both LDC and EBC covered only Internal Audit. The review of the PSIAS 2017 has provided the opportunity to update the Charter to include the shared Counter Fraud services for both councils.
- 4.4. A copy of the revised Charter is given at Appendix E. The contents of the Charter are divided into the following sections:
- Introduction
 - Purpose
 - Requirement for Internal Audit and Counter Fraud
 - Authorisation
 - Organisation and Relationships
 - Role and scope
 - Mission Statement and Service Objectives
 - Independence
 - Professional Standards
 - Audit Strategy and Resources
 - Reporting
 - Quality Assurance and Improvement
 - Code of Ethics for Internal Audit and Counter Fraud
- 4.5. The revised Charter reflects the wording of the PSIAS 2017 and the equivalent guidance for counter fraud work – the CIPFA Code of Practice on managing the risk of fraud and corruption.

5.0 Consultation

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

6.0 Resource Implications

- 6.1 Financial – Delivered within the approved budget for Internal Audit
- 6.2 Staffing – None directly as a result of this report.

7.0 Other Implications

- 7.1 None

8.0 Summary of Options

8.1 None

9.0 Recommendation

- 9.1
- That the information in this report be noted and members identify any further information requirements.
 - To approve the proposed revised version of the Charter for Audit and Counter Fraud (see Appendix E).

Jackie Humphrey
Audit Manager (Eastbourne)

Background Papers:

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			Planned days	Actual days	Notes / Reason for Variance
ANNUAL REVIEWS	Benefits	Governance	15	6.1	Ongoing
	Cash and Bank	Governance	10		
	Council Tax	Governance	10	15.3	Draft - auditor had not carried out this review previously
	Creditors	Governance	15	2.6	
	Debtors	Governance	15		
	Housing Rents	Governance	15		
	Main Accounting	Governance	10	0.3	Completion of 16/17 review
	NNDR	Governance	10	12	
	Payroll	Governance	10	3.4	Ongoing
	Treasury Management	Governance	5		
	IT	Governance	4		
	Theatres Reconciliation	Governance	5		
	Claims work		100	114.7	Extra work requested
			224	154.4	
Page 17	Contingency		38	18.7	Work not completed in 16/17 and other work requested
	Special Investigations/advice		40	13	
	Follow ups re audits carried out in previous year		30	6.7	
				108	38.4
CARRY FORWARDS FROM 16/17 PLAN	IT Contract	IT	10	0.2	Completed - managed to start in 16/17
	Change Controls	IT	10	0.3	Completed - managed to start in 16/17
	VAT	Operational	8	5.1	Completed
	Private Housing Grants	Operational	8	5.6	Ongoing
	Engineering	Operational	10	12	Completed
	Box Office Computer System	Operational	5	5.2	Completed
			51	28.4	
REQUESTS	Corporate Complaints	Operational	10	2.9	Postponed to later in the year
			10	2.9	
HIGH RISK	Contract Managing and Monitoring	Operational	20	20.7	Draft
			20	20.7	

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			Planned days	Actual days	Reason for Variance
MEDIUM RISK REVIEWS	W360	IT/Operational	15	4.1	Ongoing
	Asset Management	Operational	15	3.9	Ongoing
	Cafi Debtors	Operational	10	10.1	Completed
	Cafi GL	Operational	4	6.7	Completed
			44	24.8	
LOW RISK	Insurances	Operational	10	4.7	Completed
	Corporate Strategy/Priorities	Operational	10	11	Ongoing
	Development Control/CIL	Operational	15	3.6	Ongoing
	Partnerships	Operational	15		
			50	19.3	
JOINT AUDITS	RIPA	Operational	2		
	Safeguarding	Operational	10	2.9	Ongoing
	Joint Ventures	Operational	2		
			14	2.9	
PLAN TOTAL			521	291.8	

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.

Quarters -1-3

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Payroll (Annual 16-17)	Adequate	<ul style="list-style-type: none"> • Authorised signatory list requires updating 	Annual audits not subject to follow ups
Security of Data Movement	Adequate	<ul style="list-style-type: none"> • No central register of third parties who can access or are sent personal data • Incident Management Policy is overdue for review • No central register of Data Sharing Agreements 	<p>Adequate</p> <p>At follow up it was noted that work was ongoing to address the recommendations but had not yet been completed.</p> <p>Further follow up to be undertaken after annual audits completed.</p>
Buildings Health and Safety	Adequate	<ul style="list-style-type: none"> • Health and safety policies and documents are overdue for review and need to be aligned between the two Councils. • Fire risk assessments for Council buildings are always regularly reviewed and updated. • Evacuation procedures require updating • A full review of the adequacy of CCTV needs to be undertaken. 	Follow up due in November postponed due to annual audits being undertaken.

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.

NATIONAL FRAUD INITIATIVE	QUARTER ONE			QUARTER TWO			QUARTER THREE			QUARTER FOUR			YEAR TOTAL	
	Cases	Income	Savings	Cases	Income	Savings	Cases	Income	Savings	Cases	Income	Savings	Income	Savings
Number of cases open	12			14			8							
Number of cleared cases	631			856			976							
Number of errors identified	3													
Number of frauds identified	0			0										
Overpayments identified			1,818.81											1818.81
HOUSING BENEFIT MATCHING SERVICE														
Number of open matches	2													
Number of closed matches	123						67							
Overpayments identified			5,637.51			2,559.58			4,492.56					12,689.65
Weekly incorrect benefit identified			16,049.60			11,091.84			19,324.80					46,466.24
OTHER INVESTIGATIONS														
Number of open investigations				147			152							
Number of closed investigations	59			30			53							
Overpayments identified			5,879.34			2,531.15			2,926.01					11,336.50
Weekly incorrect benefit identified			36,702.27			2,612.80			12,367.04					51,682.11
Removal of SPD saving			894.79			5.72			447.40					1,347.91
Increase in Council Tax liability			1,457.08			24.51			1,715.64					3,197.23
Housing Intervention			36,000.00						36024					72,024.00
CTR Excess			1,159.68			52,028.26			1153.44					54,341.38
CTR WIB			2,940.16			26,367.36			1,896.00					31,203.52
Income from court costs													0.00	
Income from Adpen collection		817.27			605			847.74					2,270.01	
Right To Buy interventions			1,232,050.00			390,900.00			691,100.00					2,314,050.00
TOTALS		£817.27	£1,340,589.24		£605.00	£488,121.22	1256	£847.74	£771,446.89	0	£0.00	£0.00	£2,270.01	£2,600,157.35

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Appendix E

CHARTER FOR INTERNAL AUDIT AND COUNTER FRAUD

1 Introduction

- 1.1 The purpose of this Charter is to define the purpose, authority and responsibilities of the shared Audit and Counter Fraud Service for Eastbourne Borough Council (EBC) and Lewes District Council (LDC).
- 1.2 The Charter establishes the position of the service within both councils, sets out the scope of internal audit and counter fraud activities, and outlines the key aspects of the professional practice of internal audit and counter fraud.
- 1.3 The standards governing the work of an Internal Audit service are laid down in the Public Sector Internal Audit Standards (PSIAS) which came into effect in in 2013. The PSIAS were updated in April 2017 to incorporate a mission statement for Internal Audit and the ten mandatory core principles for the professional practice of internal auditing.
- 1.4 In recent years, central and local government has sought to develop new initiatives to counter fraud and corruption. In recognition of these priorities the Chartered Institute of Public Finance and Accounting (CIPFA) published a Code of Practice on managing the risk of fraud and corruption. The Code emphasises that leaders of public services have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.
- 1.5 The councils are committed to operating in accordance with the requirements of the PSIAS and the CIPFA Code of Practice. This Charter seeks to ensure full compliance with these standards.

2 Purpose

- 2.1 Internal Auditing is an independent and objective assurance and consulting activity designed to add value and improve the operations at both councils. Counter Fraud is an independent and objective activity designed to help prevent and detect fraud, and undertake appropriate investigations when necessary. Working together, these activities help the councils accomplish their objectives by bringing a systematic and disciplined approach to improving the effectiveness of risk management, control and governance processes.
- 2.2 The organisation of Internal Audit and Counter Fraud within a single service facilitates the sharing of information and resources between both activities, enables a greater understanding of the importance of internal controls in helping to prevent fraud across all services at the councils, and has created more opportunities to focus efforts on the areas of potential risk.
- 2.3 The existence of the Audit and Counter Fraud Service does not diminish the responsibility of line management to establish appropriate and adequate systems of internal control and risk management. The Audit and Counter Fraud Service is not

a substitute for the functions of line management who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner.

3 Requirement for Internal Audit and Counter Fraud

- 3.1 The requirement for an Internal Audit function within Local Authorities has been established and developed over a period via a series of legislative Acts and government regulations, the most recent being the Accounts and Audit Regulations 2003, as amended in 2006 and 2011.
- 3.2 The Accounts and Audit Regulations 2011 specifically require that a “relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control.”
- 3.3 The councils have had in place for some years a framework of formal strategies and policies in order to maintain a strong anti-fraud and corruption culture. The councils remain alert to the risk of fraud and corruption, and have in place a network of systems, procedures and controls to protect their assets and services against these risks. Many of the controls are there specifically to prevent loss or fraud - they have been designed to help deter fraud and to give warning of possible fraudulent activity. Up until 2014, Internal Audit provided the main resource for the investigation of alleged cases of corporate fraud and corruption, but now the main counter fraud body at the councils is the Counter Fraud team.

4 Authorisation

- 4.1 The Audit and Counter Fraud Service is authorised to have full and complete access to any of the records (manual and electronic), cash, stores and other assets, and may enter property or land, that are relevant to the performance of engagements at both councils. Such access shall be granted on demand and shall not be subject to prior notice, although in practice the provision of prior notice is reasonable and the normal approach except when circumstances indicate otherwise.
- 4.2 Internal Audit and Counter Fraud access will also extend to partner bodies or external contractors working on behalf of the councils, but access will need to be arranged via the senior Council officer named in the contract or partnership agreement. In addition, Internal Audit and Counter Fraud is authorised to have unrestricted access to all elected Councillors, Chief Officers and Council employees as is necessary for the proper performance of their duties.

5 Organisation and Relationships

- 5.1 The PSIAS require that the terms ‘Chief Audit Executive,’ ‘Board’ and ‘Senior Management’ are defined in the context of the governance arrangements in each public sector organisation in order to safeguard the independence and objectivity of Internal Audit. Although not formally specified in the CIPFA Code of Practice, these governance arrangements will apply equally to Counter Fraud. At EBC and LDC, the following interpretations are applied so as to ensure the continuation of the current relationships between Audit and Counter Fraud and other key bodies at both councils.

Chief Audit Executive

For the shared Audit and Counter Fraud Service, the Chief Audit Executive is the Head of Audit and Counter Fraud (HACF). The Audit and Counter Fraud Service sits within Corporate Services, and the HACF reports operationally to the Deputy Chief Executive (DCE).

Board

In the context of overseeing the work of Internal Audit and Counter Fraud, the 'Board' at EBC is the Audit and Governance Committee. At LDC the 'Board' is the Audit and Standards Committee. The two committees are responsible for, amongst other things, agreeing the Charter for Audit and Counter Fraud, agreeing the Audit Plan (see Section 10 below), monitoring the work of Internal Audit and Counter Fraud, and keeping the progress of the plans under review. Audit and Counter Fraud works closely with the Chairs of both committees to facilitate and support their activities.

Senior Management

'Senior Management' are the Chief Executive (CE), Deputy Chief Executive (DCE), Directors and Assistant Directors who are members of the Corporate Management Team (CMT). In practical terms, Audit and Counter Fraud engages most frequently with the senior officers with responsibility for specific aspects of corporate governance - the Section 151 Officer (DCE) and the Monitoring Officer (Assistant Director Legal and Democratic Services (ADLD)).

Relationships

- 5.2 The Audit and Counter Fraud Service will establish and maintain good working relationships and effective channels of communication with elected members, not just those members who may comprise the respective Boards.
- 5.3 The Audit and Counter Fraud Service will establish and maintain good working relationships and effective channels of communication with managers and staff at all levels of the organisations to build confidence in the integrity, independence and capability of the service. These relationships will not detract from the duty to report control issues where necessary.
- 5.4 The Audit and Counter Fraud Service and the councils' external auditors operate in accordance with an agreed protocol that sets out the relationship between internal and external audit. The protocol supports regular liaison between the two bodies in order to minimise any duplication of work and determine the assurance that can be placed on the respective work of the two parties.
- 5.5 The Audit and Counter Fraud Service co-operates with all external review and inspection bodies that are authorised to assess, inspect or review the activities of the councils to determine compliance with regulations, standards or targets. Internal Audit may determine the level of assurance that can be obtained from this work, and may rely on this assurance as part of the work to provide an opinion on the control environment.
- 5.6 The Audit and Counter Fraud Service co-operates with the corresponding services from local authorities and other public bodies in Sussex that are members of bodies such as the Sussex Audit Group (SAG), the East Sussex Counter Fraud HUB (ESCFH) and the East Sussex Fraud Officers Group (ESFOG) for the purpose of sharing best practice and benchmarking.

6 Role and Scope

- 6.1 The primary role of Audit and Counter Fraud is to be an assurance function that provides an objective assessment of the whole framework of governance, risk management and control – not just the financial systems.
- 6.2 The main aspects of this role are to review and evaluate, and contribute to the improvement of, the:
- completeness, reliability and integrity of financial, management and performance information;
 - design and effectiveness of internal controls;
 - means of safeguarding the assets, employees and interests;
 - processes for identifying, reporting and managing risks;
 - systems established to ensure compliance with policies, plans, contracts, laws, and regulations including those set by the councils and those established externally;
 - economy, efficiency and effectiveness in the use of resources;
- 6.3 In addition, Audit and Counter Fraud may undertake consulting services that are advisory in nature and generally performed at the request of senior management. Audit and Counter Fraud will give advice on any aspect of governance, internal control and fraud prevention on request.
- 6.4 Internal Audit will support DCE in the discharge of the duties of the Section 151 Officer with responsibility for the probity and effectiveness of the councils' financial arrangements and internal control systems;

7 Mission Statement and Service Objectives

- 7.1 The Audit and Counter Fraud Service has the following mission statement and service objectives:

Mission Statement

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

Service Objectives

To provide an efficient and effective Internal Audit function which achieves its service standards, and improves performance where possible.

To deliver the Councils' Audit Plans.

To provide an efficient and effective Counter Fraud Team that supports the councils' Anti-Fraud and Corruption Strategy by carrying out a planned programme of work to help prevent and detect fraud, and provide resources to investigate suspected fraud cases.

8 Independence

- 8.1 The Audit and Counter Fraud Service operates within an organisational framework that preserves the independence and objectivity of the functions, and ensures that Internal Audit and Counter Fraud activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 8.2 The framework allows the HACF (and Audit Managers when appropriate) direct access to, and the freedom to report to, the Audit and Standards Committee/Audit and Governance Committee, the Chief Executive, Deputy Chief Executive (DCE/Section 151 Officer), the Assistant Director of Legal and Democratic Services (ADLP/Monitoring Officer) and the Corporate Management Team (CMT).
- 8.3 Staff within Audit and Counter Fraud have no direct responsibilities or authority over any of the activities that they review or examine. They shall not develop or install systems or procedures, prepare records or engage in any other activity that they would normally review. They will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which he/she auditor had responsibility within the previous year. The only exception will be where resource issues do not enable this degree of separation, and then HACF will apply strict oversight of the work to ensure objectivity. HACF acknowledges that staff changes arising from the joint transformation programme could create more frequent instances where objectivity may be placed at risk.
- 8.4 Staff within Audit and Counter Fraud may provide consulting services or give advice relating to operations for which they had previous responsibility. They may provide assurance for operations where they had previously performed consulting services, provided the nature of the consulting did not impair objectivity and the issue of individual objectivity is managed when assigning resources to assurance assignments.
- 8.5 Every effort will be made to ensure that all members of the Audit and Counter Fraud Service are free from conflicts of interest and do not undertake non-audit duties, with the exception of high priority duties required because of the demands placed upon the councils. If any such non-audit work is required it will be authorised by DCE and approved by the Audit and Governance Committee/Audit and Standards Committee, with the understanding that the member of staff will not then be functioning as an internal auditor/fraud investigator.

9 Professional Standards

- 9.1 The shared Audit and Counter Fraud Service operates in accordance with the PSIAS 2017 and the CIPFA Code of Practice on managing the risk of fraud and corruption.. A copy of the PSIAS and the Code is held in both of the Audit and Counter Fraud offices for reference. The PSIAS include the following mandatory Core Principles, which will apply equally to Counter Fraud. .

Core Principles for the Professional Practice of Internal Auditing

- Demonstrates integrity.
- Demonstrates competence and due professional care.

- Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives and risks of the organisation.
 - Is appropriately positioned and adequately resourced.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance.
 - Is insightful, proactive, and future focussed.
 - Promotes organisational improvement.
- 9.2 The Audit and Counter Fraud Service is governed, however, by the policies, procedures, rules and regulations established by the councils. These include the Constitution (including Contract and Financial Procedure Rules) Conditions of Service, the Anti-Fraud and Corruption Strategy, and the Code of Conduct, among others. Similarly, the Audit and Counter Fraud Service takes due cognisance of external bodies, including CIPFA, and all legislation affecting the Council.
- 9.3 Audit and Counter Fraud staff shall govern themselves by adherence to the Code of Ethics for the service that is consistent with the Code of Ethics within the PSIAS. The Code of Ethics for the Audit and Counter Fraud Service is included in this Charter (Section 13).
- 9.4 The detailed working arrangements and methodology for the Audit and Counter Fraud Service are set out in the Audit and Counter Fraud Manual as maintained by HACF.

10 Audit Strategy and Resources

- 10.1 It is standard practice for HACF to prepare a Strategic Audit Plan that sets out the scope and timing of internal audit and counter fraud work for the next three years. The plan is based upon a documented risk assessment that is undertaken annually, takes account of the results of consultation with the Corporate Management Team (CMT), and reflects the need to undertake sufficient work to enable HACF to produce an annual Internal Audit opinion.
- 10.2 Exceptionally, and in recognition of the significant changes in services, structure and organisation that are underway as a result of the merger of the two councils, the planning process is currently restricted to a single year. The Annual Audit Plan is subject to the same planning, consultation and risk assessment processes as the Strategic Audit Plan.
- 10.3 The Audit Plan (Strategic or Annual) is reviewed each year so that it can reflect the changing risks and priorities of the councils. The Audit Plan is agreed by the March meeting of the Audit and Governance Committee and the Audit and Standards Committee.
- 10.4 The Audit Plan includes provisions for consulting engagements and giving advice, together with an element of contingency to cover assignments that could not have

reasonably been foreseen and to meet management requests for investigations. The Audit Plan also includes the approach to using other sources of assurance (eg the external auditors).

10.5 The staffing of the Audit and Counter Fraud Service will comprise a mix of qualified and technician posts, with appropriate functional specialisms to reflect the key areas of work. The HACF will carry out a continuous review of the development and training needs of all personnel and will arrange in-service training via both internal and external courses as appropriate. Specific resources will be devoted to training in the specialist functions to keep abreast of current developments.

11 Reporting

11.1 All Internal Audit assignments will be the subject of formal reports. Draft reports will be prepared in accordance with the standards set out in the Internal Audit Manual, and sent to the managers responsible for the area under review to agree the factual accuracy of findings. After agreement of the findings and recommendations, the reports will be finally issued to the Director or Head of the service under review, and other senior officers as appropriate.

11.2 Not all Counter Fraud assignments will be the subject of formal reports, although all completed counter fraud cases will be closed with a written summary of the case results. The extent of other formal reports will depend on the origins, circumstances and outcomes of individual cases.

11.3 The PSIAS specify the requirements for the reporting to the Board and senior management by HACF. These requirements are met via a series of reports presented to the respective Boards. These reports include:

- A report to obtain approval of the Audit Plan, and a report at the nine month stage to advise of, and seek approval for, variations to the plan.
- An annual report on the performance and effectiveness of the Internal Audit service. The report includes a review of the work undertaken by Internal Audit compared to the annual plan, a review of the service against its aims, strategy and objectives, a review of the independence of the internal audit activity, and an assessment of compliance with the PSIAS and the Code of Ethics.
- An annual report on the work to combat fraud and corruption. The report includes a review of the work undertaken by Counter Fraud compared to the annual plan, a review of the service against its aims, strategy and objectives, a review of the independence of the counter fraud activity, and an assessment of compliance with the CIPFA Code and the Code of Ethics.
- An annual report on the respective council's Systems of Internal Control, including an audit opinion of the HACF on the internal control, risk management and governance environment at the Council for the preceding year. The report will highlight significant risk exposures, control issues and governance matters, plus any other items requested by senior management and/or the Board.
- An Annual Governance Statement (AGS) that includes an assessment of the effectiveness of the key elements of the governance framework, an action plan for dealing with significant governance issues, and an opinion on the assurance

that the governance arrangements can provide.

- Interim reports to each meeting of the Board that cover the areas outlined above in the period since the beginning of the financial year. Each interim report will contain an appendix that includes an outline of each of the final audit reports issued since the previous meeting, and an appendix that outlines any significant recommendations that have not yet been implemented.

11.4 To facilitate the monitoring and review work of the Board, HACF shall make final audit reports and associated working papers available for inspection by members of the Board. The inspection will be by appointment in the Internal Audit office, and will be on a confidential basis. Access to audit reports on sensitive issues will be subject to agreement between the HACF and the respective Chair of the Board.

12 Quality Assurance and Improvement

12.1 The PSIAS require the HACF to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments. The quality assurance and improvement programme for counter fraud activity will include internal assessments only. The results of the quality assurance and improvement programme will be reported annually to senior management and the Board, including any non-conformance with the PSIAS, the CIPFA Code of Practice and the joint Code of Ethics.

Internal Assessments

12.2 Internal assessments must include ongoing monitoring of the performance of the audit and counter fraud activity, and this will be carried out as an integral part of the day to day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine practices used to manage audit and counter fraud activity at both councils and uses processes and information necessary to evaluate compliance with the standards set out in the Charter for Internal Audit and Counter Fraud, including the Code of Ethics.

12.3 Ongoing monitoring will incorporate the following:

- A comprehensive set of targets for internal audit to measure performance, developed in consultation with the Board. The HACF will report appropriately on the progress against these targets, normally at the first opportunity after the end of a financial year;
- Appropriate arrangements for stakeholder feedback; and
- An action plan to implement improvements.

12.4 Internal assessments must also include periodic self assessments or assessments by persons within the organisation with sufficient knowledge of internal audit practices. The self-assessments will be carried out by the Audit Managers at Eastbourne and Lewes under the direction of HACF, and the results will form part of the annual reviews of internal audit and counter fraud activity.

External Assessments

12.5 External assessments of internal audit must be conducted at least every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self assessment with independent external verification. The HACF will agree with the Board and DCE:

- The form of the external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

12.6 The HACF will use professional judgement when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified. An independent assessor or assessment team means not having any real or apparent conflict of interest and not being part of, or under the control of either of the councils.

12.7 The HACF will determine an optimum approach to external assessment, which may involve peer reviews conducted by neighbouring authorities under the auspices of the regional audit group, the SAG.

Reviewing the Charter

12.8 The Charter is periodically reviewed by HACF, and the results presented to the Section 151 Officer, the Monitoring Officer, CMT and the respective Boards.

13 Code of Ethics for Internal Audit and Counter Fraud

Introduction

- 13.1 A distinguishing mark of a profession is acceptance by its members of responsibility to the interests of those it serves. This Code of Ethics is a comprehensive statement of the values and principles that should guide the daily work of the Audit and Counter Fraud Service.
- 13.2 This Code of Ethics applies to all staff responsible for delivering the Audit and Counter Fraud Service but does not supersede or replace the requirements on individuals to comply with the ethical codes issued by their own professional bodies (eg CIPFA or The Chartered Institute of Internal Auditors (CIIA) or the Council's Code of Conduct for Officers.
- 13.3 The two councils are committed to meeting their statutory equality responsibilities, especially in relation to race, disability, gender, age, sexual orientation, and religion or belief. All officers are required to work in accordance with the councils' Equality Policy. Accordingly, Audit and Counter Fraud personnel will treat all colleagues with dignity and respect, and will ensure that our working practices eliminate discrimination and promote equality and good relations between different groups.

Principles

- 13.4 The revised PSIAS incorporate ten core principles that govern the professional practice of internal auditing (see Section 9 above), and these apply equally to the professional practice of counter fraud. These principles can be summarised into four key values that underpin the work of Audit and Counter Fraud. These values are:
- Integrity – The integrity of internal auditors and counter fraud staff establishes trust and thus provides the basis for reliance on their judgement.
 - Objectivity – Internal audit and counter fraud staff exhibit the highest levels of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined, and make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
 - Confidentiality – Internal audit and counter fraud staff respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
 - Competency – Internal audit and counter fraud staff apply the knowledge, skills and experience needed in the performance of their roles and responsibilities.

Rules of Conduct

- 13.5 The rules of conduct set out below provide the ethical framework for the practice of internal audit and counter fraud, and describe behaviour norms expected of staff working in the Audit and Counter Fraud Service. The rules are an aid to interpreting the principles and values into practical applications, and are intended to guide the conduct of all those working in the service.
- Internal audit and counter fraud staff shall perform their work with honesty,

diligence and responsibility.

- Internal audit and counter fraud staff shall work in a manner that promotes co-operation and good relations with other officers and parties within both councils and externally.
- Internal audit and counter fraud staff shall establish an environment of diligence, trust and confidence that provides the basis for reliance on all activities carried out by individual auditors and the Internal Audit Service.
- Internal audit and counter fraud staff shall observe the law, and make disclosures expected by the law and the profession of internal auditing and counter fraud.
- Internal audit and counter fraud staff shall not knowingly be a party to any illegal or improper activity, or engage in acts or activities that are discreditable to their profession or the councils.
- Internal audit and counter fraud staff shall respect and contribute to the legitimate and ethical objectives of the councils.
- Internal audit and counter fraud staff shall maintain both actual and perceived political neutrality when dealing with activities involving elected Councillors, including members of the Board.
- Internal audit and counter fraud staff shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with those of the councils.
- Internal audit and counter fraud staff shall not accept any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties that may impair or be presumed to impair their professional judgement.
- Internal audit and counter fraud staff shall disclose all material facts known to them that, if not disclosed, may distort the reporting of matters under review or investigation.
- Internal audit and counter fraud staff shall engage only in those services for which they have the necessary knowledge, skills and experience.
- Internal audit and counter fraud staff shall perform internal audit services in accordance with the PSIAS and Code of Practice.
- Internal audit and counter fraud staff shall continually improve their proficiency, effectiveness and quality of their services.
- Internal audit and counter fraud staff shall use all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions.
- Internal audit and counter fraud staff shall remain alert to the possibility of intentional fraud or corruption, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest.

- Internal audit and counter fraud staff shall be prudent in the use and protection of information acquired in the course of their duties. They shall not use information for any personal gain nor in any manner that would be contrary to law or detrimental to the ethical objectives of the councils.
- Internal audit and counter fraud staff shall remain independent within the councils and maintain an attitude of mind characterised by integrity and an objective approach to work. They shall not normally become part of any line management function to a degree where if they are not present the function becomes affected.
- Internal audit and counter fraud staff will advise the HACF of any situation where a conflict of interest has arisen or could arise in performing their duties and responsibilities, or of any instance of non compliance with the standards set out in the Charter for Internal Audit and Counter Fraud.
- The HACF will advise the DCE and the respective Board of any situation where a conflict of interest has arisen or could arise in performing his duties and responsibilities, or of any instance of non compliance with the standards set out in the Charter for Internal Audit and Counter Fraud.
- The HACF will ensure that the work of the Audit and Counter Fraud Service is planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective use of audit resources.

Appendix B

Table of abbreviations

AGS – Annual Governance Statement
BCP – Business Continuity Planning
BDO – BDO, the Council’s external auditors. Formerly BDO Stoy Hayward
CIIA – Chartered Institute of Internal Auditors
CIPFA – Chartered institute of Public Finance and Accounting
CMT – Corporate Management Team
CTRS – Council Tax Reduction Scheme
DCLG – Department for Communities and Local Government
DFGs – Disabled Facilities Grants
DWP – Department of Work and Pensions
EBC – Eastbourne Borough Council
ESFOG – East Sussex Fraud Officers Group
HACF – Head of Audit and Counter Fraud
HB – Housing Benefit
HRA – Housing Revenue Account. Refers to Council owned housing
ISO – International Organisation for Standardisation
IT – Information Technology
JTP – Joint Transformation Project
LDC – Lewes District Council
NFI – National Fraud Initiative
PIs – Performance Indicators
PSIAS – Public Sector Internal Audit Standards
QAIP – Quality Assurance and Improvement Programme
RO – Returning Officer
RTB – Right to Buy
SAG - Sussex Audit Group
SFIS – Single Fraud Investigation Service
WGA – Whole of Government Accounts

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Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	7 TH MARCH 2018
Subject:	Draft internal audit plan for 2018/19
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To propose an internal audit plan for 2018/19
Recommendation(s):	To consider the proposed plan.
Contact:	Jackie Humphrey, Audit Manager (Eastbourne), Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-eastbourne.gov.uk

1.0 Introduction

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

2.0 The Audit Universe

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

3.0 Production of the draft audit plan for 2018/19

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

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

Payroll
Treasury Management
IT
Theatres

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

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

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

4.0 Draft audit plan for 2018/19

- 4.1 The draft audit plan for the new year has to be produced before the end of the previous audit year. A judgement therefore has to be made as to whether any outstanding reviews are likely to be completed. As the focus of the audit work at this time of year turns to completion of the annual audits, time has been set aside in the new year plan for the audits not completed in 17/18.
- 4.2 The risk assessment was used to consider which audits should be included in the plan for the new financial year. There are six high risk reviews listed in the risk assessment. Three are being covered during 17/18 but the reviews have not yet been completed. The other three are included in the draft plan for 18/19.
- 4.3 The remainder of the plan is made up of medium and low risk areas which have not been audited since late 2012 or 2013 and some audits which cross both Lewes and Eastbourne councils since the area is a shared service.
- 4.4 The Eastbourne only list is the areas where the audit would cover just the process at Eastbourne. This is generally where the process is either only carried out at Eastbourne or is still a separate service at each council.

- 4.5 Areas of work covering both Councils are shown as either ones where the time on the review will be split between the two councils or the work will be carried out by the Eastbourne team but will cover both authorities.
- 4.6 Finally, it should be noted that during 2017/18 Eastbourne Homes staff transferred back and are now employed by the council. The work they carry out is therefore under the governance of the council and therefore the areas of their work have now been included into the audit universe and will be audited as part of the council's audit process. These are shown as a separate list within the audit plan as these reports will be reported to Eastbourne Homes' Audit and Risk Committee as well as the council's Audit and Governance Committee. However, the responsibility for addressing recommendations will remain with the council.
- 4.7. It should also be noted that Lewes will be carrying out some reviews that will be cover Eastbourne as well but these will be undertaken solely by the Lewes team. However, once these have been completed they will be reported to committee at both Lewes and Eastbourne. These areas are:

Cyber Security,
Legal Services,
Business Continuity Planning
RIPA.

- 4.8. One caveat should be noted for the new year plan and this is around the annual audits. Currently Payroll at Eastbourne deals with the majority of staff and Eastbourne have undertaken this audit for 17/18 to cover both authorities. Lewes finance will be moving to use the same software systems as Eastbourne and therefore it is reasonable to suppose that both authorities will not have to carry out the same audit separately. However this needs to be considered once this year's reviews are completed and it needs to be discussed and agreed with the external auditors. Once an agreement has been reached the result will be reported.
- 4.9 The draft plan was taken to CMT on 6th February. It was requested that the Estates audit focus on compliance issues. It was also requested that Procurement, focussing on compliance with the contract procedure rules, be added to the plan. A short discussion was held about new projects in Tourism and it was agreed that these could be dealt with as required using the time set aside for contingency work.
- 4.10 The draft audit plan can be found at Appendix C.

5.0 Counter Fraud

- 5.1 This year the Counter Fraud team are producing a plan for their work during the financial year. This has been based on time spent on areas in the past and plans to look into areas which have not yet been investigated.

	Days	Priority
--	-------------	-----------------

Tenancy Fraud	132	High
Right To Buy	70	High
Council Tax/CTR	78	Medium
Housing Benefit/DHP	50	Low
Private Sector Housing/DFG	45	Medium
NNDR	40	Medium
Procurement	15	Low
Data Matching/other	20	Low
	450	

- 5.2 Tenancy fraud work will include building up relationships with Homes First and Account Management in order to elicit more referrals and then to investigate these.
- 5.3 Council Tax and Council Tax Reduction work results in lower amounts of savings than other work. However, these savings are actual cashable savings to the Council.
- 5.4 Private Sector Housing, Disabled Facility Grants and Procurement are all areas where no fraud work has yet been undertaken so work will be carried out to see how best any investigations can be approached.

6.0 Consultation

- 6.1 The Corporate Management Team.

7.0 Resource Implications

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

8.0 Other implications

- 8.1 None

9.0 Summary of Options

- 9.1 None

10.0 Recommendation

- 10.1 To consider and adopt the proposed plan.

Jackie Humphrey
Audit Manager (Eastbourne)

Background Papers:

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

None

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APPENDIX A

AUDIT RESOURCE FOR THE 2018/19 AUDIT PLAN					
	Totals	Audit Manager	Senior Auditor	Internal Auditor	Internal Auditor
FTE POSTS	3.60	1.00	1.00	1.00	0.60
DAYS AVAILABLE	936	260	260	260	156
Less 36 days purchased by EHL	900				
PLANNED AUDITS					
Annual Governance Audits	124				
Grant Claims	115				
Audit Advice / Special Investigations	25				
Follow ups	15				
High Risk Audits	25				
Carry forwards	31				
Medium Risk Audits	122				
Low Risks	55				
Request	8				
Contingency	40				
Total Chargeable Days	560				
NON-CHARGEABLE TIME					
Supervision and management	55	50	5		
Seminars and training	33	11	6	6	10
Team meetings	5	5			
Performance appraisals	0				
Strategic, Annual and Business Planning	5	5			
Annual Leave	98	27	27	27	17
Public Holidays	28	7	7	7	7
Concessionary Leave	7	2	2	2	1
Sickness	18	5	5	5	3
Monthly / Quarterly reports on Audit	10	10			
Maternity / Paternity leave	0				
Vacancies	0				
Admin / Reading / Elections	61	20	16	15	10
External Audit Liaison	10	5	5		
Total Non-Chargeable Days	330	147	73	62	48
RISK MANAGEMENT	10				
TOTAL EBC RESOURCE REQUIREMENT	900				
TOTAL EBC AVAILABLE DAYS	900				

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Service Name	Audit Type	Transactions Score Weighting x 3	Internal Control Score Weighting x 3	System Changes Score Weighting x 2	Risk Level	Planned Time	Last audited / followed up	
Commercial properties (rent, lease, licence)	Review	5	5	5	40	10	NYA	Being carried out as part of Estates audit 17/18
Arrears collection (across authority)	Review	5	5	5	40	10	NYA	
Ventures (EHIC, Asperation etc)	Review	5	5	4	38	10	NYA	Lewes looking at joint ventures in 17/18
Estates Management (buildings)	Review	5	5	4	38	10	NYA	
Corporate Credit Card Usage	Review	4	5	5	37	10	NYA	
Contract Managing and Monitoring	Review	5	5	2	34	9	Mar-11	Being carried out in 17/18
Open Revenues	Computer	5	3	4	32	10	May-16	
Right To Buy	Review	5	3	4	32	8	Oct-16	
Buildings (security/fire/asbestos/gas/legionella)	Review	5	3	4	32	8	Aug-17	
Private Housing Grants	Review	4	5	2	31	8	NYA	In 17/18 plan and included DFGs
Events & Attractions	Review	5	4	2	31	15	Nov-15	
Information Governance inc records management	Review	3	5	3	30	15	Feb-14	
Business Continuity Planning (Incl IT)	Review	3	5	3	30	15	Jan-16	
HEDP	Review	3	5	3	30	10	Dec-16	
W360	Computer	5	2	4	29	15	Sep 12	
Catering	Review	4	3	4	29	10	Jan-15	
Internet/intranet/telephone payments/PCIDSS	Computer	5	4	1	29	10	Nov-16	
Theatres (Box office/FOH/ Marketing)	Review	5	3	2	28	20	Feb-13	
Leasing & Licensing	Review	5	3	2	28	15	Aug-15	
Procurement (Purchasing and contracts)	Review	5	3	2	28	10	Nov 15	
Housing (inc EHL contract)	Review	5	2	3	27	15	Oct-13	
Security of Data Movement	Computer	4	3	3	27	5	May-17	Still subject to follow ups
Human Resources (Pers/recruit/training)	Review	5	2	3	27	15	Sep 14	
Planning	Review	3	4	3	27	10	May-16	
Homelessness/Temp Accommodations	Review	4	3	3	27	10	Jul-16	
Land Charges & Searches	Review	4	2	4	26	7	Dec-13	
Redoubt	Review	5	2	2	25	20	May 14	

Appendix B

Risk Assessment

Sports and Community Centres	Review	5	2	2	25	10	Mar-15
Open Spaces	Review	4	3	2	25	10	Jun-15
Licenses - Entertainment & Taxi	Review	3	4	2	25	10	Jul-15
Health & Safety	Review	5	1	3	24	20	Oct-13
Project Management Control	Review/Comp	3	3	3	24	15	Jul-14
GIS System & LLPG	Computer	3	3	3	24	5	Apl 15
Planning System	Computer	3	3	3	24	10	Jul-15
Internet Controls	Computer	3	3	3	24	10	Aug-15
Telephones	Review	4	2	3	24	10	Sep-15
Rent and Deposit Loans	Review	3	3	3	24	8	Aug-16
Box Office Computer System	Computer	5	1	3	24	5	Sep-17
Devolved Budgets	Review	3	2	4	23	10	Oct-13
Waste Contract	Review	4	1	4	23	10	Oct-15
Cafi - Purchasing	Computer	5	1	2	22	10	Jul-13
Cafi - Creditors	Computer	5	1	2	22	15	Oct-13
Daily Cash Reconciliations at venues	Review	4	2	2	22	10	Jun-14
Petty Cash	Review	3	3	2	22	10	Mar-15
Conferences & Group Travel	Review	3	3	2	22	10	May-15
Seafront Services	Review	2	4	2	22	10	Nov-15
Software Compliance	Computer	3	3	2	22	5	Nov-15
Cafi - Bank Reconciliations	Computer	5	1	2	22	10	Jan-16
Capital Programme	Review	5	1	2	22	15	Nov-16
Cafi - Debtors	Computer	5	1	2	22	10	May-17
VAT	Review	5	1	2	22	8	Jun-17
Cafi - General Ledger	Computer	5	1	2	22	4	Dec-17
Community Grants	Review	4	1	3	21	10	Jan-14
Civil Contingency	Review	3	2	3	21	15	Mar-14
Public Services Network	Computer	3	2	3	21	10	Apl 15
Car Parking inc. Parking Permits	Review	3	2	3	21	10	Aug-15
CHRIS Computer System	Computer	3	2	3	21	5	Oct-15
Access to Information	Review	3	2	3	21	15	Aug-16
Performance Management	Review	3	2	3	21	15	Dec 16
Elections and Electoral Register	Review	3	1	4	20	10	Dec-12
Postal Services	Review	3	1	4	20	10	Mar-13

Appendix B

Risk Assessment

Cemeteries & Crematorium	Review	5	1	1	20	10	Jun-13
Food Safety & Hygiene	Review	4	2	1	20	1	Jun-14
Partnerships	Review	4	1	2	19	15	Nov-12
Officers Expenses	Review	4	1	2	19	4	Apr-14
Tourist Information Centre	Review	4	1	2	19	5	Dec-14
Members (allowances/Interests/Support/hospitality)	Review	4	1	2	19	15	Feb-15
Corporate Complaints	Review	3	2	2	19	4	Mar-15
Engineering	Review	3	2	2	19	10	Sep-17
Change Controls	Computer	3	2	2	19	5	Jun-17
Insurances	Review	3	2	2	19	10	Sep-17
APP	Computer	3	1	3	18	10	Mar-13
IT Policies and Strategy	Computer	3	1	3	18	5	Aug-14
Corporate Equality	Review	3	1	3	18	10	Oct-14
Customer Contact Centre	Computer	1	3	3	18	10	Dec-15
Corporate Strategy/Priorities/Plan	Review	3	1	3	18	10	Dec-17
Pest Control and Public Health Burial	Review	4	1	1	17	10	May-15
IT Contract	Computer	3	2	1	17	10	May-17
Risk Management	Review	3	1	2	16	15	Jul-14
Personal Loans	Review	2	2	2	16	10	Aug-15
Printing Services	Review	3	1	2	16	5	Nov-15
Economic Development	Review	3	1	2	16	15	Sep-16
Car Loans/Leasing	Review	3	1	2	16	8	Oct-16
Community Enforcement	Review	2	1	3	15	10	May-15
HMO Licencing	Review	3	1	1	14	10	Aug-13
Destination Management System (DMS)	Computer	3	1	1	14	5	Apl 14
BACAS Crematorium System	Computer	3	1	1	14	5	Sep-14
Electoral Computer Sys.	Computer	3	1	1	14	5	Jul-15
Safeguarding	Review	2	1	2	13	10	Mar-14

902

Page 47

EHL

Housing Software		5	5	5	40		NYA
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Appendix B

Risk Assessment

H & S compliance		5	5	3	36	2016
Tenancy Management (inc succession)	Review	4	5	2	31	2014
Leaseholder Management and Recharges	Review	4	2	2	22	2014
Estates management		4	2	3	24	2010
Void Management		5	2	3	27	2011
Cyclical maintenance		5	1	3	24	2011
Aids and Adaptations		4	2	3	24	2011
Allocations		4	2	3	24	2012
Rechargeable Repairs		5	3	3	30	2015
Sheltered Housing		5	2	5	31	2017
Resident participation/involvement		2	2	3	18	2011
Older persons strategy		3	1	3	18	2012

Risk

8 - 20 Low

21 - 32 Medium

33 - 40 High

Transaction Score

1 - Under £5k

2 - £5001-£25000

3 - £25001 - £200000

4 - £200001 - £500000

5 - Over £500000

Internal Control Score

1 - Excellent internal controls

2 - Good controls

3 - Adequate controls

4 - Unsatisfactory controls

5 - Major issues raised (or unknown)

System Change Score

1 - Not subject to frequent of major change

2 - Subject to infrequent or minor change

3 - Subject to average change

4 - Subject to frequent minor/infrequent major changes

5 - Subject to frequent/major change

Service Name	Audit Type	Transactions Score Weighting x 3	Internal Control Score Weighting x 3	System Changes Score Weighting x 2	Risk Level	Planned Time	Last audited / followed up
EBC only							
Corporate Credit Card Usage	Review	4	5	5	37	10	NYA
Theatres (Box office/FOH/ Marketing)	Review	5	3	2	28	20	Feb-13
Housing (inc EHL contract)	Review	5	2	3	27	20	Oct-13
Land Charges & Searches	Review	4	2	4	26	5	Dec-13
Devolved Budgets	Review	3	2	4	23	7	Oct-13
Cafi - Purchasing	Computer	5	1	2	22	10	Jul-13
Car Parking including Permits	Request	3	2	3	21	10	Aug-15
Elections and Electoral Register	Review	3	1	4	20	10	Dec-12
Cemeteries & Crematorium	Review	5	1	1	20	10	Jun-13
Officers Expenses	Review	4	1	2	19	5	Apr-14
Use of Council Vehicles	Request				5	8	
COVERING EBC AND LDC							
Half of time - other half Lewes							
Arrears collection (across authority)	Review	5	5	5	40	10	NYA
Estates Management (compliance)	Review	5	5	4	38	10	NYA
Ethics	Annual	3	5	2	28	5	NYA
Customer Services	Lewes request					10	
Conducted solely by EBC							
HMO Licensing	Review	3	1	1	14	10	Aug-13
Postal Services	Review	3	1	4	20	10	Mar-13
Procurement (compliance with CPRs)	Request					10	
EHL							
Estates management		4	2	3	24	10	2010
Void Management		5	2	3	27	10	2011
Aids and Adaptations		4	2	3	24	10	2011

NB - this is half the time planned for these reviews - the other half will be included on the Lewes plan

Risk

- 8 - 20 Low
- 21 - 32 Medium
- 33 - 40 High

Transaction Score

- 1 - Under £5k
- 2 - £5001-£25000
- 3 - £25001 - £200000
- 4 - £200001 - £500000
- 5 - Over £500000

Internal Control Score

- 1 - Excellent internal controls
- 2 - Good controls
- 3 - Adequate controls
- 4 - Unsatisfactory controls
- 5 - Major issues raised (or unknown)

System Change Score

- 1 - Not subject to frequent of major change
- 2 - Subject to infrequent or minor change
- 3 - Subject to average change
- 4 - Subject to frequent minor/infrequent major changes
- 5 - Subject to frequent/major change

Body:	Audit and Governance Committee
Date:	7 March 2018
Subject:	Covert Surveillance Update
Report Of:	Deputy Chief Executive
Ward(s)	All
Purpose	To update the Committee on covert surveillance policy and practice at EBC
Recommendation(s):	That Audit & Governance Committee note– <ol style="list-style-type: none">1. The incidence of authorised covert surveillance at EBC since September 2016.2. Planned amendments to Home Office code of practice on covert surveillance3. The outcome of an internal review of online surveillance activity across EBC and Lewes District Council
Contact:	Oliver Dixon, Lawyer and RIPA Monitoring Officer. Telephone 01323 415881 or internally on extension 5881. E-mail address: oliver.dixon@lewes-eastbourne.gov.uk

1.0 Introduction

1.1 Part 2 of the Regulation of Investigatory Powers Act 2000 (“RIPA”) provides the legislative framework that prescribes how specified bodies, including local authorities, may lawfully conduct certain forms of surveillance; this includes “directed” surveillance (which is covert surveillance likely to result in the obtaining of private information and carried out for the purposes of a specific investigation or operation).

Covert activity conducted in accordance with RIPA is deemed lawful and therefore a legitimate interference with the subject’s right to privacy.

1.2 For EBC directed surveillance to be lawful under RIPA, it must–

(i) be authorised by a designated officer on the grounds that it is:

- (a) necessary for the purpose of preventing or detecting a crime that attracts a maximum custodial sentence of 6 months or more; or necessary for preventing disorder;
- (b) proportionate to what is sought to be achieved by carrying it out;

(ii) approved in advance by a magistrate.

1.3 In September 2016, Audit & Governance Committee considered an updated council policy on the use of covert surveillance and recommended it for approval. The policy was subsequently adopted by Cabinet in October 2016 and is included for reference at Appendix 1.

1.4 It is the role of Audit & Governance Committee to oversee the Council's compliance with the policy by receiving annual reports on its operation.

2.0 Incidence of RIPA Authorisations

2.1 No RIPA authorisations for directed surveillance have been sought or given by the Council since the last report to this Committee (September 2016). This follows the pattern of recent years and reflects the Council's policy of authorising directed surveillance only after all other reasonable options have been considered but deemed unsuitable or inadequate.

2.2 Nonetheless, the Investigatory Powers Commissioner, the national supervisory body for the exercise of RIPA powers, expects local authorities to retain the knowledge and skills to enable them to authorise directed surveillance under RIPA, should the need arise. To this end, the Council provided RIPA refresher training to relevant officers in July 2017, as a result of which the Council now has a pool of four trained authorising officers. In addition, the Council has access to an online 'toolkit' with all the forms and procedures required for a RIPA authorisation.

3.0 Code of Practice Update

3.1 In November 2017 the Home Office consulted on three updated codes of practice relating to powers under RIPA. The particular update on covert surveillance provides expanded guidance on the use of surveillance in online investigations, especially those involving observation of social media sites.

No major alterations to the codes are expected following consultation.

3.2 Under the revised covert surveillance code of practice, the rule of thumb for the regulation of online covert activity is as follows:

Simple reconnaissance of social media sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered.

3.3 Home Office guidance will form the basis of training for EBC and LDC officers on the use of surveillance for online investigations – see also paragraph 4.5 below.

4.0 Internal Review of Online Surveillance

- 4.1 The annual audit programme for 2017/18 includes an audit of compliance with RIPA. Owing to specific concerns raised by the Chief Surveillance Commissioner about public authority surveillance of social networking sites, it was decided that the audit should focus on (1) the Council's controls over the use of social media for investigative and research purposes and (2) the adequacy of the RIPA Monitoring Officer's draft guidance on the circumstances when RIPA authorisation might be required for activity of this type.
- 4.2 The audit took place in October 2017 and comprised an interim review on the basis that, once the recommendations were implemented, a fuller audit could be rolled out to establish the level of compliance across Eastbourne and Lewes councils.
- 4.3 The review set out to determine the scope of social media use by officers for business purposes, and to comment on the guidance and training that officers might need in terms of controls and authorisations required.
- 4.4 The key findings of the review were as follows:
- The level of knowledge among officers (both managerial and frontline) concerning the practical and legal issues with accessing social media sites varies widely
 - Officers who access social media sites do so for a range of applications; only seldom would this amount to directed surveillance. More routinely, officers resort to social media sites to seek information that may assist their enquiries about unpaid council tax or business rates, assessing applications for housing benefit or social housing, confirming the identity of a claimant, or trying to establish the whereabouts of tenant
 - Some officers do not know how to access social media sites, even if doing so would be useful for information gathering
 - There is a lack of understanding about the particular controls and authorisations required for accessing social media sites where privacy settings are in place
 - Officers have not received clear and consistent training on how to access social media sites and the circumstances in which RIPA authorisation would be necessary.
- 4.5 The review recommends that the RIPA Monitoring Officer's draft guidance be updated to address the key findings, and communicated via training sessions with relevant teams. The content will include the latest Home Office guidance on the subject.

The RIPA MO has undertaken to update his guidance by the end of March 2018, and then arrange training to officers.

5.0 Resource Implications

5.1 It may be necessary to procure external training on the use of surveillance with online investigations, due to its technical nature. This would be funded from the corporate training budget.

6.0 Legal Implications

6.1 As stated in paragraph 1.1, directed surveillance conducted in accordance with RIPA is lawful. Directed surveillance conducted outside the aegis of RIPA is not necessarily unlawful but risks amounting to a breach of the subject's right to a private life. Accordingly, if the Council is ever contemplating surveillance of this sort, adhering to the authorisation procedures and processes laid down in RIPA is always advisable.

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

7.1 It is part of this Committee's remit to review the Council's governance arrangements for conducting covert surveillance and to provide assurance to the Council that if/when carried out, surveillance of this type complies with the relevant policy and legislation. Also, the Investigatory Powers Commissioner expects all local authorities to keep its members informed of these matters at least annually, to enable them to oversee the arrangements.

This report fulfils these requirements.

Lead officer name: Oliver Dixon
Job title: Lawyer and RIPA Monitoring Officer

Appendices: Appendix 1 – EBC Covert Surveillance Policy

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
- Home Office Consultation (November 2017) on revised codes of practice under RIPA

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

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 physical or on-line covert surveillance (irrespective of whether it falls within the ambit of the Regulation of Investigatory Powers Act 2000) shall be undertaken in accordance with the procedures set out in this document¹.
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 ('RIPA')
 - 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,

¹ Except that, as stated in paragraph 7(vi), judicial approval is required only in relation to covert surveillance regulated by RIPA

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 Deputy 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 (with minor technical modification to paragraph 4 in February 2017)

EASTBOURNE BOROUGH COUNCIL

AUDIT PLAN TO THE AUDIT AND GOVERNANCE COMMITTEE
Audit for the year ending 31 March 2018

Date of issue: 26 February 2018



CONTENTS

INTRODUCTION	1
YOUR BDO TEAM	2
ENGAGEMENT TIMETABLE	3
AUDIT SCOPE AND OBJECTIVES.....	4
MATERIALITY	5
OVERALL AUDIT STRATEGY	6
KEY AUDIT RISKS AND OTHER MATTERS	9
INDEPENDENCE	14
FEES.....	15
APPENDIX I: MATERIALITY.....	16
APPENDIX II: INDEPENDENCE.....	18

INTRODUCTION

PURPOSE AND USE OF OUR REPORT

We present our Audit Plan to the Audit and Governance Committee. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process.

This report has been prepared to highlight and explain the key components of our audit strategy we believe to be relevant to the audit of the financial statements of the Council and consolidated entities and use of resources of the Eastbourne Borough Council ('the Council') for the year ending 31 March 2018. Audit planning is a collaborative and continuous process and our audit strategy, as reflected in this report, will be reviewed and updated as our audit progresses. In particular, we will review our approach following our interim audit site visit. We will communicate any significant changes to our audit strategy, should the need for such change arise.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. As the purpose of the audit is for us to express an opinion on the Council's financial statements and use of resources for the year ending 31 March 2018, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we consider internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work is not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Governance Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

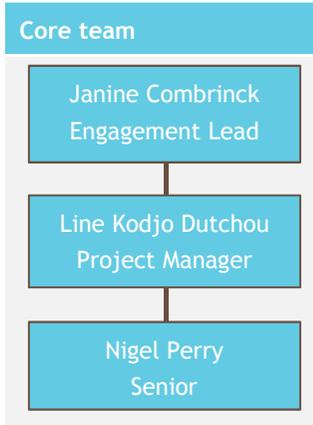
AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department), the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US public companies) and CPAB (Canadian Public Accountability Board), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for audits of listed companies and public interest entities.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Janine Combrinck Engagement Lead	Tel: 020 7893 2631 Janine.Combrinck@bdo.co.uk	Oversee the audit and sign the audit report
Line Kodjo Dutchou Project Manager	Tel: 020 7893 2976 Line.X.Kodjodutchou@bdo.co.uk	Management of the audit
Nigel Perry Senior	Tel: 07940 497 738 Nigel.X.Perry@bdo.co.uk	Day to day supervision of the on-site audit

Page 60

Janine is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

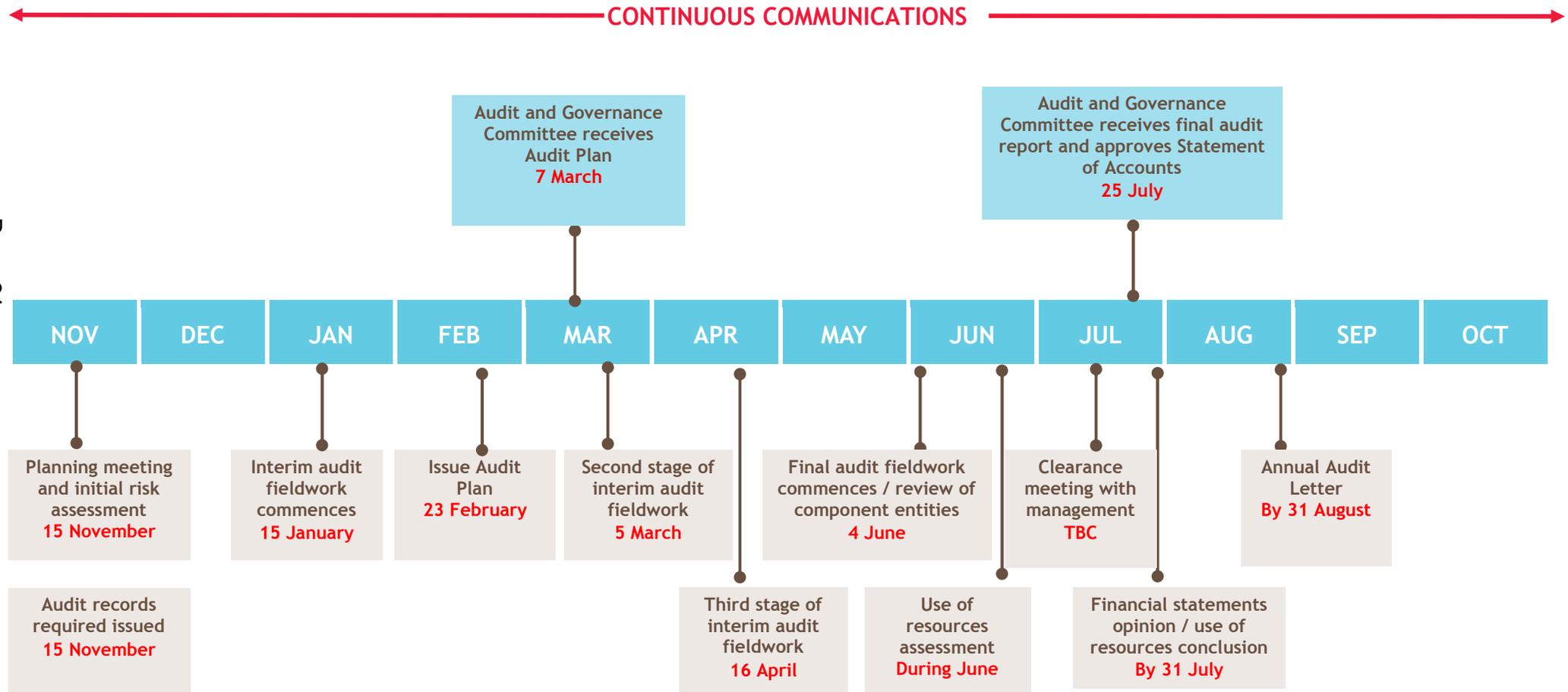
- the financial statements are free from material misstatement, whether due to fraud or error
- the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Janine is responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office’s (NAO) Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p>1 The financial statements give a true and fair view of the financial position of the Group and Council and its expenditure and income for the period in question.</p>	<p>2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p>3 Other information published together with the audited financial statements is consistent with the financial statements (including the Governance Statement).</p>	<p>4 The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.</p>	<p>5 The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

Page 62

ADDITIONAL POWERS AND DUTIES

<p>6 To consider the issue of a report in the public interest. To consider making a written recommendation to the Council.</p>	<p>7 To allow electors to raise questions about the accounts and consider objections. To apply to the court for a declaration that an item of account is contrary to law, where necessary. To consider whether to issue an advisory notice or to make an application for judicial review.</p>
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MATERIALITY

GROUP AND COMPONENT MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Group	£2,000,000	£40,000
Significant components:		
• Council	£2,000,000	£40,000
Non-significant components:		
• Eastbourne Homes Limited	n/a	n/a
• Eastbourne Housing Investment Company Limited	n/a	n/a

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Group and the Council has been based on 2% of the prior year gross expenditure. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level of the Group and the Council.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the Group and Council's financial statements and the Council's use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Group, Council and other component entities' businesses and the specific risks it faces. We discussed the changes to the businesses and management's own view of potential audit risk during our planning visit in order to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to assess their adequacy as a basis for the preparation of the financial statements, Group-wide controls and the consolidation process, and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and Council level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to risks.

Approach to components of the Group financial statements

Our approach is designed to ensure we obtain the requisite level of assurance across the whole Group.

We are aware that there is some uncertainty whether local authority controlled companies are able to take advantage of the size and threshold exemptions for audit or whether the requirement for audit remains in place where the Council itself is preparing consolidated accounts. It is our understanding that local authority controlled companies are not able to take advantage of the audit exemption.

Total coverage is expected to be as shown opposite.

SCOPE	EXPENDITURE COVERAGE 2016/17	NET ASSETS 31/3/17
Full scope procedures	£104m	£243m
Desktop review	<£1m	<£1m
Total	£105m	£244m

We do not expect any significant changes in 2017/18.

OVERALL AUDIT STRATEGY

Group matters

COMPONENT NAME	% GROUP EXPENDITURE	% GROUP NET ASSETS / LIABILITIES	COMPONENT AUDITOR	OVERVIEW OF WORK TO BE PERFORMED
Full scope procedures:				
Eastbourne Borough Council	>99%	>99%	BDO UK	Code audit of the financial statement prepared under CIPFA Code of Practice on Local Authority Accounting
Full scope procedures:				
Eastbourne Homes Limited	<1%	<(1)%	RSM	<p>Analytical review of financial statements prepared by the component entity assessed against expectations and prior year amounts.</p> <p>Specific review of calculation of pension fund net liability prepared by the actuary and agreement of management fee income against the Council's expenditure.</p>
Eastbourne Housing Investment Company Limited	<1%	<(1)%	RSM	<p>We will review the ISA 260 completion reports by the component auditor and consider the impact on our group audit.</p> <p>We will consider the accounting implications of conversion from FRS102 to IFRS based accounts under CIPFA's Code of Practice on Local Authority Accounting.</p>

OVERALL AUDIT STRATEGY

Continued

We will perform a risk based audit on the Council's financial statements and use of resources

This enables us to focus our work on key audit areas. Our starting point is to update our understanding of the Council's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk during our planning visit in order to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to assess their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained. For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and Council level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to risks.

Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing (ISA) 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention. In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the Council in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Management assessment of fraud

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believe that the risk of material misstatement due to fraud in the Council's financial statements is low and that controls in operation would prevent or detect material fraud. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

We are required to discuss with those charged with governance their oversight of management's processes for identifying and responding to risks of all fraud. We expect Audit and Governance Committee members, as those charged with governance, to let us know if there are any actual, suspected or alleged instances of fraud of which they are aware.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other Issue

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under auditing standards there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual. 	Not applicable.
Revenue recognition	<p>Under auditing standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>We consider there to be a significant risk in relation to the existence, accuracy and completeness of fees and charges recorded in the Comprehensive Income and Expenditure Statement (CIES).</p> <p>In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 (PN10), issued by the Financial Reporting Council. PN10 states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure, where testing will be focussed.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test an increased sample of fees and charges income to underlying documentation and confirm the existence and accuracy of transactions throughout the year • Test an increased sample of receipts either side of year end, to confirm that income has been recorded in the correct period and that all income that should have been recorded at year end has been • Test an increased sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period. 	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Valuation of non-current assets	<p>Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.</p> <p>The Council has appointed an external valuer to carry out a year-end desktop review on certain asset classes.</p> <p>Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, there is a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert Confirm that the basis of valuation for assets valued in year is appropriate, including checking that investment properties and surplus assets have been valued at 'highest and best use' Review the reasonableness of assumptions used in the valuation of non-current assets and the Council's critical assessment of the external valuer's conclusions. 	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council. We will follow up valuation movements that appear unusual against indices, or any assets which have not been revalued at the year-end which may have had material movements since the last formal valuation.</p>
Pension liability assumptions	<p>The net pension liability comprises the Council's share of the market value of assets held in the East Sussex County Council's Pension Fund and the estimated future liability to pay pensions. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will:</p> <ul style="list-style-type: none"> Agree the disclosures to the information provided by the pension fund actuary Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data Obtain assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary Check whether any significant changes in membership data has been communicated to the actuary. 	<p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 69</p> <p>Group Accounts</p>	<p>The Council holds 49% of the voting rights and 21% of the non-voting rights in Welbeing. This is considered to be an associate, as the Council has significant influence but not control over this organisation. Historically the Council has not included this organisation in its Group Accounts as its transactions have not been material. Welbeing has now completed its fourth year of operation and it is possible that accumulated retained profits have increased to a material level. This would require the transactions to be included in the Council's Group Accounts, using equity accounting.</p> <p>In addition, the Council has an interest in a new joint housing investment partnership with Lewes District Council, Aspiration Homes Limited. The Council's share of the joint arrangement depends on the value and timing of transactions in the new company. If material, an assessment will need to be made as to whether the joint arrangement comprises a joint venture or a joint operation under International Financial Reporting Standard 10 <i>Consolidated Financial Statements</i> and Group Accounts will need to be prepared.</p> <p>There is a risk that income, expenditure, assets and liabilities in the Group Accounts will not be complete if the Council does not account for its share of material transactions in Welbeing and Aspiration Homes Limited.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the financial statements and management accounts of Welbeing and Aspiration Homes Limited and assess whether management has fully considered the need to include its interest in these entities in its Group Accounts If they are required to be included in the Group Accounts, determine whether the Council has appropriately accounted for its interest in these entities, taking account of the nature and underlying substance of the joint arrangement. 	<p>Not applicable.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p>Recharges between the Council and Lewes District Council and redundancy costs</p>	<p>The Council has undergone a major Joint Transformation Programme (JTP) with Lewes District Council to merge frontline services and back office functions.</p> <p>In February 2017, the vast majority of Lewes District Council employees were transferred onto the Council's payroll. There are recharging arrangements in place for each of the four key service areas (Corporate Management Team, Information Technology, Human Resources and Asset Management) and for employees outside of these services. On a monthly basis the Council calculates, based on these arrangements, the amount to be recharged via invoice back to Lewes District Council.</p> <p>Legal Services are held within Lewes District Council and the Council is recharged for these services.</p> <p>We understand that the recharge percentages may change when budgets are realigned in 2017/18.</p> <p>Given that this is the first full year of these recharge arrangements, there remains a risk over the accuracy of expenditure in the Comprehensive Income and Expenditure Statement.</p> <p>There is also a risk that redundancies resulting from the JTP may not be appropriately accounted and disclosed for in line with CIPFA's Code of Practice on Local Authority Accounting 2017/18.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the reasonableness and accuracy of the recharge arrangements in place between the councils and check that the Council's share of the costs is in line with approved recharge arrangements Review the completeness and accuracy of redundancy accruals and provisions and exit package disclosures. 	<p>Not applicable.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 71</p> <p>Sustainable finances</p>	<p>The update to the Medium Term Financial Strategy (MTFS) to 2019/20 has forecast further reductions in Government core grant funding, falling New Homes Bonus funding from 2017/18 and annual inflationary and pay award pressures. Budget gaps have been identified in 2017/18 (£1.143 million), 2018/19 (£1.022 million) and 2019/20 (£1.011 million), resulting in an average level of required savings of £1.058 million per annum over the period.</p> <p>The Council currently has a number of major development / transformation programmes in place to either help facilitate these savings or create additional revenue streams in the medium term, to close the budget gaps.</p> <p>These programmes include:</p> <ul style="list-style-type: none"> • Joint transformation programme with Lewes District Council to provide joint services • Major project for the enhancement of the current Devonshire Park Complex • Procurement for the redevelopment of the Sovereign Centre • Joint housing investment partnership with Lewes District Council • Procurement for a joint venture energy scheme with Lewes District Council. <p>There is a risk that the MTFS does not adequately take account of the investment costs and savings associated with these projects, and that the Council does not have appropriate arrangements to monitor progress in delivering benefits from these projects against the MTFS.</p>	<p>We will review the assumptions used in the MTFS for investment costs and savings associated with major development / transformation programmes.</p> <p>We will review the Council's arrangements for monitoring the progress of these programmes against the budgeted savings targets.</p>	<p>Not applicable</p>

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Governance Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ending 31 March 2018.

We have not identified any potential threats to our independence as auditors.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include director and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2018 are:

	2017/18 £	2016/17 £
Audit fee	67,781	67,781
Certification fee (Housing benefits subsidy claim)	11,310	11,310
Total audit and certification fees	79,091	79,091
Fees for audit related services (Pooled capital receipts return)	1,500	1,500
TOTAL FEES	80,591	80,591

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

The certification fee for the housing benefits subsidy claim for 2016/17 stated above is the indicative scale fee published by Public Sector Audit Appointment Limited, which is based on fee outturns in previous years. We have not yet completed our work for 2016/17 and therefore this fee may change. The indicative scale fee for 2017/18 is £8,297, however we have proposed a fee of £11,310 as we expect the level of our certification work to be similar to 2016/17. We will keep the level of certification fee for 2016/17 and 2017/18 under review if additional work is required.

Audit fee invoices for the Code audit are being raised in quarterly instalment of £16,945.25 during 2017/18.

Fee invoices for other audit related services will be raised as the work is completed.

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY

Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit and Governance Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit and Governance Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
 - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS

NUMBER OF YEARS INVOLVED

Janine Combrinck - Engagement lead

Third year as engagement lead preceded by two years as project manager

Line Kodjo Dutchou- Project manager

First year as project manager

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

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