

# Audit and Governance Committee

6 March 2019



Working in partnership with **Eastbourne Homes**

**Time and venue:**

**6.00 pm in the Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG**

**Membership:**

**Councillor Dean Sabri (Chairman); Councillors Troy Tester (Deputy-Chair) Sammy Choudhury, Penny di Cara, Paul Metcalfe, Md. Harun Miah, Margaret Robinson and Barry Taylor**

**Quorum: 2**

*Published: Tuesday, 26 February 2019*

## Agenda

**1 Minutes (Pages 1 - 2)**

To confirm and sign the minutes of the previous meeting held on 28 November 2018.

**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 Internet and Social Media Research and Investigations - policy and procedure** (Pages 3 - 12)

Report of Assistant Director of Legal & Democratic Services

**8 Internal audit report to 31st December 2018** (Pages 13 - 22)

Report of Audit Manager

**9 Draft internal audit plan for 2019/20** (Pages 23 - 36)

Report of Audit Manager

**10 BDO grant claims and returns certification report 2017/18** (*to follow*)

Report of external auditors (BDO)

## Information for the public

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**Public participation:** Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

## Information for councillors

**Disclosure of interests:** Members should declare their interest in a matter at the beginning of the meeting.

In the case of a disclosable pecuniary interest (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).

**Councillor right of address:** Councillors wishing to address the meeting who are not members of the committee must notify the Chairman and Democratic Services in advance (and no later than immediately prior to the start of the meeting).

## Democratic Services

For any further queries regarding this agenda or notification of apologies please contact Democratic Services.

**Email:** [committees@lewes-eastbourne.gov.uk](mailto:committees@lewes-eastbourne.gov.uk)

**Telephone:** 01323 410000

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## **Audit and Governance Committee**

**Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 28 November 2018 at 6.00 pm**

### **Present:**

Councillor Dean Sabri (Chairman)

Councillors Troy Tester (Deputy-Chair), Sammy Choudhury, Penny di Cara, Paul Metcalfe and Margaret Robinson

### **Officers in attendance:**

Jackie Humphrey (Internal Audit Manager), Jennifer Norman (Committee Officer) and Jazmin Victory (Scrutiny Officer)

#### **45 Minutes of the meeting held on 19 September 2018.**

The minutes of the meeting held on 19 September 2018 were submitted and approved, and the Chair was authorised to sign them as an accurate record.

#### **46 Apologies for absence.**

An apology for absence had been received from Councillor Md. Harun Miah.

#### **47 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.

#### **48 Questions by members of the public.**

There were none.

#### **49 Urgent items of business.**

There were none.

**50 Internal Audit report to 30 September 2018.**

The Committee considered the report of the Audit Manager regarding a summary of the activities of Internal Audit for the first half of the year. A list of all final audit reports issued from 1 April 2018 to 30 September 2018 and the level of assurance attained were detailed in the report.

The Audit Manager highlighted section 3 of the report, which detailed possible joint service performance indicators that could be reported to Eastbourne Borough Council's Audit and Governance Committee and Lewes District Council's Audit and Standards Committee. Once agreed, the Head of Audit and Counter Fraud would review the performance indicators on a regular basis to ensure that they remain relevant and provided useful data for monitoring and governance purposes at both authorities. Any future changes to the performance indicators would be subject to consultation with the Committee.

*(Note: The Committee wished to commend the Audit Manager on her report despite the decreased number of staff in the department. It also wanted to recognise and convey its thanks of all of the hard work by the Audit and Counter Fraud department.)*

**Resolved: (Unanimous)** That the report be noted.

**51 Grant Claims and Returns Certification - year end 31 March 2017.**

The Committee considered a report by the Council's External Auditors, BDO, which summarised the main issues that arose from the certification of grant claims and returns for the financial year ending 31 March 2017.

The Audit Manager explained that BDO had identified a number of errors the Council had made in administering benefit and calculating subsidy entitlement. The number of errors identified created a delay in signing off the grant claims and returns compared to the previous year. The Audit Manager further explained that BDO was unable to sign off on the grant claims and returns due to outside work, which resulted in the Council being charged an additional fee of £8297, as detailed in the report.

The Committee acknowledged it was aware of the reasons for the delay.

**Resolved: (Unanimous)** That the report be noted.

The meeting ended at 6.15 pm.

Councillor Dean Sabri (Chairman)

<b>Report to:</b>	<b>Audit and Governance Committee</b>
<b>Date:</b>	<b>6 March 2019</b>
<b>Title:</b>	<b>Internet and Social Media Research and Investigations – Policy and Procedure</b>
<b>Report of:</b>	<b>Assistant Director of Legal &amp; Democratic Services</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To seek approval of the Council’s policy on conducting internet and social media research and investigations; and to seek authority for creating and issuing an associated procedure</b>
<b>Officer recommendations:</b>	<b>That the Audit and Governance Committee –</b>  <b>(1) approve Eastbourne Borough Council’s Internet and Social Media Research and Investigations Policy set out in draft at Appendix 1; and</b>  <b>(2) grant delegated authority to the Director of Service Delivery to develop, implement and ensure compliance with an Internet and Social Media Research and Investigations Procedure for Eastbourne Borough Council</b>
<b>Reasons for recommendations:</b>	<b>To ensure the Council has a policy and procedure for the conduct of internet and social media research and investigations that is lawful and ethical</b>
<b>Contact Officer(s):</b>	<b>Name: Oliver Dixon</b> <b>Post title: Senior Lawyer and RIPA Monitoring Officer</b> <b>E-mail: <a href="mailto:oliver.dixon@lewes-eastbourne.gov.uk">oliver.dixon@lewes-eastbourne.gov.uk</a></b> <b>Telephone number: (01323) 415881</b>

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<b>1</b>	<b>Introduction</b>
1.1	Home Office guidance on local authority use of covert surveillance states “Elected members of a local authority should review the authority’s use of ...the 2000 Act [ <i>Regulation of Investigatory Powers Act 2000 – “RIPA”</i> ] and set the policy at least once a year.”
1.2	This recommendation is reflected in Eastbourne Borough Council’s Policy Statement on the Use of Covert Surveillance, which provides that “the operation of this policy shall be overseen by the Council’s Audit and Governance Committee by receiving reports every 12 months on the policy and its implementation.”

- 1.3 The Council's existing Policy Statement on Covert Surveillance remains valid but needs supplementing with a stand alone policy dealing specifically with online covert activity.

## **2 Online Covert Activity**

- 2.1 The growth of the internet, and the extent of the information that is now available online, presents new opportunities for the Council to view or gather information which may assist its officers in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public it serves. It is important that the Council is able to make full and lawful use of this information for its statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered.
- 2.2 The internet may be used for intelligence gathering and/or as a surveillance tool. Viewing a person's social media site may be required in order to gather information prior to and/or during an operation, an investigation, research or other forms of case review or assessment. For example, officers may seek to obtain such information when following up unpaid Council Tax or business rates debts, assessing applications for Housing Benefit or social housing, seeking to confirm the identity of a resident or claimant, or trying to establish the whereabouts of a tenant.

## **3 Policy and procedure on conducting internet and social media research and investigations**

- 3.1 To avoid unlawful intrusion of privacy, it is important that the Council has, and enforces, a policy on conducting internet and social media research and investigations.
- 3.2 To this end, it is recommended that the Committee approve the policy set out in draft at Appendix 1.
- 3.3 To support the policy, it is further recommended that the Committee grant delegated authority to the Director of Service Delivery to develop, implement, and ensure compliance with a technical procedure for carrying out internet and social media research and investigations. The procedure will include the authorisation process that officers must follow before using the internet in a way that may interfere with a person's privacy.

## **4 Policy Review**

- 4.1 The Committee has responsibility for keeping the policy under review by monitoring it annually (and more frequently if circumstances require). Accordingly, officers would bring a report to Committee at these intervals with information on how the policy has been rolled out and adhered to.



## **5 Financial appraisal**

- 5.1 The Council needs to provide relevant officers with training on the policy and procedure covered by this report. An external training course was delivered to a number of caseworkers and specialist advisors in January 2019, and further training may be required, including at managerial level, once the technical procedure is in place. The cost of this would have to be met from departmental training budgets.

## **6 Legal implications**

- 6.1 The legal framework for online covert activity is referred to in the draft policy and consists principally of the Regulation of Investigatory Powers Act 2000, the Human Rights Act 1998 and data protection legislation. The policy recommended in this report will, if implemented and followed, reduce the Council's exposure to potential liability in respect of any of these legal obligations.

*Lawyer consulted 02.01.19*

*Legal ref: 007697-JOINT-OD*

## **7 Risk management implications**

- 7.1 Carrying out internet and social media research and investigations without regard to relevant legislation and codes of practice would expose the Council to the risk of legal liability and reputational loss. To mitigate such risk, it is important for the Council to adopt and roll out the policy and procedure recommended in this report.

## **8 Appendices**

- Appendix 1 – Draft Internet and Social Media Research and Investigations Policy

## **9 Background papers**

The background papers used in compiling this report were as follows:

- Code of Practice on Covert Surveillance and Property Interference (*Home Office, August 2018*) – in particular the provisions dealing with Online Covert Activity at paragraphs 3.10 to 3.17
- Eastbourne Borough Council Policy Statement on Use of Covert Surveillance

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# STRONGER together



Lewes District Council



Working in partnership with **Eastbourne Homes**

<b>Document name:</b>	Internet & Social Media Research and Investigations Policy
<b>Document type:</b>	Policy

<b>Authority(ies) covered:</b>	Eastbourne Borough Council
<b>Responsible (Executive Lead):</b>	Colin Swansborough
<b>Accountable (Operational Lead):</b>	Oliver Dixon Senior Lawyer and RIPA Monitoring Officer
<b>Version (e.g. first draft, final report):</b>	First draft
<b>Approved by:</b>	Audit & Governance Committee – <i>resolution pending</i>
<b>Date of publication:</b>	To be confirmed
<b>Revision due:</b>	To be confirmed

## Contents

1. Introduction
2. Scope of Policy
3. Risk
4. Necessity/Justification
5. Proportionality
6. Private Information
7. Reviewing the Online Activity
8. Use of Material
9. Review of Policy

### 1. Introduction

- 1.1 Online open source research is widely regarded as the collection, evaluation and analysis of material from online sources available to the public, whether by payment or otherwise, to use as intelligence and evidence.
- 1.2 The use of online open source internet and social media research is a method of obtaining information to assist Eastbourne Borough Council (“EBC”) with its regulatory and enforcement functions. It can also assist with service delivery issues. However, the use of the internet and social media is constantly evolving and with it the risks, particularly regarding breaches of privacy and other operational risks.
- 1.3 As a public authority, EBC is subject to the Human Rights Act 1998 (“HRA”) and, as such, must respect the right of individuals to their private and family life – their ‘Article 8’ right. This privacy obligation applies to everything the Council does, including research and investigations carried out using the internet. The HRA permits a public authority to interfere with a person’s right to privacy *only* in accordance with the law and where doing so is necessary on specified grounds, including the prevention of crime.
- 1.4 Researching, recording, storing, and using open source information regarding a person or group of people must be both necessary and proportionate and take account of the level of intrusion against any person. The activity may also require authorisation and approval by a magistrate under the Regulation of Investigatory Powers Act 2000 (“RIPA”). To ensure that any resultant interference with a person’s Article 8 right is lawful, the material must, in addition, be processed in accordance with the General Data Protection Regulation (“GDPR”) and Data Protection Act 2018 (“DPA”).

### 2. Scope of Policy

- 2.1 The objective of this policy and associated procedure is to ensure that all online research and investigations are conducted lawfully and ethically. It

provides guidance to officers about the implications and legislative framework associated with online internet and social media research. The policy also seeks to ensure that the activity undertaken, and any evidence obtained, will stand scrutiny in any subsequent criminal proceedings.

- 2.2 This policy takes account of the HRA, RIPA, the Criminal Procedure and Investigations Act 1996 ("CPIA"), GDPR, DPA and the National Police Chiefs' Council Guidance on Open Source Investigation/Research
- 2.3 This policy and associated procedure will be followed at all times and should be read, where required, alongside the Home Office RIPA Codes of Practice and any other legislation and relevant EBC policies mentioned in this document. Further advice on the interpretation and implementation of this policy should be sought from EBC's RIPA Monitoring Officer, Oliver Dixon.
- 2.4 Not adhering to this policy could result in the relevant officer(s) being dealt with through the Council's disciplinary procedure.
- 2.5 This policy is an open document and fully disclosable under the Freedom of Information Act 2000.

### **3. Risk**

- 3.1 Officers should be made aware that any activity carried out over the internet leaves a trace or footprint which can identify the device used, and, in some circumstances, the individual carrying out the activity. Unless the activity is conducted lawfully, EBC may face legal proceedings for breaching the Article 8 right of the person who is the subject of the research or investigation. There are also legal and reputational risks in failing to handle private information in accordance with GDPR and DPA – see further at paragraph 6.
- 3.2 Due to the potential risk of compromise to other investigations, the activity should be conducted in a manner that does not compromise any current or future investigation or tactics.

### **4. Necessity / Justification**

- 4.1 To justify the research or investigation, there must be a clear lawful reason, and it must be necessary. Therefore, the reason for the research, such as, the criminal conduct that it is aimed to prevent or detect must be identified and clearly described. This should be documented with clear objectives. Should the research or investigation fall within the scope of RIPA (i.e. by amounting to 'directed surveillance'<sup>1</sup>), the activity must not proceed without prior

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<sup>1</sup> RIPA defines 'directed surveillance' as surveillance that is covert and carried out–  
(i) in connection with a specific investigation or operation;

authorisation in accordance with RIPA procedures, including the need to show necessity on specified statutory grounds.

## **5. Proportionality**

- 5.1 Proportionality involves balancing the intrusiveness of the research on the subject and other innocent third parties who might be affected by it (collateral intrusion) against the need for the activity in operational terms. This requires an evaluation of the benefit to carrying out the activity relative to the seriousness of the suspected conduct under research or investigation, and of the expected benefit of the activity versus the privacy intrusion.
- 5.2 The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair.
- 5.3 Where online activity amounts to directed surveillance, part of the application for prior authorisation requires the applicant to demonstrate proportionality to the standard required by RIPA and its relevant Code of Practice.

## **6. Private Information**

- 6.1 RIPA provides that 'private information' includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.
- 6.2 Prior to, and during any research, staff must take into account the privacy issues regarding any person associated with the research.

## **7. Reviewing the Online Activity**

- 7.1 During the course of conducting the internet open source research or investigation, the nature of the online activity may evolve. Officers involved should continually assess and review their activity to ensure it remains lawful and compliant. Where it starts as or evolves into RIPA activity, the RIPA procedure must be followed. If in doubt, officers should seek advice from the RIPA Monitoring Officer.

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- (ii) in a manner likely to obtain private information; and
  - (iii) as a planned response to events or circumstances
-

## **8. Use of Material**

- 8.1 The material obtained from open source internet and social media research or investigations may be used as intelligence or evidence.
- 8.2 Any material gathered from the internet during the course of a criminal investigation must be retained in compliance with the CPIA Code of Practice and processed in line with the GDPR.

## **9. Review of Policy**

- 9.1 EBC's Audit and Governance Committee will review this policy annually but may, where justified, resolve to amend it at any time.

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<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	6th March 2019
<b>Subject:</b>	Internal Audit Report to 31 <sup>st</sup> December 2018
<b>Report Of:</b>	Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To provide a summary of the activities of Internal Audit and Counter Fraud for the three quarters of the year 1 <sup>st</sup> April 2018 to 31 <sup>st</sup> December 2018.
<b>Recommendation(s):</b>	That the information in this report be noted and members identify any further information requirements.
<b>Contact:</b>	Jackie Humphrey, Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-eastbourne.gov.uk

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## **1.0 Introduction**

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2018/19 was agreed by the Audit and Governance Committee in March 2018.

## **2.0 Review of work carried out between 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018.**

- 2.1 A list of all the audit reports issued in final from 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018 is as follows:

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

Debtors (Annual 2017/18)	Performing Excellently
Housing Rents(Annual 2017/18)	Performing Well
Main Accounting (Annual 2017/18)	Performing Excellently
NNDR (Annual 2017/18)	Performing Excellently
Safeguarding	Performing Inadequately
Devolved Budgets	Performing Well
Contracts Monitoring	Performing Adequately
Corporate Credit Card Usage	Performing Excellently

Land Charges and Searches	Performing Well
Estates Management	Performing Well
Private Housing Grants	Performing Excellently
Car Parking	Performing Adequately
Cemeteries and Crematorium	Performing Well
Use of Council Vehicles	Performing Well

### **Levels of Assurance - Key**

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

2.2 Appendix A shows the work carried out against the annual plan to the end of December 2018. The following should be noted:

- A full-time auditor left the Council at the beginning of June. The part-time auditor agreed to work full time from the beginning of August. However, the part-time post has been held as a vacancy whilst Phase 3 savings and a restructure is being considered.
- One member of the audit team had a period of 6 weeks sick leave.
- The Audit Manager has had two projects which have impacted on the amount of time that she could spend on assisting with the completion of the audit plan. These were the setting up and testing of the new audit software and working on the proposals for the planned restructure of the Audit and Counter Fraud teams.

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

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

2.5 The new audit software has now been set up and tested and the Eastbourne Audit team are using the software to record the annual audit reviews currently being undertaken. From 1<sup>st</sup> April it is proposed to carry out all audits using the software. Further work and testing needs to be carried out on what information can be reported using the software but this is dependent on work being carried out using the software first so that there is something to report on.

- 2.6 Work has been completed on the 2017-18 subsidy testing and the work is still with the external auditors for review. No issues have yet been raised but it has not yet been signed off.

### **3.0 Counter Fraud**

- 3.1. The Counter Fraud Team (CFT) continue to work closely with Homes First. There are 20 ongoing sublet/abandonment/safeguarding tenancy cases at various stages. Four properties have been returned, two through joint working with Homes First and two solely through investigation work resulting in a net saving to the authority of £186,000.00. 10 other allegations were closed down in this period with no further action.
- 3.2 Right to Buy applications have reduced from the second quarter with six applications received in total. Of these cases three were withdrawn as part of the CFT involvement, resulting in a saving of £213,000.00 to the authority.
- 3.3 Work has also been undertaken with Homes First looking at a number of potentially fraudulent homeless presentations as well as the implementation of using the National Anti-Fraud Network facilities for credit checks for all new applications as a preventative measure.
- 3.4 The detailed review of Council Tax Exemptions and Disregards is ongoing, looking at areas of weakness or where reviews have not been undertaken for some time, has highlighted an additional 38 Council Tax cases requiring further investigation and resulted in amendments to 33 of these accounts creating in excess of £37k in cash income. The CFT are due to commence a joint working operation with the revenue Specialist Advisors and Datatank reviewing high risk Single Person Discounts. This is expected to become a regular source of referrals and may result in the introduction of the Council Tax Penalty of £70 for undeclared changes in circumstances.
- 3.5 The CFT are continuing a review of Small Business Rate Relief cases, in particular limited companies that may run other businesses in this area or other boroughs. There are in excess of 10 cases currently under investigation or with the Account Management team waiting re-assessment. Further activities are now planned using data matching exercises through the National Fraud Initiative and the application of data analytical software with our neighbouring authorities.
- 3.6 The team are continuing to review Council Tax Reduction (CTR) applications which have not been re-assessed for over two years; this has resulted in finding over £38k in CTR overpayments and weekly incorrect reduction awards which are now recoverable. There has also been a consistent level of Housing Benefit activity through our Single Point of Contact (SPOC) work with the DWP, Housing Benefit Matching Service (HBMS). This has resulted in combined recoverable overpayments of £21k and weekly incorrect benefit of £35k.
- 3.7 The National Fraud Initiative have requested new data uploads and the team have now completed the data extraction exercise for 2018/19 and are now in the process of organising new processes and procedures before the new files

are returned in February 2019.

- 3.8. Appendix C shows the savings identified by the Counter Fraud team during the financial year.

#### **4.0 Consultation**

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

#### **5.0 Resource Implications**

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

#### **6.0 Other Implications**

- 6.1 None

#### **7.0 Summary of Options**

- 7.1 None

#### **8.0 Recommendation**

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

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

**Background Papers:**

			Planned days	Actual days	Notes / Reason for Variance
ANNUAL REVIEWS	Benefits	Governance	15	0.3	Completing 17-18 review
	Cash and Bank	Governance	10		
	Council Tax	Governance	10		
	Creditors	Governance	15		
	Debtors	Governance	15		
	Housing Rents	Governance	15	6	Completing 17-18 review (5.4) and beginning the 18-19 review.
	Main Accounting	Governance	10	4.1	
	NDR (Business Rates)	Governance	10	4.1	
	Payroll	Governance	10	3.6	
	Treasury Management	Governance	5		
	IT	Governance	4		
	Theatres Reconciliation	Governance	5		
	Claims work		115	151.8	Completing 16-17 and carrying out 17-18 work
			<b>239</b>	<b>169.9</b>	
Page 17 EBC resources only	Corporate Credit Card Usage	Operational	10	10.3	Completed
	Theatres	Operational	20		
	Housing (inc EHL contract)	Operational	20		
	Land Charges and Searches	Operational	5	5.7	Completed
	Devolved Budgets	Operational	7	7	Completed
	Cafi - Purchasing	IT	10		
	Car Parking including permits	Operational	10	12	Completed
	Elections and Electoral Register	Operational	10	0	
	Cemeteries and Crematorium	Operational	10	11.6	Completed
	Officers Expenses	Operational	5		
	Use of Council Vehicles	Operational	8	7.1	Completed
	HMO licensing	Operational	10	4	In draft
	Postal Services	Operational	10	8	Ongoing
	Procurement (compliance with CPRs)	Operational	10		
			<b>145</b>	<b>65.7</b>	
Half EBC and half LDC resources	Arrears collection (across depts)	Operational	10		
	Estates Management	Operational	10	12.8	Completed
	Ethics	Operational	5	0	Completed by Lewes without requiring EBC input
	Customer Services	Operational	10		
			<b>35</b>	<b>12.8</b>	
Homes	Estate Management	Operational	10	5.2	In draft
	Void Management	Operational	10	0.3	Asked to postpone until new software in place
	Aids and Adaptations	Operational	10		
			<b>30</b>	<b>5.5</b>	

		Planned days	Actual days	Reason for Variance
Contingency		40		
Special Investigations/advice		25	9.6	
Follow ups re audits carried out in previous year and completion of audits begun in previous year		46	28.8	
		111	38.4	
PLAN TOTAL		560	292.3	

**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**

<b>AUDIT REVIEW</b>	<b>ASSURANCE LEVEL</b>	<b>ISSUES NOTED</b>	<b>Level at follow up</b>
Safeguarding	Inadequate	<ul style="list-style-type: none"> <li>Recruitment policy does not reflect vetting processes detailed in the Safeguarding Policy</li> <li>"Safer recruitment" training required for certain staff.</li> <li>Inadequate records held to evidence checks being made.</li> <li>Not all relevant job descriptions explicitly mention Safeguarding responsibilities</li> <li>Retention and Disposal schedule is not clear on length of retention of documents.</li> </ul>	<p><u>Performing Excellently</u></p> <p>At follow up it was found that all high and medium risks had been addressed.</p>
Contracts Monitoring	Adequate	<ul style="list-style-type: none"> <li>A number of contracts in one area expired and no new contracts let.</li> <li>Formal meetings and ad hoc visits not being adequately recorded</li> <li>Contract details not held centrally</li> <li>No documented procedures for ensuring assets are returned at the end of a contract (e.g. keys).</li> </ul>	<p>Performing Well</p> <p>The expired contracts are being updated but this work is not yet complete.</p>
Car Parking	Adequate	<ul style="list-style-type: none"> <li>Website does not contain all relevant information.</li> <li>The Council is not a member of PATROL, a joint committee formed for parking appeal purposes.</li> <li>Frequency of emptying machines and of patrolling car parks needs to be reviewed.</li> </ul>	<p>Due February 2019</p>

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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	1			0			0							
Number of cleared cases	46			0			0							
Number of errors identified	10			0			0							
Number of frauds identified	0			0			0							
Overpayments identified			5,114.52			0.00			0.00					5,114.52
HOUSING BENEFIT MATCHING SERVICE														
Number of open matches	13			0			0							
Number of closed matches	109			94			64							
Overpayments identified			23,843.52			114,694.97			21,684.63					160,223.12
Weekly incorrect benefit identified			3,707.20			63,365.12			35,303.36					102,375.68
OTHER INVESTIGATIONS														
Number of open investigations	80			48			60							
Number of closed investigations	69			80			109							
Overpayments identified														0.00
Weekly incorrect benefit identified														0.00
Value of ongoing CT increase per week			20771.84			2,815.43			329.69					23,916.96
Increase in Council Tax liability			904.80			51,350.92			36,791.77					89,047.49
Recovery of Council property	3								186,000.00					186,000.00
Housing Intervention														0.00
CTR Excess			4,841.17			26,650.52			38,181.47					69,673.16
CTR WIB			5,819.20			10,061.12			22,354.56					38,234.88
NDR			2136			21,634.01			213,200				0.00	236970.01
Income from Adpen collection		1445.67											1,445.67	
Right To Buy interventions	4		319,000.00		903.6	532,557.51		188.37						851,557.51
TOTALS		£1,445.67	£386,138.25		£903.60	£823,129.60	233	£188.37	£553,845.48	0	£0.00	£0.00	£1,445.67	£1,763,113.33

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<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	6 <sup>TH</sup> MARCH 2019
<b>Subject:</b>	Draft internal audit plan for 2019/20
<b>Report Of:</b>	Audit Manager
<b>Ward(s)</b>	All
<b>Purpose</b>	To propose an interim internal audit plan for 2019/20
<b>Recommendation(s):</b>	To consider the proposed plan.
<b>Contact:</b>	Jackie Humphrey, Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address <a href="mailto:jackie.humphrey@lewes-eastbourne.gov.uk">jackie.humphrey@lewes-eastbourne.gov.uk</a>

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## **1.0 Introduction**

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

## **2.0 The Audit Universe**

- 2.1 The Audit Universe is the list of all areas around the Council which can be reviewed. This year it has been updated to include areas across both Eastbourne Borough and Lewes District Councils so that a full joint audit plan can be produced.
- 2.2 This revised universe has been used to develop a risk assessment of these areas and the risk assessment itself has been revised to reflect the levels of risk identified at both authorities.

## **3.0 Production of the draft audit plan for 2019/20.**

- 3.1 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 and to carry forwards to the new plan those that are unlikely to be started within the financial year.
- 3.2 As already mentioned the plan for 2019-20 now covers both authorities and there has also been a restructure to reflect that the service is now one team across the councils. The draft audit plan has been based on this new structure though some posts need to be filled.

- 3.3 The internal audit plan for each year begins by calculating the number of audit days available. As this is to be a joint plan all the audit days available across the two authorities has been taken into account.
- 3.4 There are twelve “managed” audits which have to be undertaken every year in order to satisfy the external auditors. Some of these can be undertaken as one audit across the two authorities where one system is used, while others will still require two audits to be undertaken. The relevant numbers have been put beside each. Also, only Eastbourne has theatres so this is only completed for Eastbourne.

Benefits x2  
Cash and Bank x1  
Council Tax x2  
Creditors x1  
Debtors x1  
Housing Rents x1  
Main Accounting (Financial Ledger) x1  
NNDR x2  
Payroll x1  
Treasury Management x1  
IT x1  
Theatres x1

The time allowed for any joint audits has been increased slightly as extra time will be required as staff learn who they need to talk to at each authority and to learn any systems that they are unfamiliar with.

- 3.5 As well as these core audits, work is carried out annually on verifying the Benefits Subsidy Claim. This work takes up a very large amount of time at both authorities as extra testing must be carried out if any error is found. Information on the errors has always been fed back to the relevant departments but the amount of work undertaken on checking the claims does not seem to decrease. Therefore, for 2019-20 more time has been set aside for this area than before. As well as carrying out the checking of the claim itself a project will be undertaken to work more closely with the departments to improve the quality of information which is used to produce the subsidy claim. The intention is to put extra time in this year with the expectation that it will decrease the time spent on checking the claim in future years.
- 3.6 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. Thirty six days of work are also purchased from Eastbourne Borough Council to carry out internal audit work for Eastbourne Homes Limited and this must also be taken into account in calculating time available.
- 3.7 Once the days necessary to carry out the work noted in 3.5 are calculated the resulting 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.

- 3.8 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 Audit Manager. Factors considered include :-

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

- 3.9 The completed risk assessment can be found at Appendix B. This has been sorted by level of risk.
- 3.10 The draft audit plan is then produced using the risk assessment as a starting point to select areas for review up to the amount of time available. Other areas where there are concerns about controls or that are timely to audit are also considered.

#### **4.0 Draft audit plan for 2019/20**

- 4.1 The risk assessment was used to consider which audits should be included in the plan for the new financial year. There are 12 high risk reviews listed in the risk assessment. Six have been reviewed within three years with another being completed in the current financial year. The remaining five are included in the draft plan for 19/20. The review for Business Continuity Planning and Disaster Recovery was last carried out in 2016 but is being repeated since it is felt this is a high risk area that requires a more regular review.
- 4.2 The remainder of the plan is made up of medium risk areas and one low risk. The low risk area is Equalities which Lewes District Council have audited annually for some years.
- 4.3 As all audits will be carried out across both authorities, unless the area is administered by only one authority, more time has been given to each review. This is because audit staff will be learning new systems as they carry out these audits and will have to speak to more staff who carry out the various elements of this work. During the course of the year experience will grow and there will be a much better idea of time requirements for reviews which will inform the plan for the following year.
- 4.4 The draft audit plan can be found at Appendix C.

#### **5.0 Counter Fraud**

- 5.1 The plan for Counter Fraud work has also been based on the time available from Counter Fraud staff across the two authorities. In the proposed restructure there are no changes that will affect the time available for counter fraud work and the proposal below will not change in terms of days available. However, the focus of work may change as Lewes have limited their counter fraud work to Tenancy and Right to Buy and this will be reviewed as the year progresses.

	<b>Days</b>	<b>Priority</b>
Tenancy Fraud	347	High
Right To Buy	180	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
	<b>775</b>	

- 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.

**Background Papers:**

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

*None*

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**AVAILABLE DAYS**

	Chief Internal Auditor	Audit Manager	Senior Auditor	Senior Auditor	Auditor	Auditor	Auditor
Total days		260	260	260	260	260	260
Non charge		140	60	60	60	60	60
Actual days	100	120	200	200	200	200	200
Gross total	1220						
Less EHL	36						
Total audit days available	<b>1184</b>						

**OTHER WORK**

Subsidy and subsidy project	450
Annual audits	193
Follow ups of audits from previous years	30
Contingency	56
Advice/specials	30
Fraud/Audit projects	25
CIA strategic projects	100
<b>Total</b>	<b>884</b>

**Available for operational audits** **300**

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**Risk Assessment of Full Audit Universe**  
Sorted by risk level

Audit	Dept	Last Audited					
		Financial Materiality x 3	System Stability x 2	Internal Control x 3	EBC	LDC	
Business Continuity Planning and Disaster Recovery	Central Systems	5	5	5	2016	2016	40
Commercial Ventures	Central Systems	5	5	5			40
Housing Software	Computer Audits	5	5	5			40
RIPA	Central Systems	5	5	5			40
Leaseholder Management, service changes and repairs recharges	Housing	5	5	5	2014		40
Health and Safety Compliance	Housing	5	3	5	2016		36
Housing Benefit Software	Computer Audits	5	4	3	2016		32
Contracts/Procurement	Central Systems	5	2	4	2018		31
Events	Tourism, Events, Theatres and Sports	5	2	4	2015		31
Sheltered Housing	Housing	5	5	2	2017		31
Tenancy Management (including succession and mutual exchanges)	Housing	4	2	5	2014		31
HEDP	Housing	3	3	5	2016		30
Homelessness/Temp Accom/Housing strategy	Housing	4	4	3	2016	2010	29
Internet/Intranet/Telephone Payments	Central Systems	5	1	4	2016		29
Catering	Tourism	4	4	3	2015		29
Housing Management inc EHL contract	Housing	4	4	3	2013	2015	29
Implementation of New Systems	Computer Audits	3	5	3		2014	28
IT Security and Networks	Computer Audits	3	5	3		2015	28
Theatres	Tourism	5	2	3	2013		28
Buildings Maintenance	Central Systems	3	3	4	2017	2012	27
Car Parking inc parking permits	Customer Services	3	3	4	2018		27

**Appendix B**
**Risk Assessment of Full Audit Universe**
**Sorted by risk level**

Health and Safety	Central Systems	4	3	3	2013	2016	27
Records Management	Central Systems	3	3	4	2014	2016	27
Security of Data Movement	Computer Audits	4	3	3	2017	2017	27
Telephones	Central Systems	4	3	3	2015	2002	27
Housing Repairs	Housing	3	3	4		2015	27
Right to Buy	Housing	4	3	3	2016	2016	27
Voids Management	Housing	5	3	2	2011		27
Change Controls	Computer Audits	3	4	3	2017	2013	26
Commercial properties (Rent, lease and licence)	Customer Services	4	4	2	2018	2018	26
Internet/Intranet Controls	Computer Audits	3	4	3	2015	2013	26
Open Spaces	Customer Services	4	2	3	2015		25
Redoubt	Tourism	5	2	2	2014		25
Data Protection	Central Systems	5	3	1		2011	24
GIS System and LLPG	Computer Audits	3	3	3	2015		24
Personnel, Recruitment and Training	Central Systems	3	3	3	2014		24
Planning System	Computer Audits	3	3	3	2015		24
Prevent and Protect	Central Systems	2	3	4	2018	2018	24
Project Management	Central Systems	3	3	3	2014	2011	24
Rent and Deposit Loans	Housing	3	3	3	2016		24
Box Office Computer System	Computer Audits	5	3	1	2017		24
Aids and Adaptations	Housing	4	3	2	2011		24
Allocations	Housing	4	3	2	2012		24
Cyclical Management	Housing	5	3	1	2011		24
Housing Estate Management	Housing	4	3	2	2019		24
Waste and Recycling Services	Customer Services	2	4	3	2015	2013	23
Building Control	Customer Services	3	2	3		2015	22
Cafi - Purchasing	Computer Audits	5	2	1	2013		22
Cafi - Creditors	Computer Audits	4	2	2	2013		22
Cafi - Debtors	Computer Audits	5	2	1	2017		22
Cafi - General Ledger	Computer Audits	5	2	1	2017		22
Cafi Bank Reconciliations	Computer Audits	5	2	1	2016		22
Capital Programme	Central Systems	5	2	1	2016		22

Cemeteries and crematorium	Customer Services	4	2	2	2018	2016	22
Leisure Trusts	Tourism, Events, Theatres and Sports	3	2	3	2016	2016	22
Planning	Customer Services	3	2	3	2016	2014	22
Software Compliance	Computer Audits	3	2	3	2015		22
Conferences and Group Travel	Tourism	3	2	3	2015		22
Seafront Services	Tourism	2	2	4	2015		22
Access to Information	Central Systems	3	3	2	2016		21
Civil Contingency	Central Systems	3	3	2	2014		21
Community Grants	Customer Services	4	3	1		2014	21
Customer Contact Centre	Customer Services	2	3	3	2015		21
Members Allowances and Civic Expenses	Central Systems	3	3	2	2015	2010	21
Payroll Computer System	Computer Audits	3	3	2	2015		21
Performance Management/Data Quality	Performance and Management	3	3	2	2016		21
Private Sector Housing (HMO licensing, DFGs and private housing grants)	Housing	3	3	2	2018	2014	21
Public Services Network	Computer Audits	3	3	2	2015		21
Environmental Health (Food, pest control and public health burial)	Customer Services	4	1	2	2015		20
Postal Services	Central Systems	3	4	1	2013		20
Coastal Protection	Central Systems	3	2	2	2017	2004	19
Corporate Complaints	Central Systems	3	2	2	2015		19
Ethics	Central Systems	1	2	4		2016	19
Insurances	Central Systems	3	2	2	2017	2016	19
Land Charges and Searches	Central Systems	3	2	2	2018	2013	19
Officers Expenses	Central Systems	4	2	1	2014		19
Partnerships	Central Systems	2	2	3	2012	2013	19
Safeguarding	Central Systems	2	2	3	2018		19
Taxi and Entertainment Licences	Customer Services	2	2	3	2015	2012	19
Tourist Information Centres	Tourism, Events, Theatres and Sports	4	2	1	2014		19
Newhaven Business Centre	Central Services	3	2	2		2016	19
Devolved Budgets	Central Systems	3	2	2	2018		19
Corporate Strategy/Priorities/Plan	Central Systems	3	3	1	2017		18
IT Policies and Strategy	Computer Audits	3	3	1	2014		18

**Appendix B**
**Risk Assessment of Full Audit Universe  
Sorted by risk level**

APP	Computer Audits	3	3	1	2013		18
Older Persons Strategy	Housing	3	3	1	2012		18
Resident Participation and Involvement	Housing	2	3	2	2011		18
IT Contract	Computer Audits	3	1	2	2017		17
VAT	Central Systems	4	1	1	2017	2005	17
Economic Development	Central Systems	3	2	1	2016	2016	16
Elections and Electoral Register	Central Systems	2	2	2	2012	2016	16
Equalities	Central Systems	1	2	3	2014	2012	16
Personal and Car Loans	Central Systems	2	2	2	2015	2004	16
Printing Services	Central Systems	3	2	1	2015		16
Risk Management/Corporate Governance	Performance and Management	3	2	1	2014		16
Electoral Computer System	Computer Audits	3	1	1	2015		14
BACAS Crematorium System	Computer Audits	3	1	1	2014		14
Destination Management System	Computer Audits	3	1	1	2014		14
Polution Control	Customer Services	1	1	2		2014	11

Service Name	Audit Type	Risk Level	Planned Time in days
Housing System - CX	Computer	High	20
Leaseholder service charges and recharges	Operational	High	20
Business Continuity and Disaster Recovery	Operational	High	20
RIPA	Operational	High	15
Tenancy Management (in succession planning and MEX)	Operational	High	20
Aids and Adaptations	Operational	Medium	20
Stage Door/EDGC and catering	Operational	Request	20
Members Allowances	Transparency	Medium	15
Ethics	Transparency	Low	15
Internet/Intranet/Telephone Payments	Operational	Medium	15
IT Security and Networks	Computer	Medium	10
Theatres	Operational	Medium	15
Voids Management	Operational	Medium	20
HR (recruitment, retention, training and apprenticeship scheme)	Operational	Medium	20
Partnerships	Operational	Medium	20
Project Management	Operational	Medium	20
Data Protection	Operational	Medium	15
Total days for audit plan			300

Annual audits		Planned Time in days
Benefits	Lewes	15
Benefits	Eastbourne	15
Council Tax	Lewes	10
Council Tax	Eastbourne	10
NNDR	Lewes	10
NNDR	Eastbourne	10
Cash and Bank	Joint	15
Creditors	Joint	20
Debtors	Joint	20
Rents	Joint	20
Main acc	Joint	15
Payroll	Joint	10
Treasury Man	Joint	10
ICT	Joint	8
Theatres	Joint	5
Total days annual audits		193

Total audit days

493

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