

Audit and Governance Committee

18 September 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 Robin Maxted (Deputy-Chair)
Helen Burton, Sammy Choudhury, Paul Metcalfe, Md. Harun Miah, Amanda Morris
and Barry Taylor**

Quorum: 2

Published: Tuesday, 10 September 2019

Agenda

1 Minutes (Pages 5 - 10)

To confirm and sign the minutes of the previous meeting of the Committee held on 24 July 2019.

2 Apologies for absence/declaration of substitute members

3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.

4 Questions by members of the public.

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

5 Urgent items of business.

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

6 Right to address the meeting/order of business.

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

7 **Internal Audit Report for the first quarter of the financial year 2019-2020**
(Pages 11 - 20)

8 **Strategic Risk Register Quarterly Review** (Pages 21 - 32)

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

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Working in partnership with **Eastbourne Homes**

Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 24 July 2019 at 6.00 pm

Present:

Councillor Dean Sabri (Chairman)

Councillors Robin Maxted (Deputy-Chair), Helen Burton, Paul Metcalfe, Md. Harun Miah, Jane Lamb (Reserve) (as substitute for Barry Taylor) and Candy Vaughan (Reserve) (as substitute for Sammy Choudhury)

Officers in attendance:

Jackie Humphrey (Chief Internal Auditor), Oliver Dixon (Senior Lawyer and Data Protection Officer), Janet Martin (Principal Accountant), Nick Peeters (Committee Officer), Elaine Roberts (Committee Officer) and Peter Finnis (Assistant Director for Corporate Governance)

Also in attendance: Neal Robinson, Independent Person

1 Minutes

The minutes of the meeting held on 6 March 2019 were submitted and approved and the Chair was authorised to sign them as an accurate record.

2 Apologies for absence.

Apologies were received from Councillor Barry Taylor, Councillor Sammy Choudhury and Graham Burton (Independent Person).

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.

None

4 Questions by members of the public.

None received.

5 Urgent items of business.

Following approval from the Chair that the matter was urgent, the Committee reviewed a letter received that day (24 July 2019) from Deloitte, external auditor.

At the Chair's request, Peter Finnis, Monitoring Officer (MO) and Assistant Director of Corporate Governance, provided a brief review of the letter, which gave notice that final Accounts Reporting would now be expected in the Autumn.

The letter was circulated ahead of the meeting via email and tabled for Members.

The Chair noted that the update from Deloitte was helpful.

In addition, the Chair introduced the two newly appointed independent persons: Neal Robinson and Graham Branton and welcomed them to the meeting. Their appointments had been approved by Full Council on 10 July.

6 Right to address the meeting/order of business.

No requests were received.

7 BDO grant claims and returns certification report 2017/18

The Committee received a report from the Council's outgoing external auditors BDO, which detailed key findings in respect of the certification of grant claims and returns for the financial year 2017/2018.

The report was originally presented to the Committee at its previous meeting, 6 March.

Due to extenuating circumstances, which reduced the amount of time available for the Committee to review the report, it was agreed that the report would be noted, but that it be brought back to this meeting for Councillors to ask any additional questions.

Janet Martin, Principal Accountant presented the report to the Committee, highlighting points of note and provided further explanation as required:

- Analysis of the final total value showed the amount of adjustment was minimal.
- The subsidy paid out to residents which was then claimed back from Central Government
- Errors from previous years had had a knock on effect as they were then requested for testing the following year, even if those errors were no longer recurring.
- Analysis of 'loss' figures in the table on page 11 were due to account reporting between years rather than actual/absolute loss.
- It was noted that BDO considered the change seen in housing requests as "reasonable".

It was noted that findings and conclusions made after the Department of Work and Pensions deadline were due to certification delays.

A project had been launched to improve quality checking, which would address and improve issues of errors and subsequent need for error testing, for example, as seen with Housing Benefit issues.

The Chair was pleased to note that improvements regarding manual adjustments meant that BDO was able to close the accounts on that issue.

The Chair expressed his thanks to the officer for the review of the report and noted that the Chief Finance Officer was unable to attend the meeting due to illness.

RESOLVED: (Unanimous) that the report be noted.

8 Proposed amendments to Eastbourne Borough Council's Code of Conduct for members

Peter Finnis (Monitoring Officer) welcomed the new Independent Persons (IPs): Neal Robinson and, in his absence, Graham Branton. The IPs would work in close partnership with the MO, providing expert advice and active involvement in any code of conduct cases, or scrutiny of cases.

Oliver Dixon, (Deputy Monitoring Officer), presented the report.

It was noted that the role of the Audit and Governance Committee was to provide strategic oversight on this issue; any changes to the Code of Conduct had to be ratified by Full Council. Any recommendations from the Committee would go before the next Full Council in November.

The last comprehensive review of the Code was made in 2012.

The purpose of the review was to align the Code of Conduct with neighbouring local authorities, notably East Sussex County Council, to help ensure consistency and clarity for Councillors and with the recent review by the Committee on Standards of Public Life (CSPL).

The CSPL review concluded that it was appropriate that the conduct of Councillors continued to be managed at a local level. It had also made a number of recommendations, which fell into two groups:

- Those that would require changes to primary and secondary legislation, and so would need to be tabled through Parliament (at a date to be confirmed).
- Those that were points of best practice (and not requiring legislative change).

The Committee considered the 'best practice' points relevant for review of the Eastbourne Borough Council Code of Conduct for members (listed in Appendix 1 to the report) and the proposed edits to align with CSPL best practice recommendations.

In regard to paragraph 1.6, the Committee requested that the word 'reasonable' be inserted before the words 'request for information'; and that the words 'from the Monitoring Officer or Investigating Officer' be inserted to clarify from whom those requests would come.

The Committee requested that an investigation was made to see if there was any specific advice already available on the use of social media that would be suitable to add to the general communications guidance.

In relation to definitions, the Chair noted the value of the proposed changes, the usefulness of including definitions, and was pleased to hear that much of the best practice was already in place.

The MO noted that the definitions provided very useful guidance, that every instance would always be treated on a case by case basis, and that there were processes of informal action and mediation that could be called upon to resolve an issue, which could mitigate against the need to use the formal Code of Conduct processes.

It was confirmed that the definition for 'Harassment' uses the statutory definition supplied in the Equality Act 2010, and for 'Bullying', uses the definition provided by ACAS (in the absence of a statutory definition).

The Committee requested that an additional, non-exhaustive example for 'bullying', that included the phrase 'habitual' or 'repeated', be provided. Cllr Burton stated that even a single instance of bullying or harassment may be enough to meet the definitions proposed, depending on the perception of the person targeted. The MO said that bullying or harassment could comprise a single but serious case, or a pattern of behaviour; the definitions and non-exhaustive examples would be used as points of reference and guidance when assessing a complaint.

In addition, the Committee requested that a potential inconsistency of thresholds for beneficial interests, one for £25, another for £50, be checked and appropriate amendments be made if necessary.

RESOLVED: (Unanimous)

1. That the report be noted and recommended to Full Council, subject to:
 - Additional amendments to para 1.6 in the Code of Conduct
 - Addition of the non-exhaustive example set out above
 - The Deputy Monitoring Officer confirming the monetary threshold limits and amending the document accordingly.
2. That the Deputy Monitoring Officer considers what existing guidance on social media might be included for members.

9 Financial Procedure Rules

The Committee reviewed the draft Financial Procedural Rules report in advance of their submission to Full Council for approval.

It was noted that maintaining an up to date set of Financial Procedural Rules helped the Council to ensure it had effective governance of finances in place.

Jackie Humphrey presented the report, and confirmed that the review and update is in line with regulatory and best practice standards.

Resolved (unanimous) that the report be noted and the Financial Procedure Rules be recommended to Full Council for approval.

10 Treasury Management Annual Report 2018/19

The Committee considered the report on the activities and performance of the Treasury Management Service during 2018/19 as per the requirement of CIPFA Treasury Management in the Public Sector Code of Practice.

It was confirmed that the apparent disparity in the table in part 2 was due to the difficult nature of precise forecasting of capital investment expenditure.

Officers advised that interest rates were monitored continuously, to help optimise the best time to borrow (or not). Janet Martin advised on the different considerations, efficiency choices and examples of analysis activity which explained the Council's approach to financial planning. In regards to borrowing for cash flow purposes, it was advised that this was sometimes the most efficient way to help meet a large request for resources or need, but on other occasions reserve funds were used.

The Chair thanked the officers for the detailed report.

RESOLVED (Unanimous): that the report be noted.

11 Strategic Risk Register Quarterly Review

The Committee considered the outcomes of the quarterly review by the Council's Corporate Management Team (CMT) of the Strategic Risk Register.

The report recommended two notable amendments to the Risk Strategy Register, including having named owners of the risk and increasing the risk score values.

Officers advised that there was a plan for a review of the Risk Management Strategy, including input of expertise from Zurich. This would be brought before the Audit and Governance Committee.

The Committee sought reassurance that the increasing of the employment risk had been noted and was being addressed. Officers reported that an audit

and review of human resources and recruitment was due to start shortly and would cover this issue.

RESOLVED: (Unanimous) that the report be noted.

12 Annual Governance Statement

The Committee considered the report from the Chief Internal Auditor, with a view to approving the draft Annual Governance Statement.

Points discussed included:

- Explanation of some issues resulting from the joint transformation process.
- Actions had been taken to mitigate the under-performance of the new Housing software.
- A new working group had been set up to address document retention and data management, as highlighted by GDPR – and consequently had not been listed as a governance issue.
- The cycle of production of the annual Governance Statement would commence at the end of the year, following results of the audits.

The Chair recognised the level of work that had gone into preparing the statement and invited questions from the Councillors:

RESOLVED: (Unanimous) that the Annual Governance Statement be approved.

13 Internal Audit Report for the financial year 2018-2019

The Committee considered a summary report, presented by the Chief Internal Auditor, of the activities of Internal Audit and Counter Fraud, in line with its duty to review the effectiveness of the Council's internal controls and arrangements for identifying and managing risk.

Officers advised that the one issue listed as 'inadequate' had been resolved.

It was noted that the auditors were working on unfamiliar areas, following the joint transformation. The Committee was reassured that plans for more alignment and sharing of best practices were being put in place.

The positive impact of keeping the Counter Fraud Team in-house was illustrated with a number of examples of prevention of potentially lost monies.

RESOLVED: (unanimous) that the report be noted.

The meeting ended at 7.40 pm

Councillor Dean Sabri (Chairman)

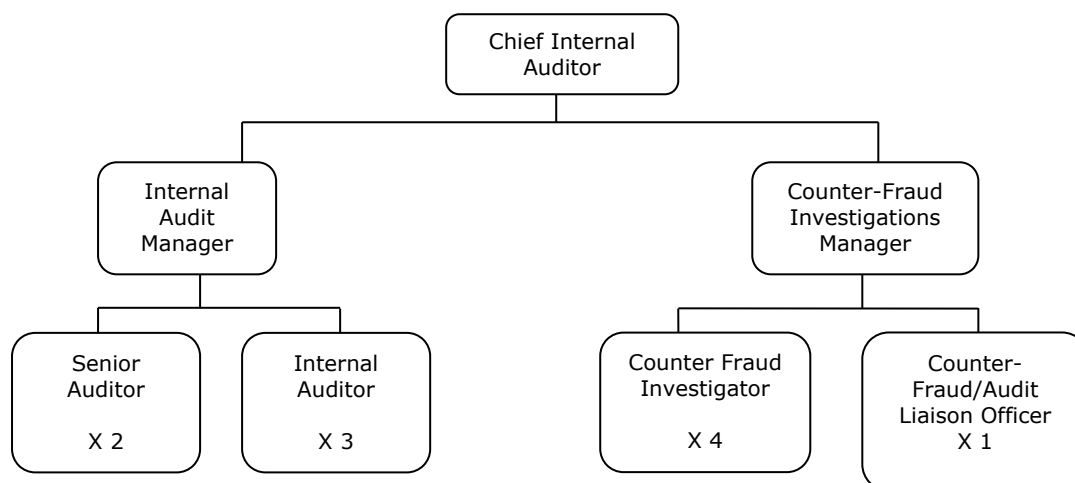
Report to	AUDIT AND GOVERNANCE COMMITTEE
Date:	18th September 2019
Title:	Internal Audit Report for the first quarter of the financial year 2019-2020.
Report Of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To provide a summary of the activities of Internal Audit and Counter Fraud for the first quarter of the financial year - 1st April 2019 to 30th June 2019.
Officer recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Reasons for recommendations:	The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.
Contact:	Jackie Humphrey, Chief Internal Auditor, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-eastbourne.gov.uk

1.0 Introduction

- 1.1 A review of the work carried out by the Internal Audit and Counter Fraud teams is reported quarterly. The work of Internal Audit is compared to the annual audit plan which was agreed by the committee in March 2019. Significant risks and control issues are highlighted. At the end of the financial year the Chief Internal Auditor will state their opinion of the control environment of the authority based on this information.
- 1.2 In March 2019 the Audit and Governance Committee agreed the first annual audit plan to cover work across the two authorities.
- 1.3 As the majority of service areas now provide services to both authorities the results of work carried out by Internal Audit and Counter Fraud will be reported to both committees. However, when any findings relate specifically to one authority then this will be reported to the appropriate council's committee only.

2.0 Restructure and the Year Ahead

- 2.1 The past few months have seen a number of staff changes with the restructure and with staff retiring. The restructure is now complete and in the first quarter of the year all the posts have been filled.
- 2.2 Two new Internal Auditors have been appointed; one external applicant and one internal (from Account Management). These are currently undergoing training but should be in a position to carry out audits with minor supervision from late summer.
- 2.3 Below is the new structure for both the Internal Audit and Counter Fraud teams.



- 2.4 Now that the teams are settled and fully staffed they will continue working on the Audit plan and the Counter-Fraud work. The Chief Internal Auditor and the managers will work with the Chief Finance Officer, Corporate Management Team and committees over the coming months to ensure that the teams are providing a service that is relevant and of value to both councils. It is vital that Internal Audit and Counter-Fraud are in a position to support the councils as they move forward on various ventures as well as ensuring there are adequate controls in existing processes.

3.0 Review of the work of Internal Audit carried out in the first quarter of 2019-2020.

- 3.1 A list of all the audit reports issued in final from 1st April 2019 to 30th June 2019 is as follows:

Benefits and CTR (18/19)	Substantial Assurance
Cash and Bank (18/19)	Substantial Assurance
Council Tax (18/19)	Substantial Assurance
Main Accounting (18/19)	Substantial Assurance
NNDR	Substantial Assurance
Treasury Management	Substantial Assurance

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

- 3.2 From the beginning of this financial year the team has been carrying out audits using the Pentana audit software. Audit reports are therefore now rated for assurance using the levels set up on the system. These are as follows:

Assurance Level	Description
Full Assurance	Full assurance that the controls reduce the risk to an acceptable level.
Substantial Assurance	Significant assurance that the controls reduce the level of risk, but there are some reservations; most risks are adequately managed, for others there are minor issues that need to be addressed by management.
Partial Assurance	Partial assurance that the controls reduce the level of risk. Only some of the risks are adequately managed; for others there are significant issues that need to be addressed by management.
Minimal Assurance	Little assurance that the controls reduce the level of risk to an acceptable level; the level of risk remains high and immediate action is required by management.
No Assurance	No assurance can be given. The reasons will be explained thoroughly in the report.

- 3.4 Appendix A shows the work carried out against the annual plan for the first quarter of the year.

- 3.5 While work is progressing with completion of the annual reviews, little work has yet been undertaken on the other audits in the 2019-20 plan. This has been due to the movement of staff with the restructure. As mentioned earlier in this report there are now two new auditors being trained and once they are fully trained, and the other auditors have completed the annual reviews, it will be possible to move forward with the remainder of the plan.

4.0 Housing Subsidy Claim

- 4.1 The Eastbourne Housing Subsidy Claim for 2017-18 has been signed off by the external auditors and work has commenced on the testing for the 2018-19 Subsidy Claim.

- 4.2 The Chief Finance Officer has tasked the Audit team with a project to look into the errors that are identified in the testing of the claim. The team will then work with the service area to both improve their work and their quality checking, to ensure that the number of errors is reduced. This work is ongoing and reports on progress will be brought to this committee.

5.0 Counter Fraud

- 5.1 Housing Tenancy – The Counter Fraud team continue to work closely with colleagues in Homes First and Legal and there are currently 14 ongoing sublet/abandonment tenancy cases at various stages. Two properties have been

returned during this period with a net preventative saving of £186,000 (based on NFI estimate of £93,000.00 valuation for each returned property).

- 5.2 Right to Buy – Applications have gradually increased within this quarter, with 16 cases checked to prevent and detect fraud and protect the authority against money laundering. Of these applications, 7 were withdrawn after intervention by the team, resulting in a preventative saving of £504,800. More cases are currently under review.
- 5.3 Housing Options – Work has been undertaken with Homes First to look 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.
- 5.4 Council Tax – A detailed review of Council Tax Exemptions and Disregards is ongoing. This involves looking at areas where reviews have not been completed for some time. The outcome of this exercise will be reported in due course. A small number of cases have been passed through during this period with a net income generated of approximately £5,000. The team has also commenced a joint working operation with the Revenues Specialist Advisors looking at high risk Single Person Discounts. This has resulted in the implementation of Council Tax penalties which will be recorded in the next quarterly report.
- 5.6 NNDR – A new item of data matching software (Idis) has been procured with funding from the East Sussex Fraud Hub, which will be used in conjunction with Wealden District Council to target small business rate relief fraud. Further information will be brought to the committee as this project develops.
- 5.7 Council Tax Reduction – The team has nearly completed an exercise reviewing Council Tax Reduction (CTR) applications which have not been re-assessed for over 2 years. There has been a delay in the decision making process of these cases, resulting in limited outcome results within this quarter.
- 5.8 Housing Benefit – The team has worked closely with the Department for Work and Pensions (DWP) and our colleagues in the Benefit section, resulting in the closure of 5 cases. The resulting investigations have resulted in an increase in recoverable Housing Benefit totalling £10,653. Joint working with the Case Management team has also increased the volume of referrals with around 140 outstanding referrals passed over to the DWP to consider across both authorities.
- 5.9 National Fraud Initiative – Work continues on the 2019/20 extraction using a test sample of 10% of cases. This has been brought about due to the limited results found in previous activities – 668 cases have been cleared so far with 48 awaiting further investigation with a current value of £4424.24 found in errors (Housing Benefit).
- 5.10 A table showing the savings made by the Counter Fraud team in the first quarter of the year 2019-2020 can be found at Appendix C.

6.0 Financial appraisal

6.1 There are no financial implications arising from this report.

7.0 Legal implications

7.1 This report demonstrates compliance with regulation 5 of The Accounts and Audit Regulations 2015, which requires Eastbourne Borough Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Lawyer consulted 31.07.19

Legal ref: 008470-EBC-OD

8.0 Risk management implications

8.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

9.0 Equality analysis

9.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

10.0 Appendices

Appendix A – Work against plan

Appendix B – Counter Fraud work and savings.

11.0 Background papers

11.1 Audit reports issued throughout the year.

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APPENDIX A

WORK AGAINST PLAN TO 30TH JUNE 2019

		Type	Planned Days	Actual Days	Comments
ANNUAL REVIEWS	Benefits and CTR	Governance	30	7.6	EBC in Final - LDC ongoing
	Council Tax	Governance	20	25.2	EBC in Final - LDC ongoing
	NNDR	Governance	20	11.3	EBC in Final - LDC ongoing
	Cash and Bank	Governance	15	7.3	EBC in Final - LDC ongoing
	Treasury Management	Governance	10	1.6	<i>Completed - covered both</i>
	Creditors	Governance	20	6.1	EBC ongoing - LDC ongoing
	Debtors	Governance	20	12.2	EBC ongoing - LDC ongoing
	Housing Rents	Governance	20	17.9	EBC in Draft - LDC ongoing
	Main Accounting	Governance	15	2.9	EBC in Final - LDC ongoing
	Payroll	Governance	10	0	<i>Completed in 2018-19 - covered both</i>
	ICT	Governance	8	8	Covers both - in Draft
	Theatres	Governance	5	0	<i>Completed in 2018-19 - covered both</i>
	Housing Benefits Subsidy Claim	Governance	450	73.9	includes project for improvement
			643	174	

RIPA	Operational	15	0	
Members Allowances	Operational	15	0	
Ethics	Operational	15	0	
Internet/Intranet/Telephone Payments	IT & Operational	15	0	
IT Security and Networks	IT	10	0	
HR (recruitment, retention, training and apprenticeship scheme)	Operational	20	0.2	Research
Partnerships	Operational	20	0	
Project Management	Operational	20	0	
Data Protection	Operational	20	0	
Housing CX	IT & Operational	15	0.7	Research
Leaseholder service charges and recharges	Operational	20	0	
Business Continuity and Disaster Recovery	IT & Operational	20	0	
Tenancy Management (inc successions and MEX)	Operational	20	0	
Aids and Adaptations	Operational	20	0	
Voids Management	Operational	20	0	
			265	0.9

EBC ONLY	Stage Door/ EDGC and catering	Operational	20	0	
	Theatres	Operational	15	0	
			35	0	

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	QUARTER ONE		QUARTER TWO		QUARTER THREE		QUARTER FOUR		YEAR TOTAL	
	Income	Savings	Income	Savings	Income	Savings	Income	Savings	Income	Savings
Tenancy Housing										
Recovery of council properties	£0.00	£186,000.00							£0.00	£186,000.00
RTB value saved through intervention	£0.00	£504,800.00							£0.00	£504,800.00
Housing intervention/fraud									£0.00	£0.00
Revenues										
NNDR	£0.00	£0.00							£0.00	£0.00
Council Tax	£4,933.88								£4,933.88	£0.00
Value of ongoing CT increase per week		£1,615.04							£0.00	£1,615.04
Council Tax Penalties									£0.00	£0.00
CTR & Housing Benefit										
SPOC Cases									£0.00	£0.00
Council Tax Reduction	£1,044.35								£1,044.35	£0.00
CTR weekly incorrect benefit (WIB)		£7,455.04							£0.00	£7,455.04
Housing Benefit	£10,653.55								£10,653.55	£0.00
HB weekly incorrect benefit (WIB)		£11,606.40							£0.00	£11,606.40
Income from Adpen collection	£1,714.26								£1,714.26	£0.00
NFI										
Number of open matches									£0.00	£0.00
Number of closed matches									£0.00	£0.00
Awaiting Processing									£0.00	£0.00
Overpayments identified	£4,424.24								£4,424.24	£0.00
Weekly incorrect benefit identified									£0.00	£0.00
OTHER INVESTIGATIONS										
Procurement									£0.00	£0.00
Internal									£0.00	£0.00
DPA									£0.00	£0.00
Income from court costs									£0.00	£0.00
TOTALS	£22,770.28	£711,476.48	£0.00	£0.00	0.00	0.00	£0.00	£0.00	£22,770.28	£711,476.48

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Report to:	Audit and Governance Committee
Date:	18th September 2019
Title:	Strategic Risk Register Quarterly Review
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To report to Committee the outcomes of the quarterly review of the register by Corporate Management Team.
Officer recommendation(s):	To receive and note the update to the Strategic Risk Register
Reasons for recommendations:	The Council is committed to proper risk management and to regularly updating the Committee with regard to the Strategic Risk Register.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: Jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1 The Strategic Risk Register is a high level document that records the key risks facing the council: those risks that would prevent the authority from achieving its overall strategies and objectives.
- 1.2 Maintaining the Strategic Risk Register is a vital part of the governance arrangements of the authority and, as such, it is overseen by the Corporate Management Team who review it on a quarterly basis.
- 1.3 The Strategic Risk Register shows the risk, a description of the risk, the risk score if no action is taken (original risk score), the internal controls put in place to mitigate the risk and the risk score after these controls are in place (current risk score).
- 1.4 The Strategic Risk Register is brought to the Committee when any changes have been made to it following review by the Corporate Management Team.

2 August 2019 Review

- 2.1 The Strategic Risk Register was taken to Corporate Management Team on the 20th August 2019 for the latest quarterly review.

- 2.2 The focus of discussion was around an increased likelihood of a No Deal Brexit and the associated risks if this is the outcome of the current negotiation process. It was decided that the risk level on two risks should be raised. As this risk not an inherent one but is solely the result of the current situation with Brexit the original risk score has not been altered but the residual risk score has been raised as there are limited actions that can be taken until the outcome of the negotiations is known.
- 2.3 Two risk scores have been increased. These are for risks number 2 (changes to the economic environment) and 7 (long term effects under the Civil Contingencies Act).
- 2.4 For risk number 2 the residual risk score has been raised from Likelihood 4 and Impact 3 to Likelihood and Impact 5. Whilst this is higher than the original risk score this is reflective of the current situation where the outcome of negotiations is unknown. If a No Deal Brexit goes ahead then the original risk score will be reviewed.
- 2.5 For risk number 7 the residual risk score has been raised from Likelihood 1 and Impact 3 to Likelihood 2 and Impact 3.
- 2.6 These changes to scores are based solely on the uncertainty of the current situation whereby the full possibilities cannot be known and appropriate action can only be planned for and not taken until there is more certainty.
- 2.7 In each instance the register contains an explanation of why the residual score has been increased. Once the outcome of the BREXIT negotiations is known the original and residual risk scores will again be reviewed.

3 Financial appraisal

- 3.1 There are no financial implications arising from this report.

4 Legal implications

- 4.1 This report demonstrates compliance with regulation 3 of The Accounts and Audit Regulations 2015, which requires the Council to operate a sound system of internal control, including effective arrangements for the management of risk.

Lawyer consulted 27.08.19

Legal ref: 008358-EBC-OD

5 Risk management implications

- 5.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

6 Equality analysis

6.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

7 Appendices

- Strategic Risk Register

8 Background papers

None

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Appendix 1.

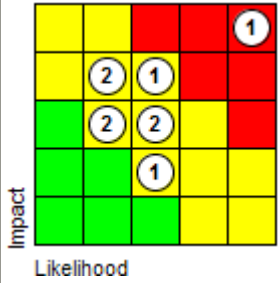
STRATEGIC RISK REGISTER

AUGUST 2019



Code & Title	SR_000 Strategic Risk Register (Eastbourne)
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Current Risk Matrix



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

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

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_001	No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	4	4	16	<p><u>Reduces Likelihood</u></p> <p>1. Create inclusive governance structures which rely on sound evidence for decision making.</p> <p><u>Reduces Impact</u></p> <p>2. Annual review of corporate plan and Medium Term Financial Strategy</p> <p>3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.</p>	Chief Executive	2	3	6	Amber	05-Nov-2019
SR_002	Changes to the economic environment makes the Council economically less sustainable	<p>1. Economic development of the town suffers.</p> <p>2. Council objectives cannot be met.</p>	4	4	16	<p><u>Reduces Impact</u></p> <p>1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.</p> <p>2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.</p> <p>This risk has been given a higher score owing to the uncertainty over BREXIT.</p>	Chief Finance Officer	5	5	25	Red	05-Nov-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						It will be reviewed once the outcome of current negotiations are known.						
SR_003	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p> <p>3. Council structure unsustainable and not fit for purpose.</p> <p>4. Heightened likelihood of fraud.</p>	2	4	8	<p><u>Reduces Impact</u></p> <p>1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling).</p> <p>2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)</p>	Director of Service Delivery	3	3	9	Amber	01-Nov-2019
SR_004	The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	4	4	16	<p><u>Reduces Likelihood</u></p> <p>1. Joint Transformation programme to increase non-financial attractiveness of EBC to current and future staff.</p> <p>2. Appropriate reward and recognition policies reviewed on a regular basis.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>3. Review of organisation delivery models to better</p>	Asst Dir of HR and Transformation	3	2	6	Amber	01-Nov-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.						
SR_005	Not being able to sustain a culture that supports organisational objectives and future development.	<ol style="list-style-type: none"> 1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud. 	4	4	16	<u>Reduces Likelihood</u> <ol style="list-style-type: none"> 1. Deliver a fit for purpose organisational culture through Joint Transformation programme. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff. 	Asst Dir of HR and Transformation	3	4	12	Amber	01-Nov-2019
SR_006	Council prevented from delivering services for a prolonged period of time.	<ol style="list-style-type: none"> 1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people 	3	5	15	<u>Reduces Likelihood</u> <ol style="list-style-type: none"> 1. Adoption of best practice IT and Asset Management policies and procedures. <u>Reduces Likelihood and Impact</u> <ol style="list-style-type: none"> 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. 	Chief Executive	2	4	8	Amber	01-Nov-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						<u>Reduces Impact</u> 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.						
SR_007	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result of the impact of the event.	3	5	15	<u>Reduces Likelihood and Impact</u> 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of Council's emergency powers. <u>Reduces Impact</u> 3. Ongoing and robust risk profiling of local area (demographic and geographic). 4. Review budget and reserves in light of risk profile. This risk has been given a higher score owing to the uncertainty over BREXIT. It will be reviewed once the outcome of current negotiations are known.	Asst Dir for Corporate Governance	2	3	6	Amber	01-Nov-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_008	Failure to meet regulatory or legal requirements	<p>1. Credibility of the Council is negatively impacted.</p> <p>2. Deterioration of financial position as a result of regulatory activity/penalties.</p> <p>3. Deterioration of service performance as a result of regulatory activity/penalties.</p> <p>4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties.</p> <p>5. Possibility of fraud and bribery.</p> <p>6. Ensure compliance with legislation such as Data Protection and Safeguarding.</p>	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Developing, maintaining and monitoring robust governance framework for the Council.</p> <p>2. Building relationships with regulatory bodies.</p> <p>3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise.</p> <p>4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property.</p> <p>5. Ensure there is full understanding the impact of new legislation.</p> <p>6. All managers are required to abide by the Council's procurement rules.</p> <p>7. JTP Board considers activity</p>	Asst Dir Legal and Democratic	2	4	8	Amber	01-Nov-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		7. Entering into contracts etc. without having adequate finance in place.				mapping, ensuring that it covers regulatory/legal and main financial matters. 8. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.						
SR_009	Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	3	4	12	<u>Reduces Likelihood</u> 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or re-skill staff to maximise commercial opportunities. 5. Ensure governance processes are set up and adhered to.	Director of Regeneration and Planning And Director of Tourism and Enterprise	3	3	9	Amber	