

# **Audit and Standards Committee**

## **23 September 2019**



**Time and venue:**

**10.00am in the Ditchling Room, Southover House, Southover Road, Lewes, East Sussex, BN7 1AB**

**Membership:**

**Councillor Julian Peterson (Chair); Councillors Stephen Gauntlett (Vice-Chair) Christine Brett, Roy Burman, Roy Clay, Phil Davis and Adrian Ross**

**Quorum: 4**

*Published: Friday, 13 September 2019*

## **Agenda**

**1 Minutes (Pages 5 - 14)**

To confirm and sign the minutes of the previous meeting held on 16 July 2019 (attached herewith).

**2 Apologies for absence/declaration of substitute members**

**3 Declarations of interest**

Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct.

**4 Urgent items**

Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972.

**5 Written questions from councillors**

To deal with written questions from councillors pursuant to Council Procedure Rule 12.3 (page D8 of the Constitution).

**6 Annual Standards report on the Register of Members' Interests and Code of Conduct complaints (Pages 15 - 20)**

Report of Assistant Director Legal and Democratic Services

**7 Strategic Risk Register quarterly review (Pages 21 - 32)**

Report of Chief Internal Auditor

**8 Internal Audit report for the first quarter of the financial year 2019-2020 (Pages 33 - 42)**

Report of Chief Internal Auditor

**9 Treasury Management (Pages 43 - 48)**

Report of Chief Finance Officer

**10 Date of next meeting**

To note that the next meeting of the Audit and Standards Committee is scheduled to be held on Monday, 18 November 2019, in the Telscombe Room, Southover House, Southover Road, Lewes, BN7 1AB, commencing at 10:00am.

## Information for the public

**Accessibility:** Please note that the venue for this meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired. This agenda and accompanying reports are published on the Council's website in PDF format which means you can use the "read out loud" facility of Adobe Acrobat Reader.

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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:** A member of the Council may ask the Leader, a Cabinet Member or the Chair of a committee or sub-committee any question without notice upon an item of the report of the Cabinet or a committee or subcommittee when that item is being received or under consideration by the Council.

A member of the Council may ask the Chair of a committee or sub-committee a question on any matter in relation to which the Council has powers or duties or which affect the District and which falls within the terms of reference of that committee or subcommittee.

A member must give notice of the question to the Head of Democratic Services in writing or by electronic mail no later than close of business on the fourth working day before the meeting at which the question is to be asked.

# 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)

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## **Audit and Standards Committee**

**Minutes of meeting held in Ditchling Room - Southover House, Lewes on 16 July 2019 at 10.00 am**

### **Present:**

Councillor Stephen Gauntlett (Chair)

Councillors Julian Peterson (Vice-Chair), Christine Brett, Roy Burman, Roy Clay, Adrian Ross and Ian White

### **Officers in attendance:**

Oliver Dixon (Senior Lawyer and Data Protection Officer), Jackie Humphrey (Chief Internal Auditor), Homira Javadi (Chief Finance Officer), Brian Mew (Interim Deputy Chief Finance Officer) and Stephen Osborne (Principal Accountant)

**Also in attendance:** Sandra Prail (independent consultant).

### **1 Minutes**

The minutes of the meeting held on 18 March 2019 were submitted and approved, and the Chair was authorised to sign them as a correct record.

### **2 Appointment of Chairman and Vice-Chairman**

The Assistant Director - Legal and Democratic Services, confirmed that Councillor Peterson had been appointed as Chair of the Committee for the remainder of the municipal year.

Councillor Gauntlett was nominated as Vice-Chair by Councillor Peterson and this was seconded by Councillor Brett.

**RESOLVED** that Councillor Gauntlett be appointed as Vice-Chair for the Committee for the remainder of the municipal year.

### **3 Apologies for absence/declaration of substitute members**

Apologies for absence were received from Councillor Ian White.

### **4 Declarations of interest**

There were no declarations of interest.

## 5 Urgent items

The Chief Finance Officer circulated copies of a letter sent to the Chair of the Audit and Standards Committee. This updated Members on the current position of the Council's financial accounts, which were due to be finalised by 31 July 2019. Members were advised that a number of elements had prevented this date from being met. Following discussion with the Council's auditors, a decision had been made to delay the completion of the accounts ensuring they were thorough and supported by sound working papers. Members were advised that the Council's new Auditors, Deloitte, welcomed the Council's offer of an Audit that already included an internal review.

Members raised the following points and officers responded:

- Did the final accounts require formal approval? – they need approval and require to be signed off by the Chief Finance Officer.
- What assurances were there that the financial accounts would be produced on time in future years? - There were two components that impacted on the production of the accounts that compromised the timings: a number of key staff left the organisation following the Joint Transformation Programme; there were system changes that added additional pressures - however, once those systems were embedded the situation would improve.
- When would the accounts be available and how long would the Audit take? - There was another 3 to 4 weeks of work to finalise the accounts. However, the audit was a more difficult timeline to predict as it relied on the provision of a time-slot by the Council's auditors. The accounts, when ready, would be made available to the Committee in a draft form with an explanatory report.
- Were there any large gaps or unforeseen issues within the Accounts? - There were no notable issues. Part of the work being done was to ensure this remained the case; the Council's financial position remained unchanged. It was changes to the processes, not the data, which was being managed.
- The external auditors suggested there was a cost to the delays and it appeared that the audit would not be completed until December. Was the figure known and what was the Council's position as a result of the delay? - The figure was not known and the piece of work being undertaken recognised the importance of the Audit. Through the analysis of robust financial information the Council will continue to make financial decisions that allow it to move forward.

**RESOLVED** to note the update.

## 6 Written questions from councillors

There were no written questions received from Councillors.

## 7 Independent review of New Homes Project

The report was presented by Sandra Prail, the independent consultant. The independent report detailed the Council's management of the New Homes Project. Mrs Prail highlighted the following points:

The Council had provided a professional and evidence-based response to the litigation and had kept Members informed of key decisions at each stage, including briefings.

A number of Councillors used private email addresses for Council work. It was recognised that this was not good practice. This had been addressed since and there was no longer a need for Members to use private email addresses. This is an area that requires monitoring by both officers and group leaders.

There was not an issue in terms of the delegation in the Council being unlawful; however, the breadth of delegation meant that the necessary officer engagement was insufficient. A wider discussion at an earlier stage would have resolved this.

Project management and a more structured approach to due diligence had been identified as an area for improvement. The focus on early conclusion of the agreement outweighed the need to make basic checks of the two key sites in the project. The project management toolkit recently adopted by the Council would have provided an opportunity for discussion on the key issues in the project at an early stage, such as on what time and money had been spent on it.

The induction training undertaken for Councillors is considered good practice. The skills-base within the Council membership needs to be maximised. This will be dealt with through undertaking a skills-audit.

It was recognised that a number of constructive steps have been taken by the Council to address these issues.

### **RESOLVED** that:

- 1) The report with the measures implemented following conclusion of the New Homes project be noted; and
- 2) The recommendations set out in paragraphs 22, 30 and 31 of the report at Appendix 1 (including the request for an all-member skills audit to be undertaken for decision making bodies) be approved.

## 8 Peacehaven Town Council Code of Conduct - update

The Assistant Director - Legal and Democratic Services, introduced the report which updated Members on the previous report which was considered at the November 2018 meeting, which detailed a wide range of Code of Conduct issues at Peacehaven Town Council.

The Town Council, through its clerk, was asked to provide updates after 3 and 6 months, assessing the progress made against an agreed action plan which had been reported.

**RESOLVED** that:

- 1) The progress made by Peacehaven Town Council on matters relating to governance and the Code of Conduct be noted; and
- 2) The Monitoring Officer write to the Clerk at Peacehaven Town Council acknowledging the progress made.

## **9 Proposed amendments to Lewes District Council's Code of Conduct for Members**

The Assistant Director, Legal and Democratic Services, presented the report which detailed the Council's response to the Committee for Standards in Public Life's (CSPL) best practice recommendations. Amending the Code of Conduct for Members. The appendices to the report included a number of amendments that would deliver best practice for the Council.

Many of the issues experienced and complaints received were at town and parish level. The response to the recommendations followed the approach taken by East Sussex County Council and recognised the need to define references in the Code to bullying and harassment.

The Committee asked the following questions and officers responded:

- Were local councils required to accept the amendments to the Code of Conduct when adopted? – Town and Parish Councils had their own Codes of Conduct and some were very similar to this Council's Code. Difficulties often arose where slimmed down versions were used. A draft of the amended Code of Conduct has been sent to the Chief Executive of Sussex and Surrey Association of Local Councils (SSALC). Town and Parish Councils were encouraged to use up-to-date versions when adopted by the Council.
- Did the Council hold a log of all codes of conduct adopted by Town and Parish Councils in the Lewes district, and would a review be considered? Whilst not a legal requirement the Democratic Services does keep a copy of those Codes of Conduct in use by towns and parishes within the district. The District Council will review its own code annually and share any changes and updates made with the SSALC Chief Executive.
- To what extent was a Councillor's conduct governed by the Code? The Code deals with the conduct expected of members of the Council when they are acting in that capacity. Members need to be mindful of this, in particular when posting comments on social media.

It was agreed that an amendment to the Code of Conduct be recommended to Full Council for adoption. That 'any reasonable request' be included in 1 (6) of Part 1 – General Provisions (page 36 of the agenda). The section would



read that: 'Councillors must comply with any reasonable request regarding the provision of information in relation to a complaint that alleges a breach of the Code of Conduct'.

**RESOLVED** that:

- 1) The response (at Appendix 1) to CSPL's best practice recommendations be approved, subject to the amendment above; and
- (2) The Code of Conduct for Members set out in Appendix 2 with the amendment above be recommended to Full Council for adoption.

## **10 Financial Procedure Rules**

The Chief Finance Officer presented the report, which provided a 'blueprint' for the Council's financial procedures which formed part of the Council's Constitution. A draft version of the Rules were considered by the Cabinet in 1 July 2019 and would be presented to Full Council for approval on 25 September.

The opportunity has been taken to ensure that there was a single financial procedure rule for both Lewes and Eastbourne Council. The review allows the Council to operate more effectively. The review allows for control measures to be identified and strengthened if necessary.

Section 3 of the draft rules (appendix 2 to the report) – Financial Management, is a key area and includes a supplementary budget that recognises the dynamic financial environment in which the Council works. It provides a limit and structure for decision making.

Members asked in view of the frequency of Full Council meetings, how urgent decisions, that need the approval of Full Council, will be dealt with in the future? Officers advised that there were constitutional procedures in place for dealing with urgent decisions. It also depends on the reasons for the urgency. The provisions for one-off financial decisions and any ongoing decisions will need to be included in the Budget process.

**RESOLVED:** That the recommendations in the report be noted.

## **11 Treasury Management**

The Interim Deputy Chief Finance Officer introduced a report which had been issued as a supplement to the agenda as follows.

The oversight of Treasury Management was a function of the Audit and Standards Committee. The Treasury Management report was one of three reports considered by Full Council on an annual basis, including a mid-year review.

A key point in the report was that a Member-briefing session would be undertaken by the Council's treasury management advisors in autumn 2019. Treasury management was an important element of governance for the

Council and sets the limits and parameters within which officers operated in terms of borrowing and lending.

The annual report set out the Council's position for 2018/19 and the Council's level of compliance during that period. All of the indicators for that period had been complied with and there had been no risk of those indicators being breached.

The issue of climate change was raised at the previous meeting. The Council has no direct investments with a climate change risk (for example fossil fuel companies). A watching brief will be maintained as there was a potential for very marginal investments in this area.

Members discussed the item and highlighted the following points and officers responded:

- Did the Committee discuss the strategies behind the investments as there appeared to be a number of investments with other local authorities, which might not be as effective as investing in external companies? - It was not a deliberate policy. Local authorities had varying cash-flow requirements at different points in time. Some councils are investing while others will be borrowing and often the best rates will be found among local authorities where the risk element is mitigated by the Councils being sovereign backed.
- There has not been any investment activity on treasury bills, secured investments and tradeable investments during the recent period. Were the returns in this area less productive? - There was generally limited investment in these instruments. Benchmarking measures will be introduced later in the year, It is worth noting that the significant focus of treasury management is to safeguard the cash asset and its liquidity, as opposed to higher returns.
- Were daily or monthly interest rates looked at when approaching the market with deposits? - The Council's investments were dictated by its cash-flow. This is monitored and analysed, ensuring the Council's obligations were being met. Page 15 of the report provided a graph which detailed the Council's investments. The Council's priority when looking at investments with marginal returns was to ensure their security.
- Which debts or loans did the Council have and was there a breakdown of all the Council's investments? - The Council has a long term debt relating to the Housing Revenue Account. This is an historic debt for the Council to acquire its own housing stock. It was taken out with the Public Works Loan Board; a government loan scheme for local authorities. Appendix C to the report lists the Council's investments. Further details on individual investments will be provided, if needed.
- There was difficulty in supporting the recommendations without a clearer understanding of whether the indicators were being complied with? - The prudential indicators have been set out in a standard

format. However, a paragraph will be added to future reports which include the Chief Finance Officer's assurance that the Treasury Management indicators are being complied with. This will be reflected in the resolution. It was recognised that further, strategic training to enable evaluation of the Treasury Management indicators is needed.

- The indicators and targets in future reports will be made clearer for Members, possibly through the use of red, amber, green (RAG) indicators, in much the same way as the quarterly performance reports were presented.

**RESOLVED** that:

- 1) The Chief Finance Officers assurance that the Treasury Management Indicators were being complied with, be noted and accepted;
- 2) It be confirmed to Cabinet that Treasury Management Activity for the period 1 March to 30 June 2019 has been in accordance with the approved Treasury Strategies; and
- 3) It be recommended to Council that the annual Treasury Management report for 2018/19 be agreed and the 2018/19 Prudential and Treasury Indicators included in the report be approved.

## **12 Strategic Risk Register quarterly review**

The Internal Audit Manager introduced the report which detailed the quarterly review of the Strategic Risk Register; an important part of the governance framework and a high level document that records the key risks facing the Council. This is reviewed by the Corporate Management Team (CMT) each quarter.

The risk register is brought to the Audit and Standards Committee when any changes are being made following a review by the Corporate Management Team (CMT).

The register has been updated to show that each individual risk has a member of CMT as the owner of the risk.

The scores for Risk 3 (changes of demand and expectation) and Risk 4 (unstainable employment base) have increased to reflect the decrease in funding set against the expectations on the Council, and the difficulties experienced recruiting for vacancies.

As part of the new contract with Zurich (the Council's insurers), a wholesale review of the Council's risk management will be undertaken.

**RESOLVED** - That the update to the Strategic Risk Register be noted..

## **13 Annual Governance Statement**

The Internal Audit Manager introduced a report explaining that there is a legal requirement to produce an Annual Governance statement. The Audit and Standards Committee is tasked with overseeing, reviewing and approving the Statement.

The Statement has to detail the Council's governance framework across the authority. Part of the work (set out at Appendix 3) includes a Manager's Assurance Statement which looks at a number of areas and statements that are reviewed by the Internal Audit Manager. Any concerns that appeared across all the areas would be flagged for possible inclusion in the Annual Governance Statement. For example, the Joint Transformation Programme (JTP) referred to in the previous two statements because of the effect on services and the risks involved; the JTP was nearing its conclusion is no longer considered to be a significant risk.

Members asked the following questions and officers responded:

- What was referred to in 4.7 of the report under 'deterioration of building Assets'? - There were two buildings that had issues around their age, the historical significance, and how they will be utilised. They are not yet considered to be a significant risk to the authority in terms of governance, however and there is further work to be done.
- If an outcome significantly affected users/residents, will it be included in the Statement? If it was restricted to one service user it will not be considered a significant governance issue; if it is an issue that was part of a process and impacted across several areas then it will be examined..
- Could further detail be provided on appendix 3 (Managers Assurance Statement) and was the IT issue more operational in its nature than one of governance? - The Managers Assurance Statement details the areas where the Council needs to ensure governance is being undertaken and provide guidelines for officers. The flagging of the IT issue was based on the list referred to on page 123 of the agenda and was considered as one that constituted a significant governance risk.
- Was the delay in production of the Annual Accounts considered a risk that would be included in the Annual Governance Statement? - The production of the Annual Accounts was referred to in the Statement in terms of issues experienced in the Housing System.

It was requested by Members that the reason for the delay in production of the Annual Accounts be made more explicit in the Statement in future.

**RESOLVED** to approve the Annual Governance Statement..

#### **14 Annual report on the Council's Systems of Internal Control 2018/19**

The Internal Audit Manager introduced a report which details the Council's systems of internal control for 2018/19. The remit of the Audit and Standards Committee includes the duties to agree and review the Annual Audit Plan.

The remit is to also review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.

The report will change slightly in its layout in the future to reflect that there is a joint audit plan with Eastbourne Borough Council.

Members asked how the external peer review is being paid for. It was confirmed that there is no cost as the review was being done through the Sussex Audit Group.

**RESOLVED** - To note that the overall standards of internal control were generally satisfactory during the financial year 2018/19.

#### **15 Date of next meeting**

**Resolved** – To note that the next meeting of the Audit and Standards Committee was scheduled to be held on Tuesday 23 September 2019 at 10 a.m. in the Ditchling Room, Southover House.

The meeting ended at 12:05pm

Councillor Stephen Gauntlett (Chair)

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<b>Report to:</b>	<b>Audit and Standards Committee</b>
<b>Date:</b>	<b>23 September 2019</b>
<b>Title:</b>	<b>Annual Standards report on the Register of Members' Interests and Code of Conduct complaints</b>
<b>Report of:</b>	<b>Catherine Knight, Monitoring Officer, Assistant Director Legal and Democratic Services</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>(1) To confirm that the Register of Members' Interests is being maintained in accordance with the law and Council's constitution; and</b> <b>(2) To provide a summary of the Code of Conduct complaints for the year 2018/2019.</b>
<b>Officer recommendation(s):</b>	<b>(1) To receive and note the annual report by Lewes District Council's Monitoring Officer.</b>
<b>Reasons for recommendations:</b>	<b>The remit of the Audit and Standards Committee includes a requirement to consider the Monitoring Officer's annual report on the establishment and maintenance of a Register of Interests of members of the Council. The Monitoring Officer has requested that the annual report submitted to the Committee also outlines the number and nature of Standards complaints received in the municipal year 2018/2019.</b>
<b>Contact Officer(s):</b>	<b>Name: Jennifer Norman</b> <b>Post title: Committee Officer, Democratic Services</b> <b>E-mail: <a href="mailto:jennifer.norman@lewes-eastbourne.gov.uk">jennifer.norman@lewes-eastbourne.gov.uk</a></b> <b>Telephone number: 01273 471600</b>

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<b>1</b>	<b>Register of Members' Interests</b>
1.1	Under section 29 of the Localism Act 2011, the Council's Monitoring Officer must establish and maintain a Register of Members' Interests.
1.2	Each councillor is required to complete a Register of Members' Interests form annually in order to maintain an up to date register of financial and other interests.
1.3	The law and the Council's Code of Conduct require each councillor to notify to the Monitoring Officer within 28 days of becoming aware of any new interest. Each councillor is reminded of this obligation annually by the Democratic Services team.

- 1.4 Register of Interests forms were issued to councillors following the elections in May 2019 for the 2019/2020 municipal year. At the time of writing this report, all councillors have submitted returns for the current year.
- 1.5 Returned forms are made public for inspection on the Council's website at <http://democracy.lewes-eastbourne.gov.uk/mgMemberIndexGroup.aspx?bcr=1&g=LewesCllrs&m=LewesCllrs>. The relevant Register of Members' Interests information is attached to each councillor's profile. When councillors notify the Monitoring Officer that revisions are needed, these revisions are published online. The Register can also be inspected by contacting Democratic Services.
- 1.6 Town and parish councillors in Lewes district are similarly required to complete a Register of Member's Interests form in accordance with their town or parish council's Code of Conduct. The town and parish council clerks forward details of those interests to Democratic Services for publication on Lewes District Council's website at <https://www.lewes-eastbourne.gov.uk/parish-councils/town-and-parish-councils/>.
- 1.7 The responsibility to complete Register of Members' Interests forms and to keep them up to date is a personal responsibility placed on members. Failure to do so is a breach of the Code of Conduct. Furthermore, the Localism Act 2011 defines certain interests as being "disclosable pecuniary interests". Section 34 of the Localism Act makes it a criminal offence for a member or co-opted member to fail, without reasonable excuse, to comply with requirements under the Act to register or declare disclosable pecuniary interests, or to take part in discussions or to vote at meetings without registering his/her interest or disclosing its existence at the meeting.

## **2 Code of Conduct Complaints**

- 2.1 The Council has a responsibility, both for Lewes District Council and the town and parish councils within the district, to deal with allegations that a member has failed to comply with their code of conduct. The appendix to this report contains statistical information for 2018/19 about the allegations received and such action, if any, taken in connection with them .
- 2.2 Any allegation of misconduct the Monitoring Officer receives and validates is the subject of consultation with an Independent Person who has been appointed by the Council for this purpose. Following consultation, the Council's adopted procedure, which can be found on the Council's website at [Complaints about councillors](#), requires the Monitoring Officer to make a decision as to whether the complaint merits formal investigation.
- 2.3 Relevant extracts from the Council's procedure provide that:
- The Monitoring Officer may decide a complaint about conduct does not merit investigation if:
- It is about someone who is no longer a member of the Council



- There has been a long delay before the complaint was made
- The complaint appears to be minor, politically motivated, or not sufficiently serious to warrant further action.

2.4 This list is not intended to be exhaustive and the Monitoring Officer may decide that a complaint does not merit formal investigation for any other reason which appears to him/her to be relevant.

2.5 The Monitoring Officer has discretion to refer the decision as to whether a complaint merits an investigation to the Standards Panel if it appears appropriate to do so.

2.6 Where he/she requires additional information in order to come to a decision, he/she may ask the complainant to supply that information, and may request information from the member against whom the complaint is directed. When a complaint made by a person relates to a town/parish councillor, the Monitoring Officer may also inform the town/parish council clerk of the complaint and seek the views of the town/parish council clerk before deciding whether the complaint merits formal investigation.

2.7 In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the member accepting that his/her conduct was unacceptable and offering an apology, or other remedial action by the authority. Where the member or the authority makes a reasonable offer of local resolution, but the complainant is not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

2.8 If a complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer is permitted to call in the police and other regulatory agencies.

### **3 Financial appraisal**

3.1 As none of the misconduct allegations received during 2018/19 required formal investigation, it was not necessary to commission and pay for any external investigators.

The costs incurred by the Monitoring Officer and Deputy Monitoring Officer in managing the standards regime are provided for as part of the Council's legal services budget.

### **4 Legal implications**

4.1 The legal implications are set out in the body of the report.

## **5 Risk management implications**

- 5.1 This report enables the Audit and Standards Committee to scrutinise the Council's arrangements for maintaining an accurate and up to date register of members' interests and for dealing with allegations of councillor misconduct.

Failing to put proper arrangements in place would be both unlawful and a risk to good governance.

## **6 Equality analysis**

- 6.1 There are no equality issues arising from this report.

## **7 Appendices**

- 7.1
- Appendix 1 - Complaints about councillor conduct received by the Monitoring Officer in 2018/2019

## **8 Background papers**

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

- 8.2 Audit and Standards Committee remit

[Constitution - Part 11 - V10 - V11](#)

Code of Conduct for Members of the Council

[Constitution - Part 5 - L1 - L15](#)

Register of Interest of Members and Co-opted Members of the Council

[Constitution - Part 5 - M1](#)

Complaints about councillor conduct received by Lewes District Council's  
Monitoring Officer 2018/2019

<b>Number of complaints received and to whom they related</b>	<ul style="list-style-type: none"> <li>- 15</li> </ul>	<ul style="list-style-type: none"> <li>- 3 Lewes Town Councillors</li> <li>- 1 Newhaven Town Councillor</li> <li>- 3 Peacehaven Town Councillors</li> <li>- 3 Seaford Town Councillor</li> <li>- 1 South Heighton Parish Councillor</li> <li>- 3 Telscombe Town Councillors</li> <li>- 1 Lewes District Councillor</li> </ul>
<b>Nature of complaints and how dealt with</b>	<ul style="list-style-type: none"> <li>- 5 of the allegations did not disclose any actionable complaint.</li> <li>- The remaining 10 were considered by the Monitoring Officer or her Deputy and, following consultation with an Independent Person, assessed as not warranting formal investigation.</li> </ul>	<ul style="list-style-type: none"> <li>- 5 complaints related to alleged defamatory statements made by councillors on social media.</li> <li>- 4 complaints related to alleged defamatory statements made by councillors either face to face or by phone.</li> <li>- 1 complaint alleged a breach of confidentiality.</li> </ul>
<b>Sanctions</b>	<ul style="list-style-type: none"> <li>- As none of the complaints warranted formal investigation, no sanctions were taken against the councillors complained of. Where relevant, the MO made governance recommendations to the town/parish council in question, to address any underlying cause(s) of the complaint.</li> </ul>	

Complaints about councillor conduct received by Lewes District Council's  
Monitoring Officer 2018/2019

<b>Number of complaints not progressed and reasons why</b>	- 5	<ul style="list-style-type: none"> <li>- 1 complaint was about an employee, not a councillor.</li> <li>- 1 related to an individual who was no longer a councillor.</li> <li>- 2 related to planning decisions rather than councillor misconduct.</li> <li>- 1 complaint was unclear and the complainant did not respond to a request for further information.</li> </ul>
<b>Number of Standards Panels held</b>	- Nil	
<b>Cost to the District Council of engaging external investigator</b>	- Nil	

<b>Report to:</b>	<b>Audit and Standards Committee</b>
<b>Date:</b>	<b>23 September 2019</b>
<b>Title:</b>	<b>Strategic Risk Register quarterly review</b>
<b>Report of:</b>	<b>Chief Internal Auditor</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To report to Committee the outcomes of the quarterly review of the register by Corporate Management Team.</b>
<b>Officer recommendation(s):</b>	<b>To receive and note the update to the Strategic Risk Register.</b>
<b>Reasons for recommendations:</b>	<b>The Council is committed to proper risk management and to regularly updating the committee with regard to the Strategic Risk Register.</b>
<b>Contact Officer(s):</b>	<b>Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: <a href="mailto:Jackie.humphrey@lewes-eastbourne.gov.uk">Jackie.humphrey@lewes-eastbourne.gov.uk</a> Telephone number: 01323 415925</b>

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## **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 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 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 20<sup>th</sup> 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 are 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**

- Appendix A - Strategic Risk Register

## **8 Background papers**

None

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# Strategic Risk Register Position Table (Lewes)

**Report Type:** Risks Report  
**Generated on:** 27 August 2019

<b>Code &amp; Title</b>	SR_020 Strategic Risk Register (Lewes)
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<div> <div>Page 25</div> <div>Current Risk Matrix</div> </div>		<b>LIKELIHOODIMPACT</b> 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.

# Strategic Risk Register (Lewes)



**Report Type:** Risks Report  
**Generated on:** 27 August 2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_021	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	<u>Reduces Likelihood</u> 1. Create inclusive governance structures which rely on sound evidence for decision making.  <u>Reduces Impact</u> 2. Annual review of corporate plan and Medium Term Financial Strategy  3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.	Chief Executive	3	3	9	Amber	05-Nov-2019
SR_022	Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers.  2. Council objectives cannot be met.	4	4	16	<u>Reduces Impact</u> 1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.  2. Creating an organisational architecture through the Joint	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
						Transformation Programme that can respond to changes in the environment.  <b>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</b>						
SR_023	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	2	4	8	<u>Reduces Impact</u> 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).  2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)	Director of Service Delivery	3	3	9	Amber	01-Nov-2019
SR_024	The employment market provides unsustainable employment base for the	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a	4	4	16	<u>Reduces Likelihood</u> 1. Joint Transformation programme to increase non-financial attractiveness of EBC to current and future staff.	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
	needs of the organisation	decline in performance standards and an increase in service costs.				2. Appropriate reward and recognition policies reviewed on a regular basis.  <u>Reduces Likelihood and Impact</u> 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.						
SR_025	Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud.	4	4	16	<u>Reduces Likelihood</u> 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_026	Council prevented from delivering services for a prolonged	1. Denial of access to property 2. Denial of access to technology/informatio	3	5	15	<u>Reduces Likelihood</u> 1. Adoption of best practice IT and Asset Management policies and procedures.	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
	period of time.	n 3. Denial of access to people				<u>Reduces Likelihood and Impact</u> 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. <u>Reduces Impact</u> 3. Regularly reviewed and tested Business Continuity Plans.  4. Regularly reviewed and tested Disaster Recovery Plan.						
SR_027	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	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
						in light of risk profile.  <b>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</b>						
SR_028	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</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>	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
		<p>duties.</p> <p>5. Possibility of fraud and bribery.</p> <p>6. Ensure compliance with legislation such as Data Protection and Safeguarding.</p> <p>7. Entering into contracts etc. without having adequate finance in place.</p>				<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 mapping, ensuring that it covers regulatory/legal and main financial matters.</p> <p>8. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.</p>						
SR_029	Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	<p>1. Unfamiliar activity with staff inexperienced in this area</p> <p>2. Council finances affected if projects do not meet financial expectations.</p> <p>3. Reputational damage if governance procedures are inadequate.</p> <p>4. Failure to abide by company law.</p>	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Hire suitably qualified/experienced staff to give legal and specialist support.</p> <p>2. Appoint Head of Commercial Activities.</p> <p>3. Ensure that projects meet core principles.</p> <p>4. Up or re-skill staff to maximise commercial opportunities.</p>	<p>Director of Regeneration and Planning</p> <p>And</p> <p>Director of Tourism and Enterprise</p>	3	3	9	Amber	

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						5. Ensure governance processes are set up and adhered to.	se					



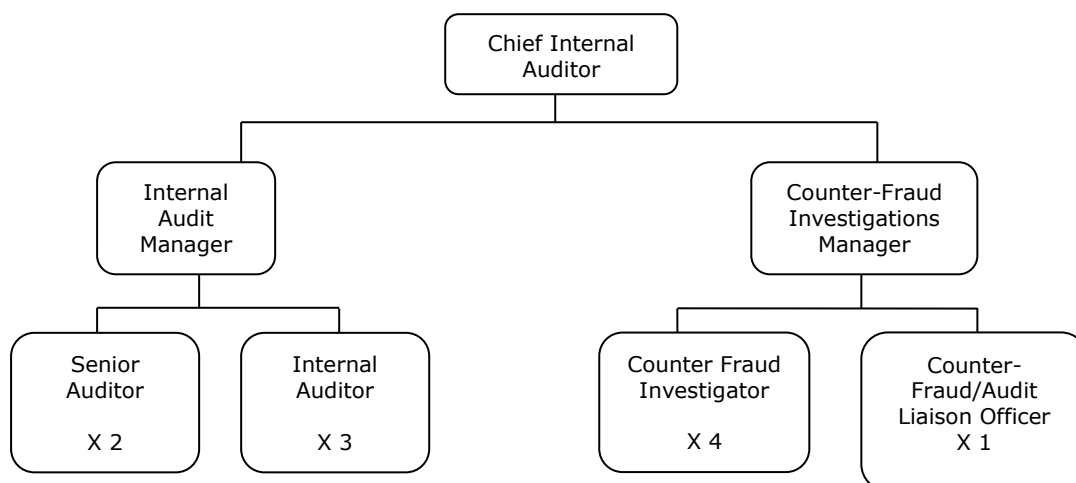
<b>Report to</b>	<b>Audit and Standards Committee</b>
<b>Date:</b>	<b>23 September 2019</b>
<b>Title:</b>	<b>Internal Audit report for the first quarter of the financial year 2019-2020</b>
<b>Report Of:</b>	<b>Chief Internal Auditor</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To provide a summary of the activities of Internal Audit and Counter Fraud for the first quarter of the financial year - 1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019.</b>
<b>Officer recommendation(s):</b>	<b>That the information in this report be noted and members identify any further information requirements.</b>
<b>Reasons for recommendations:</b>	<b>The remit of the Audit and Standards 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.</b>
<b>Contact:</b>	<b>Jackie Humphrey, Chief Internal Auditor, 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></b>

## **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 Standards 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. However. 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 1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019 is as follows:

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 The list above is not reflective of the work that has been carried out. At this point in the year the focus of work is on completing the annual reviews that are required by the external auditors. These focus on the main financial areas of the authority and there are 11 of these. The Treasury Management review is one of the smaller annual reviews and was completed quickly. The work on the other

reviews has been ongoing and has been slightly hampered by changes in staff in the areas being audited. However the majority of the work is completed and either at, or nearly at, the draft report stage. The results will be reported in the next report to committee.

- 3.3 From the beginning of this financial year the team have 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:

<b>Assurance Level</b>	<b>Description</b>
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.
- 3.6 There was an issue with uploading data to HMRC from the Lewes payroll system in the last months of the financial year 2018-19. The Chief Internal Auditor is currently undertaking a review to understand the cause, identify what actions were taken and to review any implications this has had on staff. Once this work is fully concluded the result will be reported to this committee.

#### **4.0 Housing Subsidy Claim**

- 4.1 The Housing Subsidy Claim for 2017-18 has yet to be completed. The Functional Lead (Thriving Communities) informed the Chief Internal Auditor that there were funds that he wanted to use to have the Subsidy Claim checked by an external company. He has therefore contacted Branch and Lee to complete the 2017-18 testing. This work is currently ongoing with input from the Internal Audit team.

The Functional Lead (Thriving Communities) intends to pay for this work for the Lewes Housing Subsidy Claim testing to be carried out by an external company going forward.

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

## **5.0 Counter Fraud**

- 5.1 Housing Tenancy – The team continue to work closely with colleagues in Homes First and Legal and there are currently 19 ongoing sublet/abandonment tenancy cases at various stages. Three properties have been returned during this period with a net preventative saving to the of £93,000 (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 4 cases checked to prevent and detect fraud and protect each authority against money laundering. Of these applications, 13 were withdrawn after intervention by the CFT resulting in a preventative saving of £248,400 More cases are currently under review.
- 5.3 There is a Right to Buy case due to be heard at Crown Court in December. This has involved a significant and painstaking level of work by the investigators building the case to this point with ongoing legal requirements and requests. Compliments have been made by the council's barrister of the thorough and highly professional work undertaken which in her experience was considerably better than other investigations undertaken by the police.
- 5.4 Housing Options - 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.
- 5.5 Council Tax – A detailed review of Council Tax Exemptions and Disregards is ongoing – this involves looking at areas of weakness where reviews have not been completed for some time, the outcome of this exercise will be released in due course. A small number of cases have been passed through during this period. The team have 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 Housing Benefit – The team have worked closely with the Department for Work and Pensions (DWP) and our colleagues in the benefit section, resulting in the

closure of 31 cases. The resulting investigations have resulted in an increase in recoverable Housing Benefit of £11,674. Joint working with the Case Management team has also increased the volume of referrals, there are around 140 outstanding referrals passed over to the DWP to consider across both authorities.

5.8 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 – 1376 cases have been cleared so far with 46 awaiting further investigation with a current value of £14,460 found in errors (Housing Benefit).

5.9 A table showing the savings made by the Counter-Fraud team in the first quarter of 2019-2020 can be found at Appendix B.

## **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: 008471-LDC-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**

ANNUAL REVIEWS		Type	Planned Days	Actual Days	Comments
	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
			<b>643</b>	<b>174</b>	

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	
		<b>265</b>	<b>0.9</b>	

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	QUARTER ONE		QUARTER TWO		QUARTER THREE		QUARTER FOUR		YEAR TOTAL	
	Income	Savings	Income	Savings	Income	Savings	Income	Savings	Income	Savings
<b>Tenancy Housing</b>										
Recovery of council properties		£93,000.00							£0.00	£93,000.00
RTB value saved through intervention		£248,400.00							£0.00	£248,400.00
Housing intervention/fraud									£0.00	£0.00
<b>Revenues</b>										
NNDR									£0.00	£0.00
Council Tax									£0.00	£0.00
Value of ongoing CT increase per week									£0.00	£0.00
Council Tax Penalties									£0.00	£0.00
<b>CTR &amp; Housing Benefit</b>										
SPOC Cases									£0.00	£0.00
Council Tax Reduction									£0.00	£0.00
CTR weekly incorrect benefit (WIB)									£0.00	£0.00
Housing Benefit	£11,674.77								£11,674.77	£0.00
HB weekly incorrect benefit (WIB)									£0.00	£0.00
Income from Adpen collection									£0.00	£0.00
<b>NFI</b>										
Number of open matches									£0.00	£0.00
Number of closed matches									£0.00	£0.00
Awaiting Processing									£0.00	£0.00
Overpayments identified	£14,460.69								£14,460.69	£0.00
Weekly incorrect benefit identified									£0.00	£0.00
<b>OTHER INVESTIGATIONS</b>										
Procurement									£0.00	£0.00
Internal									£0.00	£0.00
DPA									£0.00	£0.00
Income from court costs									£0.00	£0.00
<b>TOTALS</b>	<b>£26,135.46</b>	<b>£341,400.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£26,135.46</b>	<b>£341,400.00</b>

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<b>Report To:</b>	<b>Audit and Standards Committee</b>
<b>Date:</b>	<b>23 September 2019</b>
<b>Report Title:</b>	<b>Treasury Management</b>
<b>Report of:</b>	<b>Chief Finance Officer</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To present details of recent Treasury Managemnt activity.</b>
<b>Decision type</b>	<b>To note that Cabinet accepts that Treasury Management Activity for the period 1 July to 31 August 2019 has been in accordance with the approved Treasury Strategies for that period with the exception of items at paragraph 2.10 below.</b>
<b>Officer Recommendations:</b>	<b>To recommend that Council accepts that Treasury Management Activity for the period 1 July to 31 August 2019 has been in accordance with the approved Treasury Strategies for that period with the exception of items at paragraph 2.10 below.</b>
<b>Reasons for recommendations:</b>	<b>Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.</b>
<b>Contact Officer(s)-</b>	<b>Name: Homira Javadi Post title: Chief Finance Officer E-mail: <a href="mailto:homira.javadi@lewes-eastbourne.gov.uk">homira.javadi@lewes-eastbourne.gov.uk</a> Telephone number: 01273 085512</b>

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## **1** Introduction

**1.1**The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.

**1.2**The Treasury Strategy Statement also requires the Audit and Standards Committee to review a formal summary report after the year end before it is considered by Council, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.

## **2** Treasury Management Activity

**2.1** The timetable for reporting Treasury Management activity in 2019/2020 is shown in the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
16 July 2019	1 March to 30 June 2019
23 September 2019	1 July to 31 August 2019
18 November 2019	1 September to 31 October 2019
20 January 2020	1 November to 31 December 2019
17 March 2020	1 January to 29 February 2020

## 2.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 August 2019 and identifies the long-term credit rating of counterparties at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All of the deposits met the necessary criteria the minimum rating required for deposits made after 1 April 2018 is long term A- (Fitch).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term Rating
243419	Thurrock Borough Council	14 Jun 19	16 Mar 20	276	3,000,000	0.88	*
243319	Debt Management Office	19 Aug 19	11 Sept 19	23	5,000,000	0.50	*
					8,000,000		

\*UK Government body and therefore not subject to credit rating

## 2.3 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured since 1 July 2019, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £36.6m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
243619	Debt Management Office	1 Jul 19	8 Jul 19	7	8,500,000	0.50	*
243719	Debt Management Office	8 Jul 19	22 Jul 19	14	7,500,000	0.50	*
243819	Debt Management Office	17 Jul 19	25 Jul 19	8	1,800,000	0.50	*
243919	Debt Management Office	22 Jul 19	1 Aug 19	10	5,800,000	0.50	*
244019	Debt Management Office	1 Aug 19	5 Aug 19	4	7,000,000	0.50	*
244119	Debt Management Office	1 Aug 19	9 Aug 19	8	1,000,000	0.50	*
244219	Debt Management Office	1 Aug 19	19 Aug 19	18	5,000,000	0.50	*
	<b>Total</b>				36,600,000		

\*UK Government body and therefore not subject to credit rating

At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits

held in the period 1 July to 31 August 2019 was 0.50%, below the average bank base rate for the period of 0.75%.

## **2.4 Use of Deposit accounts**

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £1.533m generating interest of approximately £0.008m

	Balance at 31 Aug '19 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£1,911	1,381	0.65
Lloyds Bank Corporate Account	(£1,052)	1,685	0.65

## **2.5 Use of Money Market Funds**

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown below. The approved Investment Strategy allows a maximum investment of £3m in each fund, and at no time was this limit exceeded.

	Balance at 31 Aug '19 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	£1,000	1,000	0.86
Deutsche Managed Sterling Fund	£1,500	1,500	0.82

## **2.6 Treasury Bills (T-Bills)**

There were no Treasury Bills held at 31 August 2019, and there was no activity in the period.

## **2.7 Secured Investments**

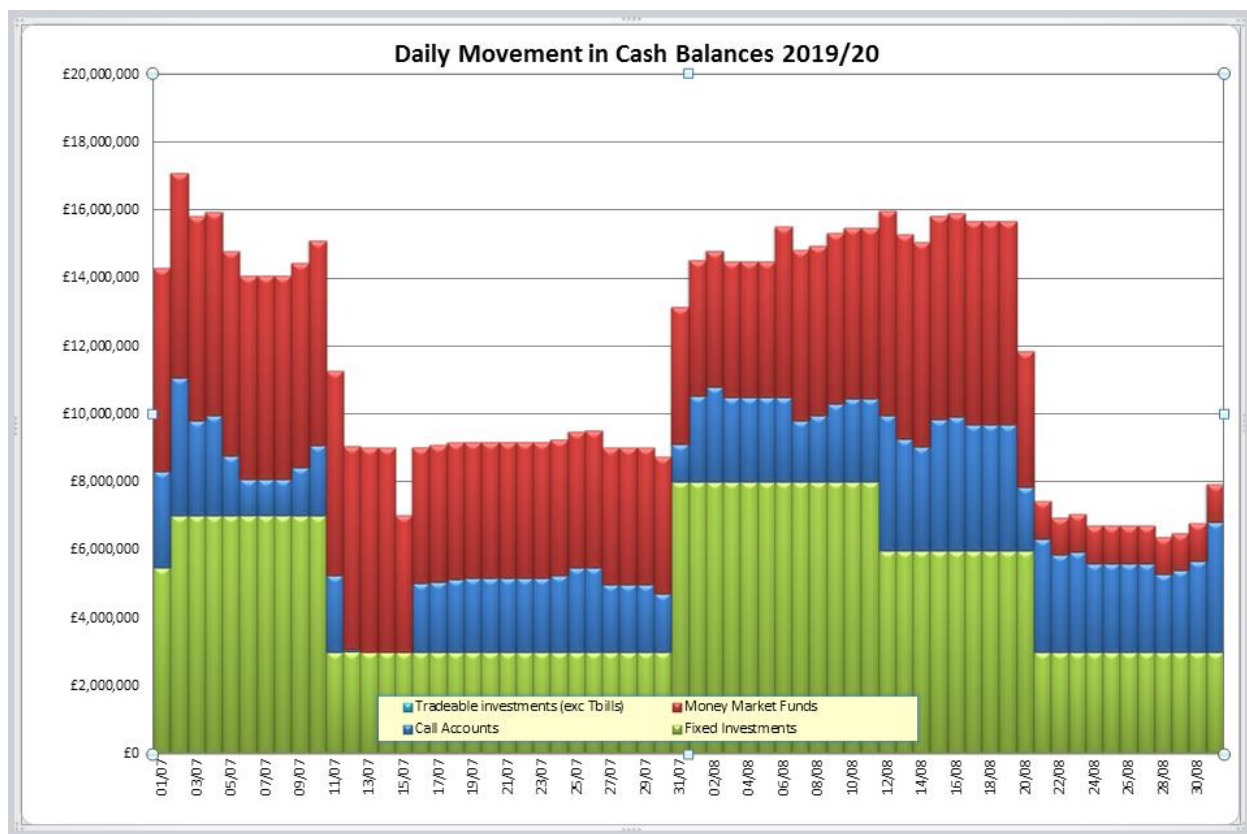
There were no Secured Investments at 31 August 2019.

## **2.8 Tradeable Investments**

There were no Tradeable Investments at 31 August 2019, and there was no activity in the period.

## **2.9 Overall investment position**

The chart below summarises the Council's investment position over the period 1 July to 31 August 2019. It shows the total sums invested each day as Fixed Term deposits, Treasury Bills, amounts held in Deposit accounts, Money Market Funds and Tradeable Investments.



## 2.10 Borrowing

The current account with Lloyds Bank generally remained with credit limits throughout most of the period with the following exceptions :

### Exceptions:

**Friday, 30 August Overdraft of £1.05m for one business day.**

**Monday 15 July & Tuesday 16 July- Excess funds of £0.6m and £0.5m respectively**

**Thursday 25 July and Friday 26 July- Excess funds of £0.3m and £0.2m respectively**

**Thursday 15 August and Friday 16 August- Excess funds of £1.7m and £0.1m respectively**

There has been a slight change in the total value of the Council's long term borrowing in the reporting period, which has increased to £56,762m from £56.673m.

## 3 Non-treasury investments

**3.1**At its previous meeting, the Committee requested that information should be included in this report about the Council's 'non-treasury' investment activity e.g.

loans to Council-owned companies or the purchase of property assets for the purpose of income generation.

### **3.2 Lewes Housing Investment Company**

**3.2.1** Lewes Housing Investment Company (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC has been set up to acquire, improve and let residential property at market rents. Although the 2018/19 Capital programme included £2.5m as potential commercial loan funding to facilitate property purchases, this facility was not drawn down and has rolled forward into 2019/20. No payments were made to, or monies received from, LHIC during 2018/19 and no amounts were owing to, or owed by, LHIC at the end of the year. There were no transactions during the period 1 March 2019 to 30 June 2019. During the period 1 July to 31 August 2019 £35.00 was drawn down.

### **3.3 Aspiration Homes LLP**

**3.3.1** Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Lewes District Council and Eastbourne Borough Council. Incorporated in June 2017, AH has been set up for the purpose of developing housing to be let at affordable rent. Although the 2018/19 Capital programme included £17.5m as potential commercial loan funding to AH to facilitate property purchases, this facility was not drawn down and has rolled forward into 2019/20. During the period 1 March 2019 to 30 June 2019, £121,300 was drawn down for the purchase of Grays School, Newhaven. There have been no transactions during the period 1 July 2019 to 31 August 2019.

**3.3.2** A working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2019 £10,000 of the working Capital facility loan had been drawn down. During the period 1 March 2019 to 30 June 2019, a further £35,000 has been drawn down against the loan facility.

## **4 Financial Implications**

All relevant implications are referred to in the above paragraphs.

## **5 Risk Management Implications**

The risk management implication associated with this activity is explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

**6**      Equality Screening

This is a routine report for which detailed Equality Analysis is not required to be undertaken.

**7**      Legal Implications

None arising from this report.

**Background Papers**

Treasury Strategy Statements 2018/2019 and 2020/2021