

Audit and Governance Committee

4 March 2024



Lewes District Council

Time and venue:

10:00am in the Room 209/210 on the Second Floor, The Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER

Membership:

**Councillor Stephen Gauntlett (Chair);
Councillors Daniel Stewart-Roberts (Deputy-Chair), Graham Clews, Cathy Gallagher,
Olivia Honeyman, Charlotte Keenan and James Meek**

Quorum: 4

Published: Friday, 23 February 2024

Agenda

1 Minutes (Pages 5 - 8)

To confirm and sign the minutes of the previous meeting held on 13 November 2023 (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 D9 of the Constitution).

6 External Audit progress

Verbal update by District Council Officers and the Council's External Auditor, Deloitte

- 7 Treasury Management (Pages 9 - 30)**
Report of Director of Finance and Performance
- 8 Data Analytics Strategy for Internal Audit (Pages 31 - 40)**
Report of Chief Internal Auditor
- 9 Draft Internal Audit Plan 2024/25 (Pages 41 - 48)**
Report of Chief Internal Auditor
- 10 Internal Audit and Counter Fraud report for the three quarters of the financial year 2023-2024 - 1st April 2023 to 31st December 2023 (Pages 49 - 82)**
Report of Chief Internal Auditor
- 11 Strategic Risk Register Quarterly Review (Pages 83 - 92)**
Report of Chief Internal Auditor
- 12 Date of next meeting**
To note that the next meeting of the Audit and Governance Committee is scheduled to be held on Monday, 1 July 2024 in Room 209/210, Marine Workshops, Newhaven, BN9 0ER, commencing at 5:00pm (TBC).

Information for the public

Accessibility:

Please note that the venue for this meeting is wheelchair accessible and has a hearing loop to help people who are hearing impaired. If you would like to use the hearing loop please advise Democratic Services (see below for contact details) either in advance of the meeting or when you arrive so that they can set you up with the relevant equipment to link into the system.

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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 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 Sub-Committee.

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.

Other 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.

Democratic Services

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

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Audit and Governance Committee

Minutes of the meeting held in Room 209/210 on the Second Floor, The Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER on 13 November 2023 at 10:00am

Present:

Councillor Stephen Gauntlett (Chair);
Councillors Daniel Stewart-Roberts (Deputy-Chair), Graham Clews, Cathy Gallagher, Olivia Honeyman, Charlotte Keenan and James Meek

Officers in attendance:

Oliver Dixon (Lawyer and Data Protection Officer, attending as Senior Responsible Officer for RIPA compliance), Lee Ewan (Counter-Fraud Investigations Manager and RIPA Monitoring Officer), Steven Houchin (Interim Deputy Chief Finance Officer), Jackie Humphrey (Chief Internal Auditor), Jennifer Norman (Committee Officer, Democratic Services) and Ross Sutton (Head of Financial Reporting)

Also in attendance remotely, via Microsoft Teams:

Ben Sheriff (Deloitte) and Susan Mugeru (Deloitte)

23 Minutes

The minutes of the meeting held on the 4 September 2023 were submitted and approved and the Chair was authorised to sign them as a correct record.

24 Apologies for absence/declaration of substitute members

There were none.

25 Declarations of interest

There were none.

26 Urgent items

There were none.

27 Written questions from councillors

There were none.

28 External Audit progress

The Council's Interim Deputy Chief Finance Officer (IDCFO) and the Council's

External Auditors (Deloitte) provided Members with an update in respect of Deloitte's progress on the Council's outstanding Statement of Accounts 2019/20, 2020/21 and 2021/22.

The IDCFO, on behalf of the Chair and the Committee, welcomed Ben Sheriff and Susan Mugerá (Deloitte) to the meeting.

The IDCFO highlighted that Deloitte was near completion of the External Audit of the Council's 2019/20 Statement of Accounts, with one outstanding item as of September 2023, which was the valuation of housing and how the Council accounted for prior year changes. He further highlighted that Council Officers and Deloitte were working together on coming to an agreement regarding the outstanding item, with Deloitte's technical team working on calculations which could be applied to the accounts in the coming weeks.

Mr Sheriff explained that the Council should be mindful of the national context of local government audits, as the delays had been a national issue for the previous three years. He further explained that central government and the Financial Reporting Council (FRC) were looking to find a mechanism to remove the national backlog of audits prior to the new audit contracts which will begin on 1 April 2024.

Mr Sheriff discussed the possibility of a national backstop being put in place for all published accounts for all councils throughout the country, which would lead to a significant number of qualified reports, including those of the Council.

Mr Sheriff noted that any discussion of dates had not yet been decided or announced, and that consultations with the FRC, CIPFA, central government and local government authorities normally would take place prior to any decisions being made.

Members in their discussions raised concerns regarding the Council's reputational risk due to the outstanding External Audits of the 2019/20, 2020/21 and 2021/22 Statement of Accounts, and discussed the timeline and method of the formal sign-off of the 2019/20 Statement of Accounts.

The Chair asked if the 2019/20 Statement of Accounts were due to be ready shortly. Officers advised that Deloitte would need to put together a final report, and this could be in December 2023.

Officers advised that there were then two options for the sign-off. An additional meeting of the Committee could be set up in January 2024 to consider the report from Deloitte and approve the bulk of the accounts, whilst giving delegated authority to the Council's Section 151 Officer in consultation with the Chair to resolve any final minor issues. Alternatively, once the accounts were finalised, they could be brought for approval and sign off in a single session at the scheduled meeting on 4 March 2023.

Resolved: That the verbal update be noted.

29 Annual report on Covert Surveillance Management

The Committee received a report which provided Members with an overview of the Council's use of covert surveillance powers in 2022/23 and information on recent external inspection of surveillance governance arrangements.

The Counter-Fraud Investigations Manager (and RIPA Monitoring Officer) summarised the report, highlighting the purpose of covert surveillance and corresponding legislation, its uses and the specific framework as to how covert surveillance was carried out.

Discussions included the investigating officer's process for submitting an application to carry out covert surveillance, the internal and external authorisation process and considerations on informing the public about the investigation outcome.

Resolved: That the report be noted.

30 Treasury Management

The Committee received the report which provided details regarding the Treasury Management Activity for the period 1 April to 30 September 2023.

The Council's Head of Financial Reporting (HFR) summarised the report, highlighting original and revised budgets, interest forecast rates, borrowing and Environmental, Social and Governance (ESG) investments.

Resolved: That it be noted that the Treasury Management activity for the period of 1 April to 30 September 2023 has been in accordance with the approved Treasury Strategies.

31 External assessment of the work of the Internal Audit function

The Committee received a report which provided Members with the results of the external assessment of the Internal Audit function.

The Council's Chief Internal Auditor (CIA) summarised the report, highlighting both the most recent internal and external assessments of the Council's Internal Audit function, which were requirements of the Public Sector Internal Audit Standards (PSIAS).

Discussions included the cessation of the Sussex Audit Group and the outcomes and recommendations of the external assessments, as detailed in Section 3 of the report.

Resolved: That the report be noted.

32 Internal Audit and Counter Fraud Report - Quarter 2

The Committee received a report which provided a summary of the activities of Internal Audit and Counter Fraud for the second quarter of the financial year 2023-2024, 1 April 2023 - 30 September 2023.

Discussions included internal audits throughout the year and the Film Liaison Unit, as set out in Appendix C.

Resolved: That the report be noted.

33 Strategic Risk Register Quarterly Review

The Committee received the report which summarised the outcomes of the quarterly review of the Strategic Risk Register (SRR) by the Corporate Management Team (CMT).

The Chief Internal Auditor (CIA) summarised the report, highlighting the consideration given to homelessness, with added descriptions and mediating actions set out in Appendix A.

Resolved: That the report be noted.

34 Date of next meeting

It was noted that the next meeting of the Audit and Governance Committee was scheduled to be held on Monday, 4 March 2024, in Room 209/210 on the Second Floor, Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER, commencing at 10:00am.

The meeting ended at 11:32am.

Councillor Stephen Gauntlett (Chair)

Report To:	Audit and Governance Committee
Date:	4 March 2024
Report Title:	Treasury Management
Report of:	Director of Finance and Performance (Chief Finance Officer - S151 Officer)
Ward(s):	All
Purpose of report:	To present details of recent Treasury Management activities.
Officer Recommendations:	The Committee is recommended to note the report of the Director of Finance and Performance and the assurances contained within and agree that Treasury Management Activities for the period April to December 2023 have been in accordance with the approved Treasury Strategies.
Reasons for recommendations:	Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.
Contact Officer(s):	Name: Ross Sutton Post title: Head of Financial Reporting E-mail: ross.sutton@lewes-eastbourne.gov.uk Telephone number: 07591 988346

1. Introduction

- 1.1 The Council's approved Treasury Strategy Statement requires the Audit and Governance 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 Governance Committee to review a formal summary report detailing the recent Treasury Management activity before it is considered by Council, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3 The timetable for reporting Treasury Management activity in 2023/24 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 Governance Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
4 September 2023	Q1 April to June 2023
13 November 2023	Q2 April to September 2023 (Mid Year Review)
04 March 2024	Q3 April to December 2023
July 2024	2023/24 Annual Treasury Report

- 1.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit & Governance Committee before they were reported to the Full Council.
- 1.5 Treasury Management is an integral part of the Council's overall finances and the performance of this area is very important. Whilst individual years obviously matter, performance is best viewed on a medium / long term basis. The action taken in respect of the debt portfolio in recent years has been extremely beneficial and has resulted in savings. Short term gains might, on occasions, be sacrificed for longer term certainty and stability.
- 1.6 The criteria for lending to Banks are derived from the list of approved counter parties provided by the Council's Treasury Management advisors, Link Asset Services. The list is amended to reduce the risk to the Council by removing the lowest rated counterparties and reducing the maximum loan duration.

2. Economic Background

- 2.1 The Bank of England's Monetary Policy Committee (MPC) have continued to hold the Bank Rate at 5.25% (since 3/8/23). A detailed economic commentary for the period to 31 December 2023 is attached as **Appendix A**.

3. Interest Rate Forecasts

- 3.1 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.
- 3.2 The latest forecast on 8 January 2024 sets out a view that the MPC are keen to further demonstrate their anti-inflation credentials by keeping Bank Rate at 5.25% until at least September 2024.
- 3.3 Link's forecast of bank rate and PWLB borrowing rates (at 8/1/24) are set out below.

Link Group Interest Rate View		08.01.24												
		Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE		5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings		5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings		5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings		5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB		4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB		4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB		5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB		5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Note

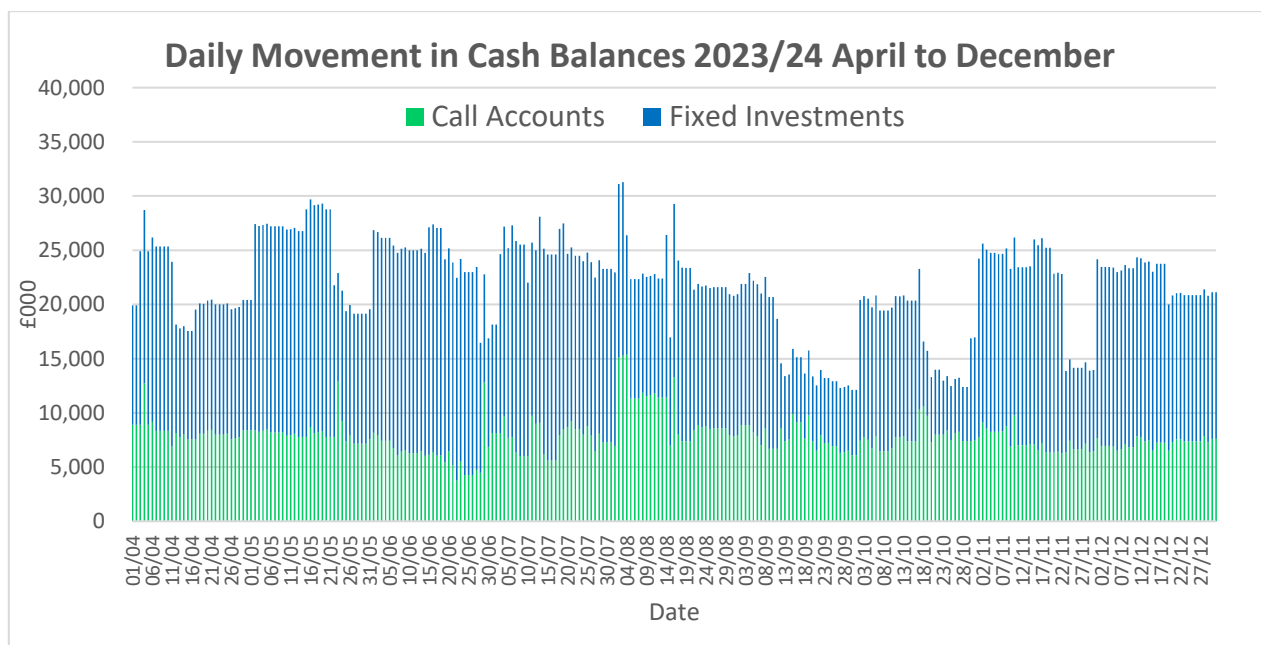
- 1) LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- 2) The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

4. Annual Investment Strategy

- 4.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes in December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 4.2 The Treasury Management Strategy Statement (TMSS) for 2023/24 which includes the Annual Investment strategy (AIS), was approved by the Full Council on 20 February 2023. It sets out the Council's investment priorities as being:
 - Security (of Capital);
 - Liquidity;
 - Yield.
- 4.3 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.
- 4.4 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.
- 4.5 There have been some changes to individual counterparty credit ratings over the period. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

5. Treasury Management Activity

- 5.1 The chart below summarises the Council's investment position over the period 1 April to 31 December 2023. It shows the total sums invested each day split between Fixed Term investments and amounts held in Call accounts. The average balance over the period is £21.8m (£14.0m Fixed and £7.8m Call).



5.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 December 2023 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 the deposits met the necessary criteria, the minimum rating required for deposits made in terms of long-term A- (Fitch).

Counterparty	Date From	Date To	Days	Principal £	Rate %	Long Term Rating
Link - Standard Charter sustainable	17/10/23	17/1/24	92	5,000,000	5.32%	A+

5.3 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured in the third quarter, between 1 September to 31 December 2023, in maturity date order.

Counterparty	Principal	Date From	Date To	Days	Rate %	Long Term Rating
DMO	£1,000,000	04/07/2023	04/09/2023	62	5.06%	*
DMO	£2,000,000	04/09/2023	11/09/2023	7	5.13%	*
DMO	£6,000,000	16/08/2023	12/09/2023	27	5.13%	*
Standard Charter sustainable	£5,000,000	17/07/2023	17/10/2023	92	5.45%	A+
DMO	£7,000,000	02/10/2023	18/10/2023	16	5.17%	*
DMO	£1,000,000	21/08/2023	23/10/2023	63	5.28%	*
DMO	£4,500,000	30/10/2023	06/11/2023	7	5.17%	*
DMO	£4,400,000	06/11/2023	20/11/2023	14	5.17%	*
DMO	£7,000,000	01/11/2023	23/11/2023	22	5.18%	*
DMO	£2,000,000	20/11/2023	23/11/2023	3	5.17%	*
DMO	£9,000,000	01/12/2023	08/12/2023	7	5.17%	*
DMO	£9,000,000	08/12/2023	19/12/2023	11	5.19%	*

Note: * indicates UK Government body and therefore not subject to a credit rating.

The weighted average rate of interest earned on deposits held in the period 1 April to 31 December 2023 was 4.86% (4.72% at Q2). The average bank base rate over the period was 4.95%. DMO deposits can fluctuate below the base rate.

5.4 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 £3.200m (£2.664m Q2), generating interest of £172k.

Counterparty	Balance at 31/12/23 £000	Average Balance £000	Current Interest Rate %
Santander Business Reserve Account	£3,000	£4,589	3.23%
Lloyds Bank Current Account	£1,601	£1,388	2.10%
Lloyds Bank Call Account	£3,010	£1,811	5.14%

5.5 Money Market Funds

There were no funds Money Market Funds held at 31 December 2023, and there was no activity in the period.

5.6 Bond Funds, Multi-Asset Income Funds and Property Funds

There were no Short Dated Bond Funds, Multi-Asset Income Funds or Property Funds held at 31 December 2023, and there was no activity in the period.

6. Capital Position

- 6.1 This table shows the revised estimates for capital expenditure and the changes since the 2023/24 capital programme was agreed at the Budget.

	Original Budget £000	Revised Budget £000	Forecast Outturn £000
HRA	16,549	19,109	18,722
General Fund	52,607	32,745	19,651
Total Capital Expenditure	69,156	51,854	38,373

- 6.2 The Forecast Outturn for the year is £38.373m as there has been significant deferral of schemes to 2024/25 and later years from the Revised Budget position . Appendix 2 provides further details.
- 6.3 The financing of the capital programme has been updated in line with the changes in the table above (see Appendix 2). The borrowing element will increase the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

7. Borrowing

- 7.1 The Council's capital financing requirement (CFR) for 2023/24 is forecast as £116.9m (GF £38.9m and HRA £78.0m). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

PWLB Rates

- 7.2 Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since the previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.5% to 5.2%. The view is that markets have built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.
- 7.3 Link's core debt management advice remains unaltered, to continue to reappraise any capital expenditure plans/profiles, and internally/temporarily borrow for any financing and re-financing. Only seek longer-dated debt if there is absolute certainty on the long-term rates and can conclude it is affordable, sustainable and prudent if funded at prevailing levels.

External Debt

- 7.4 The Council's long term borrowing at 31 December was £47.7m (£47.7m Q2) including £42.7m Public Works Loan Board (PWLB) and £5m Barclays loan. Debt at the start of the year was £51.7m and a £4m loan has matured during the year. A further £4m will mature in March 2024.
- 7.5 Long term borrowing is at fixed rates of interest ranging from 2.63% to 4.50%. There was no short term borrowing as at 31 December 2023. The General Fund makes internal loans to the Housing Revenue Account and the balance at the start of the financial year was £24.2m.
- 7.6 No new borrowing has been undertaken this year to-date and it is anticipated this will remain the position for the remainder of the year. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if further upside risk to gilt yields prevails.

8. Debt Rescheduling

- 8.1 Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. The Council will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio. This is dependent on levels of investment balances. No debt rescheduling has currently been undertaken in the financial year.

9. Capital Financing Costs Summary

- 9.1 The table below summaries the General Fund (GF) interest payable, minimum revenue provision (MRP) and interest receivable forecast for the year.

General Fund	Original Budget £000	Forecast Outturn £000	Q3 Actual £000
Interest Payable - Borrowing	-	-	-
MRP	703	467	-
Interest Receivable – Treasury Investments	(495)	(744)	(578)
Net Interest Cost	208	(277)	(578)

- 9.2 There are no external GF loans and interest payable. MRP is calculated at the end of the financial year. Interest receivable has increased due to base rate rises from 3.5% in January to 5.25% currently.

- 9.3 The table below summaries the Housing Revenue Account (HRA) interest payable and interest receivable forecast for the year.

HRA	Original Budget £000	Forecast Outturn £000	Q3 Actual £000
Interest Payable (PWLB, Market & GF loans)	2,376	2,967	707
Interest Receivable (on HRA Balances)	(143)	(900)	-
Net Interest Cost	2,233	2,067	707

9.4 HRA Interest payable has increased due to a higher rate on the borrowing from the general fund. Interest receivable has increased due a change in which HRA balances interest is now paid and also to base rate rises from 3.5% in January to 5.25% currently. Interest payable on GF loans and receivable on HRA Balances is calculated and paid at the end of the financial year.

10. Compliance with Treasury and Prudential Limits

10.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs).

10.2 The tables below shows the RAG status of the Prudential and Treasury Indicators comparing the Budget position to the Forecast for the year.

Prudential Indicators	2023/24 Budget	2023/24 Forecast	RAG Status
Authorised Limit for external debt	£166m	£146m	GREEN
Operational Boundary for external debt	£151m	£140m	GREEN
Capital Financing Requirement (CFR)	£131m	£117m	GREEN
Gross External debt (Note 1)	£79m	£76m	GREEN
Debt compared to CFR (under) / over borrowing	(£52m)	(£41m)	GREEN
Proportion of GF Financing Costs to Net Revenue Stream (Note 2)	2.9%	2.9%	GREEN
Proportion of HRA Financing Costs to Rental Income (Note 3)	44.3%	50.2%	AMBER
Proportion of net income from commercial and service investments to Net Revenue Stream	11.6%	11.2%	GREEN
Total Investments (average)	£22m	£22m	GREEN
Investment returns %	2.3%	4.9%	GREEN

Note:

1. Includes GF loans to HRA;
2. Excluding interest on HRA Balances;
3. Includes HRA depreciation.

Section 6 and Appendix B includes details of the requirement for a Capital Expenditure indicator.

Treasury Indicators	2023/24 Budget	2023/24 Forecast	RAG Status
Upper limit for principal sums invested for longer than 365 days	100%	100%	GREEN
Maturity structure of fixed rate borrowing - upper limits:			
Under 12 months	25%	25%	GREEN
12 months to 2 years	40%	40%	GREEN
2 years to 5 years	50%	50%	GREEN
5 years to 10 years	75%	75%	GREEN
10 years and above	100%	100%	GREEN

Paragraphs 10.6 to 10.8 and Appendix C include details of the requirement for a Liability Benchmark indicator.

- 10.3 As at 31 December 2023, all indicators have a green status with the exception of financing costs. The percentage of GF financing costs has increased as the GF pays interest on HRA balances. Average investment rates received will increase as base rates rise. The percentage of HRA financing costs has increased as the HRA pays interest on loans provided by the GF. The interest rate payable will increase as base rate and PWLB rates rise.
- 10.4 The Capital Financing Requirement (CFR) has reduced by £14m from an estimated £131m (Feb 2023) to a forecast £117m. The reduction is due to lower capital expenditure in 2022/23 (financed through borrowing) reducing the opening balance at 1/4/23 and lower forecast capital expenditure in 2023/24 (financed through borrowing).
- 10.5 Approved limits within the Annual Investment Strategy were not breached during the period ending 31 December 2023, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 3 days during the period (13 days Q2). Breaches normally occur where (i) other investments have been recalled back to Lloyds a day early in readiness for larger than usual outgoings the following day or (ii) other investments are received back too late in the day to reinvest so remain with Lloyds overnight. During August there was a period of 10 days where the Lloyds limit was breached due to annual leave and limited staff resources. The balances were therefore kept higher than normal.

Liability Benchmark

- 10.6 There is a requirement to provide a comparison of the existing loan portfolio against committed borrowing needs in order to understand future debt requirements. The chart covers the following four areas
- i. Existing Loan Debt = current borrowing portfolio;
 - ii. Capital Financing Requirement (loans only);
 - iii. Net Loans Requirement = loan debt (less treasury management investments) forecast based on approved prudential borrowing and planned MRP;
 - iv. Liability Benchmark = Net Loans Requirement plus short term liquidity allowance.
- 10.7 Appendix C includes liability benchmark charts for both the General Fund and HRA. Only approved expenditure and financing budgets for the period to 2026/27 are to be included although the charts cover the full debt maturity profile and MRP to 2066/67.
- 10.8 The GF chart shows the CFR reducing over time due to MRP payments. The liability benchmark line moves negative in 2044 when MRP exceeds loan debt. The HRA chart shows the CFR increasing and then levelling out as there are no MRP payments or capital receipts set aside. PWLB debt reduces over time as debt matures. Any gaps between actual loan debt outstanding and the liability benchmark will need to be managed in the future.

11. Non-treasury investments

11.1 Lewes Housing Investment Company

Lewes Housing Investment Company is a wholly owned subsidiary of the Council incorporated in July 2017. It was established to acquire, improve, and let residential property at market rents. Capital allocations would need to be approved as potential commercial loan funding to facilitate property purchases. No loans have been made to-date.

11.2 Aspiration Homes LLP

Aspiration Homes LLP is a limited liability partnership owned jointly by Lewes District Council and Eastbourne Borough Council incorporated in June 2017. It was established for the purpose of developing housing to be let at affordable rent. To-date, loans outstanding are £3.04m relating to two schemes (Grays School, Newhaven and Caburn Field, Ringmer). In addition, £20k of working capital loans have been made. No loans have been made during 2023/24.

12. Environmental, Social and Governance (ESG) Investment

- 12.1 The Cabinet at its meeting on 2 February 2023 approved the 2023/24 Treasury Management and Investment Strategy, which include Non-Specified investments in Green Energy Bonds and/or other ESG products that met the Council's internal and external due diligence criteria.
- 12.2 While a wide range of ESG investments are currently limited, there are expectations to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent, the Council in conjunction with the treasury management advisor (Link Asset Services) will continue to monitor ESG investment opportunities within the parameters of the Council's counterparty criteria and in compliance with the DLUHC Investment Guidance.
- 12.3 The Council holds a £5m deposit balance within the Standard Chartered Bank Sustainable Time Deposit, which functions just like a normal Time Deposit. The difference is in the sustainable impact where the deposits are referenced against qualifying sustainable loans and projects of Standard Chartered that meet their Green and Sustainable Product Framework.
- 12.4 These loan and project assets include green financing, sustainable infrastructure projects, micro-finance, and access to finance for SME business banking. It addresses the long-term environmental challenges such as climate change, health, and financial inclusion plus being dedicated towards financing sustainable loans and projects aligned to the United Nation's Sustainable Development Goals.

Sustainable Development Goals



13. Financial Appraisal

- 13.1 All relevant implications are referred to in the above paragraphs.

14. Risk Management Implications

- 14.1 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.

15. Equality Analysis

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

16. Legal Implications

- 16.1 There are no legal implications from this report.

17. Environmental sustainability implications

- 17.1 This report notes the treasury management performance of the Council. There are no anticipated environmental implications from this report that would affect the Council's sustainability policy. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the treasury activities and highlights compliance with the Council's policies previously approved by members.

18. Appendices

- 18.1 Appendix A - Link Treasury Services Economic Commentary
- 18.2 Appendix B - LDC Capital Programme 2023/24
- 18.3 Appendix C - Liability Benchmark
- 18.4 Appendix D - Glossary of Terms

19. Background Papers

- 19.1 Treasury Management and Prudential Indicators 2023/24, Capital Strategy & Investment Strategy (Cabinet 2/2/23)

Link Treasury Services Limited - Detailed economic commentary on treasury management activities and developments.

Economics Update

- The third quarter of 2023/24 saw:
 - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
 - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS “experimental” rate of unemployment has remained low at 4.2%;
 - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
 - Core CPI inflation decreasing from April and May’s 31 years’ high of 7.1% to 5.1% in November, the lowest rate since January 2022;
 - The Bank of England holding rates at 5.25% in November and December;
 - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal

falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

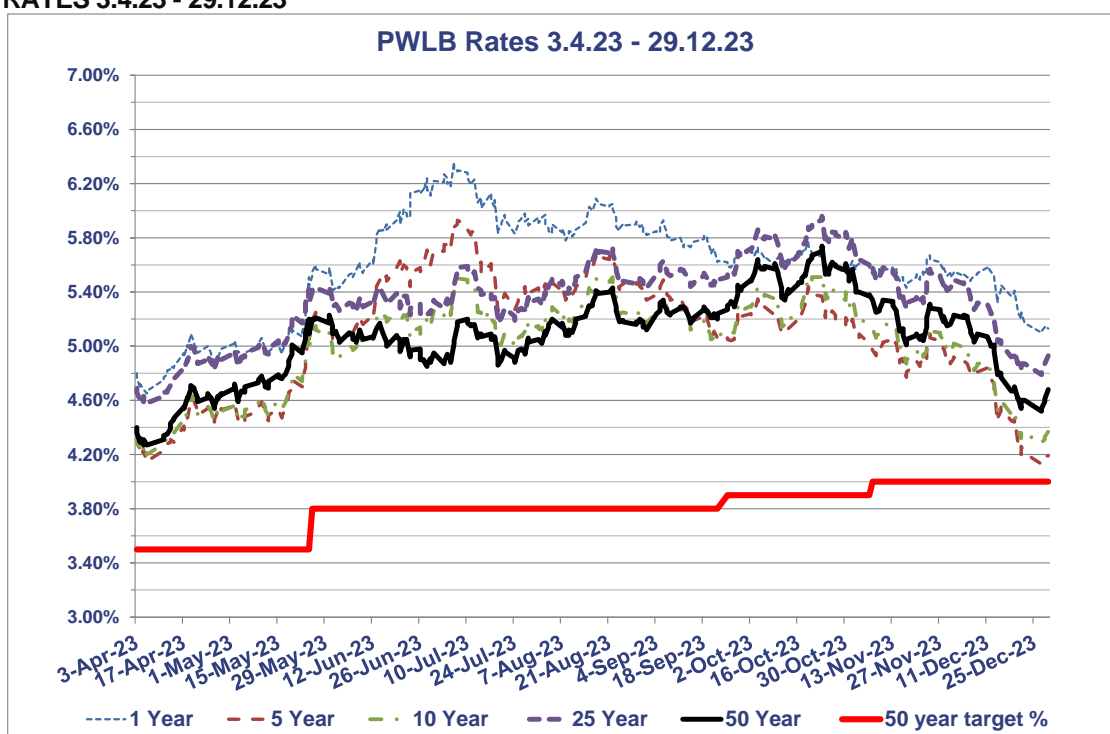
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that

“monetary policy is likely to need to be restrictive for an extended period of time”. In other words, the message is that the MPC is not yet willing to endorse investors’ expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won’t feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.
- Investors’ growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index’s high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23



MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

Appendix B

Capital Programme 2023/24	Original Budget £000	Revised Budget £000	Forecast Outturn (at Q3) £000
HOUSING REVENUE ACCOUNT (HRA)			
Development – New Acquisitions and New Build	11,501	12,444	12,252
Major Works and Improvements	4,998	6,615	6,462
Housing Estates Recreation and Play Areas	50	50	8
Total HRA	16,549	19,109	18,722
GENERAL FUND (GF)			
Housing Grants	1,135	1,486	1,101
Loans to Housing Companies	2,000	-	-
Stabilisation and Growth	20	-	-
Regeneration (see Note)	35,223	16,195	7,248
Asset Management	2,930	775	669
Indoor Leisure Facilities	2,159	2,527	924
Energy Schemes	500	500	-
Community Infrastructure Levy	900	900	414
Service Delivery (see Note)	6,331	6,225	5,499
Flood Protection and Coastal Defence	236	705	209
Parks & Pavilions	200	1,053	230
Open Spaces & Biodiversity	610	789	846
Information Technology	213	397	405
Digital Transformation	-	607	607
Finance Transformation	150	-	-
Total General Fund	52,607	32,745	19,651
Total Capital Expenditure	69,156	51,854	38,373

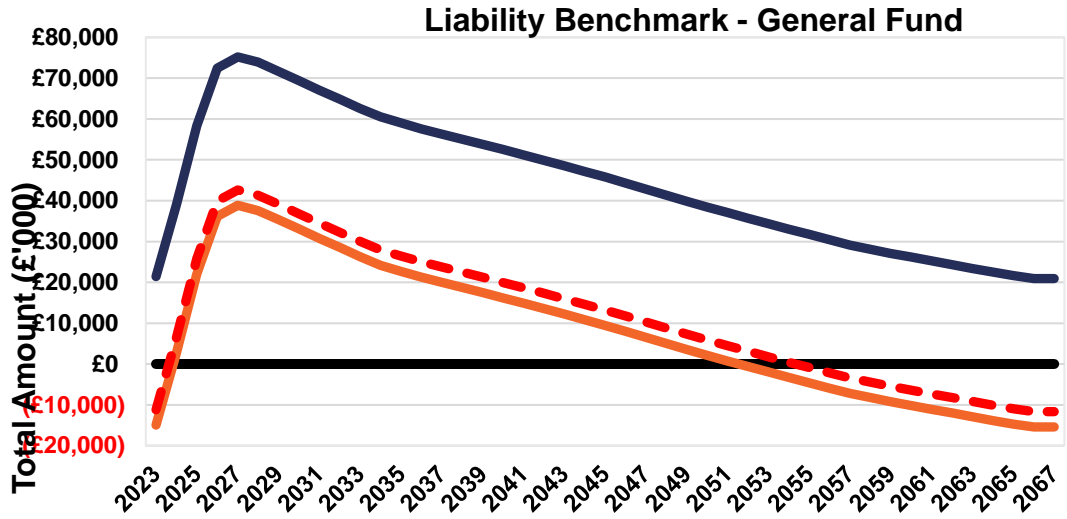
Note: Regeneration includes Newhaven Levelling Up Fund, Future High Streets Fund and Town Deal projects.
Service Delivery includes Vehicle and Wheel Bin replacement.

HRA Financing			
Capital Receipts	4,901	9,697	9,505
Grants & Contributions	1,935	2,653	2,653
Major Repairs Reserve	4,965	6,665	6,470
Revenue	100	94	94
Borrowing Need	4,468	-	-
Total HRA	16,549	19,109	18,722

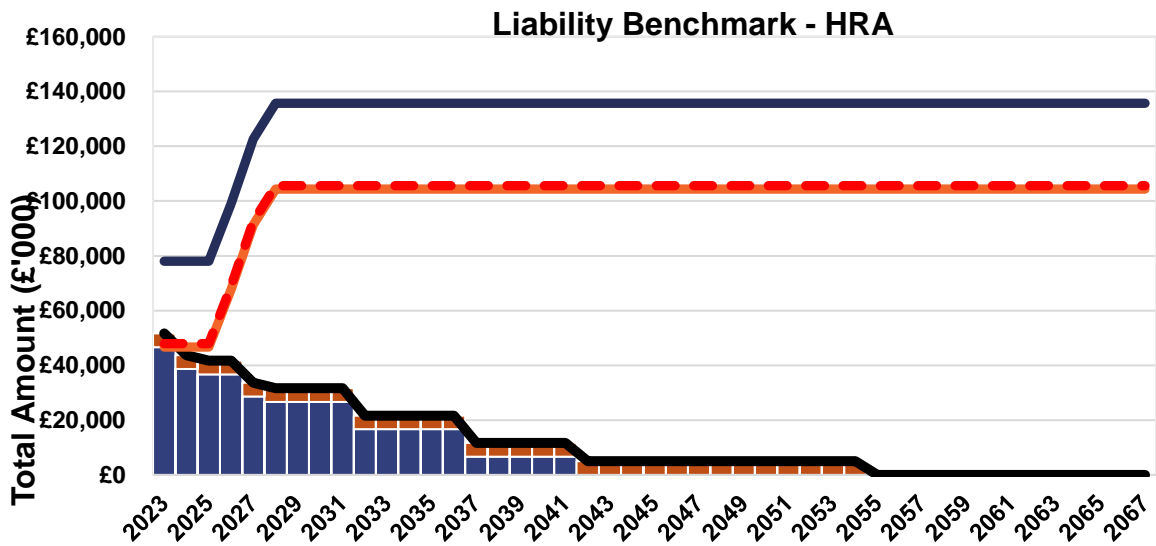
GF Financing			
Capital Receipts	1,859	-	-
Grants & Contributions	29,888	14,759	8,320
Revenue	436	-	-
Borrowing Need	20,434	17,986	11,331
Total GF	52,607	32,745	19,651

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Liability Benchmark Charts



- PWLB Loans
- LOBO Loans
- Variable rate loans
- Net Loans Requirement - GF
- - - Liability Benchmark - GF
- Market Loans (excl LOBO loans)
- Short Term inc LA Temporary Borrowing (<1 year)
- Existing Loan Debt Outstanding - GF
- Loans CFR - GF



- PWLB Loans
- LOBO Loans
- Variable rate loans
- Net Loans Requirement - HRA
- - - Liability Benchmark - HRA
- Market Loans (exc LOBO loans)
- Short Term inc LA Temporary Borrowing (<1 year)
- Existing Loan Debt Outstanding - HRA
- Loans CFR - HRA

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GLOSSARY

Local Authority Treasury Management Terms

Term	Description
Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets.
Borrowing	Usually refers to the stock of outstanding loans owed, and bonds issued.
Capital Financing Requirement (CFR)	A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and Minimum Revenue Provision (MRP).
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is a UK-based international accountancy membership and standard-setting body.
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty Limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
CPI	Consumer Price Index - the main measure of inflation for macroeconomic purposes.
Deposit	A regulated placing of cash with a financial institution.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DLUHC	Department for Levelling Up, Housing and Communities supports communities across the UK to thrive.
DMO	Debt Management Office is an executive agency of HM Treasury responsible for debt and cash management for the UK Government lending to local authorities and managing certain public funds.
Equity	An investment which usually confers ownership and voting rights.
FTSE	Financial Times Stock Exchange – an important indicator of the health of the UK stock market and economy. The FTSE100 is an index made up of shares from the biggest 100 companies by market capitalisation.
GDP	Gross Domestic Product is the total monetary or market value of all the finished goods and services produced within a country in a specific time period.
Income Return	Return on investment from dividends, interest and rent but excluding capital gains and losses.

Term	Description
Gilts	A gilt is a UK government liability denominated in sterling, issued by HM Treasury and listed on the stock exchange.
LIBID and LIBOR	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR. London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. No longer in use, see SONIA below.
LOBO	Lender's Option Borrower's option.
MMF	A Money Market Fund is a type of mutual fund that invests in cash, cash equivalents and short term debt securities.
MPC	The Bank of England's Monetary Policy Committee (MPC) are responsible for making decisions about the bank rate.
Minimum Revenue Provision (MRP)	Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme.
OBR	The Office for Budget Responsibility gives independent and authoritative analysis of the UK's public finances. OBR is an executive non-departmental public body, sponsored by HM Treasury.
PMI	Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. Market conditions can be expanding, staying the same or contracting.
PWLB	Public Works Loan Board is a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments.
Quantitative Easing (QE)	Process by which central banks directly increase the quantity of money in the economy to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
SONIA	Sterling overnight interest average – a benchmark interest rate for overnight deposits.
TMSS	Treasury Management Strategy Statement.

Report to:	Audit and Governance Committee
Date:	4th March 2024
Title:	Data Analytics Strategy for Internal Audit
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To present a new Data Analytics Strategy for Internal Audit.
Officer recommendation(s):	That the Data Analytics Strategy for Internal Audit be noted.
Reasons for recommendations:	The strategy is brought to the Committee to raise awareness of the proposed use of data analytics by Internal Audit.
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 Traditionally, internal audit testing has been by way of taking a sample of data. This has tended to be a very small percentage of the total and, for this reason, the overall assurance level given has to be qualified by the fact that only a small sample has been tested.
- 1.2 The council, and the data it holds, has become more complex over time and current testing methodology does not allow for full oversight of the data held.
- 1.3 There is now a drive in the profession to use data analysis techniques to carry out the testing. This will allow internal audit to make full use of data analytics to focus on areas or transactions where controls appear to not exist or are not operating effectively.

2 What Is Data Analysis?

- 2.1 Data analysis is a process of using data currently held with the goal of discovering useful information, suggesting conclusions and supporting decision making.
- 2.2 It involves certain technologies, skill sets and processes to extract and utilise information from electronic data held across the councils.

3 Why Use Data Analytics?

- 3.1 The use of data analytics in the internal audit profession has risen with the increase in data volumes. It allows for the whole population to be investigated and can reveal trends and anomalies. Data analytics can help internal audit become more efficient and effective and provide more meaningful insight.
- 3.2 The International Standards for the Professional Practice of Internal Auditing (IPPF 1220.A2) states "In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques".

- 3.3 There are advantages to using data analytics in internal audit and these include:
- full data testing
 - more efficient testing
 - reperformance of calculations or comparisons
 - more insights by identifying outliers/unexpected results
 - faster assurance
 - enables internal audit and management to have a better understanding over business areas

3.4 However, there is only so much progress that internal audit can make if the council has poor data governance and systems. In these circumstances, weaknesses will be identified and reported to help drive the council in the right direction with regard to data governance.

4 Current Position

4.1 The Internal Audit team is now in a good position to begin looking into how data analytics can be effectively used when carrying out audit reviews.

4.2 As a start, the Audit Manager is a core member of the Institute of Internal Auditors' Local Authority Data Working Group, as a sub-group of the overall working group. The aim of the group is to help all internal audit teams in the sector toward making greater use of data analytics.

4.3 There is currently little data analytics knowledge in the internal audit team. There are relatively new members of the team who are learning and developing their audit skills, but there is an ambition to move to using data analytics whilst also delivering the audit plan.

5 Moving Forward

5.1 The Data Strategy and Action Plan are the first steps in moving in this direction. It considers what skills and knowledge need to be developed, how data analytics can be used in current audit reviews and how, as a starting point, Excel can be better utilised.

5.2 The strategy and action plan will be reviewed annually.

6 Financial appraisal

6.1 There are no financial implications relating to expenditure arising from this report.

7 Legal implications

7.1 This report is for noting only and therefore the Legal Services team has not been required to comment.

8 Risk management implications

8.1 If the Council does not have an effective governance 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 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 Environmental sustainability implications

10.1 Not applicable.

11 Appendices

11.1 Appendix A - Data Analytics Strategy

11.2 Appendix B - Data Analytics Action Plan

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STRONGER together



Lewes District Council



Working in partnership with **Eastbourne Homes**

DATA ANALYTICS

STRATEGY FOR

INTERNAL AUDIT



INTRODUCTION

The volume of data collected, processed and held by local authorities is significant and increasing. Increasingly, processes are also becoming more data driven, more automated and there is less human involvement in decision making, resulting in a reliance on data quality in decision making.

Internal Audit therefore needs to adapt, change and embrace new ways of providing assurance, moving with the councils and supporting them by adding value through data driven assurance practices.

We have an opportunity to achieve this through the use of data analytics to assist in the identification of risks and provision of insight into the organisations. Whilst it is management's responsibility to ensure that risks are appropriately mitigated, Internal Audit can focus its use of data analytics to identify areas or transactions where controls do not exist or are not operating effectively.

Internal Audit aims to support the organisations in making better, more accurate decisions through delivery of this type of assurance, driving change and mitigating risks of poor decision making through improving reliability of data.

This strategy outlines how it is intended to use data analytics to complement and enhance the work and output of Internal Audit.

VISION

Strengthening Internal Audit's impact in adding value to the organisations by creating data analytic excellence across the team.

MISSION

To develop the effective utilisation of data analysis tools to interrogate the councils' data and thereby provide valuable insight and assurance to stakeholders.

WHY USE DATA ANALYTICS

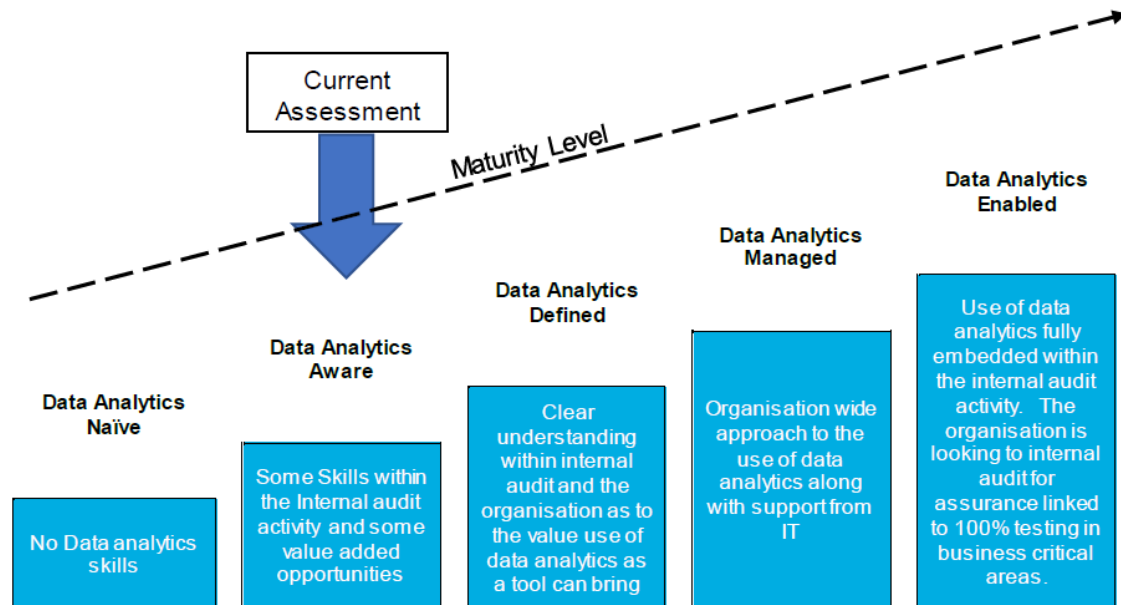
Data, held on various systems, is not currently scrutinised to exploit its full potential: data analytics helps address this.

Efficiency and Effectiveness	Increased Assurance	Gain New Insights
<ul style="list-style-type: none"> • Ensure the most efficient, effective use of Internal Audit resources • Use currently held data more efficiently • Less manual testing • Whole population testing • Delivering impact through visual reporting 	<ul style="list-style-type: none"> • Wider coverage allows greater assurance • The possibility of future continuous monitoring/testing of key controls and the ability to inform system owners promptly to implement corrections and not just when an audit review is being carried out • The possibility of real time auditing highlighting error, anomalies and control failures at the earliest opportunity 	<ul style="list-style-type: none"> • Identifying trends and outliers • Identifying unexpected outcomes • Identifying areas of potential fraudulent or unusual activity

DATA MATURITY

The diagram below is a recognised scale for assessing maturity of an audit function to data analytics*. Whilst the ultimate goal is to reach the upper end of the scale (Enabled), it is recognised that incremental steps will need to be taken to embed data analytics within the systems and processes that are currently in place.

Data Analytics Maturity Model;



Based on the above maturity levels, the Internal Audit function can currently be assessed as 'Aware'. Internal Audit wishes to strive to move up this scale and improve internal practices, moving towards "Enabled".

* IIA Definition of the path to maturity

HOW WILL PROGRESS BE MADE

We will increase our use of data analytics to support the effective and efficient delivery of assurance.

As a small Internal Audit team, we will move forward gradually, ensuring that we consolidate our knowledge at all stages. We will also ensure that we build resilience in this knowledge across the team.

We will ensure that all Internal Audit staff are appropriately trained in the effective design, development and implementation of data analytical techniques, querying and manipulating data and validating hypotheses, initially using the analytical tools already available in Excel.

Communication and interpersonal skills will also be developed to articulate and visualise the insights gained from data analytics.

We will consider the use of data analytics as part of all audits.

OBJECTIVES

Objective	Outcome
To broaden Internal Audit's understanding of, and access to, where data is held across the councils and partner organisations.	Data is accessible and reliable.
To build expertise in the discipline of data analytics to provide added value to Internal Audit insights and recommendations, adding value across our partner organisations.	Expertise developed within Internal Audit in the effective use, management and communication of data analytics.
To increase the delivery of assurance through data analytics and drive efficiency throughout the audit lifecycle.	Greater audit coverage is provided.
To utilise data analytics to enhance data matching capabilities to help identify and combat fraud and irregularity.	Fraudulent activity is identified and deterred across the organisations in accordance with zero tolerance policies.
To utilise data analytics to enhance strategic intelligence / risk assessment to inform the Internal Audit Plan and ensure the most effective use of audit resource.	Efficient, effective use of Internal Audit resource through strategic assessment and analysis.
To embed data analytics as part of the standard audit process.	A sustained approach to data analytics through the standard Internal Audit toolkit.
To support management (where relevant) auditing against risk 'hot spots' across the organisation.	Use of 'real time' auditing to enable the highlighting of errors, anomalies and control failure at the earliest opportunity.

ANNUAL ACTION PLAN

Actions to develop work in line with this strategy will be by way of an annual action plan.

DATA STRATEGY ACTION PLAN – 2024-25

“Building the foundation of data analytics in Internal Audit”

ACTION	STEPS
Review competences and skills gap	Carry out a review of current competencies within the Internal Audit team and record skills gap for each member of staff and the team as a whole.
Identify training requirements	Identify training and development to fill the skills gap.
Identify training providers	Research training providers for data analytics (with particular emphasis on Internal Audit); the type, frequency and cost of the training.
Consider resource implications	Consider budget and resource implications Consider a consultancy review of current practices in Internal Audit to suggest actions to improve use of Data Analytics.
Draw up a training plan	Draw up a training plan based on training requirements, providers and resource implications.
Map data sources	Identify data sources and obtain appropriate read-only access for Internal Audit. Discuss with other Heads of Service/Managers/BAU as appropriate

APPENDIX B: Data Analytics Strategy for Internal Audit – Action Plan

<p>Map data sources to annual audits</p>	<p>Review annual audit controls to identify opportunities to use data analytics. Understand the data outputs by seeking advice from appropriate systems administrators.</p>
<p>Map data analytics activities across the councils and build necessary relationships</p>	<p>Discuss with other officers/managers/heads of service to identify other data analytic activities (or staff with experience) that Internal Audit can use/place reliance on or can request assistance.</p>
<p>Utilise Excel for data analytics</p>	<p>Utilise data analytics for testing as identified within the annual audits. Consider the use of data analytics as part of all audits using a collaborative approach via monthly data analytic team meetings.</p>
<p>Consider reporting format to management with regard to the output from data analysis techniques</p>	<p>Investigate using Excel to produce charts and graphs that can be used to visualise outcomes from data analytics as well as other information from audit reports e.g. number of recommendations and their risk level.</p>

Report to:	Audit and Governance Committee
Date:	4th March 2024
Title:	Draft Internal Audit Plan 2024/25
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To propose an internal audit plan for 2024/25.
Officer recommendation(s):	To consider and agree the proposed plan.
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 Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1.0 Introduction

- 1.1 The internal audit function contributes to the Council's overall governance arrangements through the audits carried out in the annual internal audit plan.
- 1.2 The draft audit plan is taken to both the Corporate Management Team and the Audit and Governance Committee for consideration and approval.

2.0 Approach to setting the plan.

- 2.1 As has been the practice since 2020-21, an indicative audit plan has been produced. This practice was brought in to allow a more flexible approach to auditing. The plan appended to this report is the work that Internal Audit will carry out if no other work is requested. Over recent years, senior managers have become more willing to approach Internal Audit to request reviews in their areas, where they may have concerns.
- 2.2 It is important that Internal Audit add value to the council and ensure that any emerging areas of concern are considered. The work of the team must add value and be flexible whilst still ensuring that there is an adequate breadth of cover to the work that is carried out.
- 2.3 In order to ensure adequate coverage, the total number of areas that can be audited has been divided into the departments under which they sit. The number of areas by department have then been calculated as a percentage of

the total number of areas. The table below shows the number of areas listed in the universe for each department which has then been calculated as a percentage of the total.

Department	No of areas	% of total
Regeneration	11	7%
Tourism and Enterprise	18	12%
Service Delivery	58	39%
Corporate Services	63	42%
TOTAL	150	100%

These percentages have then been used to inform the contents of the plan and this is explained in more detail below.

3.0 The Audit Universe

3.1 The Audit Universe is the list of all areas across the councils which can be reviewed; this includes areas across both Lewes District and Councils so that a full joint audit plan can be produced. Whilst many services are now delivered jointly, there are still some which are relevant to only one council and these are identified as such where appropriate.

4.0 Production of the draft audit plan for 2024/25.

4.1 The internal audit plan for each year begins by calculating the number of audit days available. This takes the number of work days of each member of staff less non-chargeable time (e.g. annual leave, public holidays, sick leave, training, admin. etc.). From the remaining days, 36 are allocated for audits for Eastbourne Homes and 5 for South East Environmental Services Ltd – both of which are paid for by the companies. The calculation can be found at Appendix A.

4.2 It should also be noted that Internal Audit have been requested to provide a service for the Tourism Local Authority Controlled Company (LACC) at Eastbourne. The Chief Internal Auditor has been informed that this will be in place by 1st April. It has been agreed that 16 days of audit time will be purchased by the LACC and these days would need to be removed from the time available for the councils' audit plan. However, it would also affect percentage split of work as at least one area would be removed from the audit universe. It should also be considered that there are other changes underway which, when they occur, will have a greater effect on the audit plan and could mean that, overall, there are more days available to the plan. Therefore, the indicative plan is set without any of the changes taken into account. When a better idea is known of whether and when these changes will take effect, the committee will be updated on how these affect the plan.

4.3 There are 11 "managed" audits which have to be undertaken every year as these cover our main financial systems and their controls. The time taken for these days is also taken off the remaining number.

4.4 For 2024/25 the Internal Audit team will be fully staffed. This has allowed for more audit days being available for the plan. As an additional benefit the Chief Internal Auditor will be able to hand back the carrying out of Eastbourne Homes Ltd audits to the Internal Audit team. The time freed up by this will allow for other work to be carried out.

4.5 The total number of days available for audits having been arrived at (see Appendix A) these have then been split by the percentages shown at 2.3. This is as follows:

Total days available		318 audit days
Regeneration	7%	22 audit days
Tourism and Enterprise	12%	38 audit days
Service Delivery	39%	124 audit days
Corporate Services	42%	134 audit days

4.6 To begin considering what should be included in the audit plan, a list of suggestions made during the previous year is considered. Then the Audit Universe is considered to identify areas that had not been audited for some time.

4.7 When deciding on which audit reviews to add to the list, consideration is given to current issues facing the council. For the coming year, particular attention was given to areas that fitted into the themes of income generation, expenditure and sustainability.

4.8 Finally, the list of suggested reviews is compared to the Strategic Risk Register to ensure that areas of risk had been considered in the plan.

4.9 As mentioned at 4.4, time has been freed up for the Chief Internal Auditor. In putting together the indicative audit plan, areas were identified that required some review but were not traditional reviews looking at controls alone. These have been listed at the bottom of the plan as these will be carried out by the Chief Internal Auditor, and possibly the Audit Manager, but will not take time out of the audit plan to be carried out by the Internal Auditors. As part of this, with the changes around the Tourism department, it was considered that the skew of work here was toward Eastbourne. Therefore, one of the pieces of work to be carried out outside of the audit plan will be to review the Tourism department's offer in Lewes.

4.10 The draft indicative plan can be found at Appendix B.

4.11 This draft indicative plan has been taken to Corporate Management Team for consideration.

4.12 The plan is in place to provide a list of audits that will be carried out if no other work is requested from the team. However, by using the percentage approach, when other work is requested, it will be carried out within the time allocated for that department and will mean that one of the audits already in the plan will have to be dropped. The aim is to ensure that the breadth of audit work across all areas is maintained whilst still being able to be flexible to requests. Should work be requested that would take the department beyond the percentage allocated

then a conversation would be held to decide on the importance of the piece of work being requested.

- 4.13 The work of the team will be reported quarterly to the Audit and Governance Committee.

5.0 Financial Appraisal

- 5.1 There are no financial implications.

6.0 Legal Implications

- 6.1 This report takes account of regulation 5 of the Audit and Accounts Regulations 2015 which requires the 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.”

7.0 Risk Management Implications

- 7.1 If the council does not have an effective governance 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.

8.0 Equality Analysis

- 8.1 An equalities impact assessment is not considered necessary.

9.0 Appendices

- 9.1 Appendix A - Calculation of audit resources for the draft plan
Appendix B - Draft Audit Plan for 2024/2025

10. Background Papers

- 10.1 Audit universe

	Audit Manager	Auditor	Auditor	Auditor	Auditor
Total days	254	254	254	254	254
Non charge	211	144	92	92	92
Actual days	<u>43</u>	<u>110</u>	<u>162</u>	<u>162</u>	<u>162</u>
Gross total	639				
Less EHL	36				
Less SEESL	5				
Total audit days available	<u>598</u>				
Annual audits			205		
Follow ups of audits from previous years			75		
Total			<u>280</u>		
Available for operational audits			318		

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	No of areas		% of universe		Actual days	Rounded days
Regeneration	11		7		22.26	22
Tourism and Enterprise	18		12		38.16	38
Service Delivery	58		39		124.00	124
Corporate Services	63		42		133.58	134
Total days					318	318

INTERNAL AUDIT DRAFT PLAN 2023/24

Regeneration and Planning	Newhaven Business Centre (Lewes)	8	23
	Leasing and Licensing	15	
Tourism and Enterprise	Destination Management	15	38
	Seafront Services (Eastbourne)	15	
	Council Art and Artefacts	8	
Service Delivery	Penalty Charge Notices	15	120
	Council Vehicles	10	
	Rechargeable Repairs	15	
	Rent and Deposit Loans	10	
	Leasehold Management - extensions, variations	15	
	Licences	15	
	Allotments	10	
	Allocations	15	
	Coastal Protection	15	
Corporate Services	Succession Planning	10	138
	Operational Risk Registers	15	
	ICT Asset Management	8	
	Car Loans and Leasing	10	
	Corporate Credit Cards	15	
	Devolved Budgets	10	
	Insurances	15	
	Petty Cash	15	
	Land Charges	15	
	Telephones	15	
	Security of Data Movement	10	
			319

Projects for Chief Internal Auditor/Audit Manager

Authorised Signatory List

Commonality of councils that failed/lessons to be learned

Policy on strategies, policies, procedures

Governance of companies

Tourism and Events at Lewes District Council

Complete update of the Audit Universe

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Report to:	Audit and Governance Committee
Date:	4th March 2024
Title:	Internal Audit and Counter Fraud Report for the three quarters of the financial year 2023-2024 – 1st April 2023 to 31st December 2023
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 three quarters of the financial year 2023-2024 – 1st April 2023 to 31st December 2023.
Officer recommendation(s):	1) That the information in this report be noted and Members identify any further information requirements. 2) The Committee is requested to consider and approve the Audit Charter.
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 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 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.
- 1.2 The quarterly report includes a review of work undertaken by Internal Audit and Counter Fraud.
- 1.3 This report summarises the work carried out by Internal Audit and Counter Fraud during the first three quarters of the financial year 2023-24.

2 Review of the work of Internal Audit carried out in the third quarter of the financial year 2023-24.

- 2.1 During this quarter, four follow ups reports have been issued in final and a further six have been issued in draft. Seven audit reviews have been issued in final with a further three issued in draft.
- 2.2 As explained at the last committee meeting, rather than carrying out full review of all the annual audits every year, half will have a full review and the other half a lighter touch review. The following year, the ones that received a light touch review will be given a full review. A light touch review consists of reviewing the

key controls in the area and also a follow up of the recommendations made the previous year – a report will be issued for each part of the light touch review.

- 2.3 Historically the assurance level given to reviews of annual audits (mainly financial systems) have been reported, but not the recommendations made. With the change in how annual audits are carried out, including follow ups, this now allows for greater transparency with outstanding recommendations being reported.
- 2.4 It is now intended to make a list of recommendations from annual audits that can be regularly reviewed. For example, discussing the list of recommendations related to Finance at monthly department management team meetings.
- 2.5 Appendix A lists all the audit reports issued during the year. The first table shows all the follow up reports that have been issued and the second table is the list of all other audit reports issued.
- 2.6 Appendix B is the list of all the audits that are still subject to follow up reviews. It shows the results of all the follow ups carried out and when the next follow up is due. When all recommendations have been addressed this will be reported once and then that audit will be removed from the list. Currently, annual audits have not been added to this list as how follow ups will be carried has not yet been decided.
- 2.7 Appendix C is a list of all outstanding recommendations and includes the latest responses from managers. A second table has been added to show outstanding recommendations related to annual audits. The exact layout of this table has yet to be finalised which is why it currently appears to be partially completed.
- 2.8 Of the reviews in Appendix B and C, the following is noted:

Business Continuity Plans – Only Tourism plans are outstanding. The Senior Events and Seafront Manager has been contacted with regard to plans in his area and these have not yet been completed though he has contacted the Regulatory Services Lead for assistance.

Following comments made at the November Audit and Governance Committee meeting, the Director of Tourism, Culture and Organisational Development was contacted for comment regarding other areas of Tourism. No response was received.

Arrears Collection – as previously explained, arrears collection services are being centralised under Customer First. The outstanding recommendation is regarding writing an overarching strategy/policy and was addressed to the Deputy Chief Finance Officer. With this current change, the Lead for Income Maximisation and Welfare was contacted about this recommendation. He has explained that this has already been included in the Income Maximisation and Welfare priorities for 2024/25. He added that the aim is to start work on a Corporate Fair Debt Policy in 2024/25 with a view to it coming into effect in 2025/26, possibly sooner.

- 2.9 As has been previously explained, the team was carrying a vacancy which impacted on the work produced. Last quarter it was reported that the post had been filled, with training ongoing. It is believed that the output of the team in the quarter being reported shows that the team are now performing efficiently and more attention can now be given to other areas of performance such as using data analytics and improving reporting.

- 3 Review of the work of Counter Fraud carried out in the third quarter of the financial year 2023-24**
- 3.1 The team continues to target the high risk and value areas impacting the council, in particular Tenancy and Revenue fraud. The team have also undertaken post assurance work on Energy Grants and begun assisting with multiple agencies in tackling Modern Slavery offences within the community.
- 3.2 Housing Tenancy – the team continue to work closely with colleagues in Homes First and Legal Services - there are currently 39 ongoing sublet/abandonment tenancy cases at various stages. One property was returned to the council during this period generating a saving of £93,000. Two other cases were subject to successful possession hearings at court and the council is now waiting on bailiff enforcement before these properties are returned to the housing stock. Three other cases were closed during this quarter with no further action.
- 3.3 Right To Buy - The third quarter has shown a marked decrease in new applications from previous quarters. Six cases are currently being checked to prevent and detect fraud and protect the authority against money laundering. There are also 33 previous applications waiting for a home visit to verify residential status. Four cases were closed during this period, following the applications being withdrawn, resulting in a combined net preventative saving of £364,775 (including property survey costs).
- 3.4 Housing Applications – the team continue to work with the Housing Allocations team following their review of the Housing Register in 2023/24 which removed 592 applications either due to withdrawal or no response. A new review will commence within the year with any highlighted fraud cases passed to the Counter-Fraud team to investigate.
- 3.5 Housing Options/Homeless Placement – the team are working directly with colleagues in Homes First to implement additional counter-fraud measures to ensure that the limited housing stock that is available will only be allocated to those in genuine need. This included providing refresher training to staff around credit checks and land registry systems to verify and reduce error and fraud.
- 3.6 Energy Rebate Schemes - the Counter Fraud team are currently waiting on Government instructions to commence post assurance reviews of a selection of applications made following the closure of the latest Energy Rebate scheme.
- 3.7 Home Upgrade Grant – after Government’s announcement to award a combined grant funding of £6,230,700 for home energy improvements to eligible homes within Lewes District, Eastbourne Borough, Hastings Borough, and Rother District Councils, the Counter-Fraud team have been working with the scheme leads to reduce the risk of fraud by implementing enhanced verification checks and officer training in fraud prevention.
- 3.8 Council Tax – following the implementation work on the new Revenues and Benefit system during this quarter, no reviews or amendments to accounts were possible while the system migration work was ongoing. As a result, a proportion of accounts/claims where the Counter-Fraud team have highlighted that amendments are required are waiting to be assessed. A review of Council Tax exemptions/discounts is ongoing and includes work with the National Fraud Initiative (NFI), matching data held between Council Tax Records and Electoral Register. 306 cases have been reviewed in this period with a net recoverable income of £22,420.08 generated from the removal of discounts along with a

preventative saving of £33,537.40 (these figures are included within National Fraud Initiative savings in the table at Appendix D).

- 3.9 Council Tax Reduction – two cases were investigated during the quarter with one case resulting in a recoverable overpayment of £6,022.29 and a preventative saving of £704.32.
- 3.10 Housing Benefit – the team continue to work closely with the Department for Work and Pensions (DWP) and our colleagues in the benefit section. Due to resource restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. Over this period, 14 cases were closed with no further action.
- 3.11 National Fraud Initiative (NFI) – the 2023/24 is already underway with the team concentrating on discrepancies on the Council Tax side as detailed above.
- 3.12 Data Protection Requests – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During the quarter the team dealt with 11 data protection requests from the Police and other authorities. 44 gas and electric safety checks for council properties were completed where a safeguarding concern or possible abandonment risk was identified.
- 3.13 Modern Slavery – the team have joined working operations with multiple Government Agencies and Sussex Police in tackling potential Modern Slavery offences across the district.
- 3.14 Fraud awareness – the team have delivered fraud awareness training throughout the organisation with bespoke sessions delivered to teams within Housing, Customer Service, Council Tax and Finance. An awareness session for the Customer Service Fraud Champions, Housing Needs officers and Home Upgrade Grant team were delivered during this quarter.
- 3.15 A table showing the savings made by the Counter Fraud team in the three quarters of 2023-2024 can be found at Appendix D.

4. Review of Internal Audit Charter

- 4.1 An internal audit charter is a formal document that defines internal audit's purpose, authority, responsibility, and position within an organisation. It describes the nature of services the function will provide but also establishes the internal audit activity's position within the organisation, including the Chief Internal Auditor's reporting lines and the rights of access to records, personnel and property.
- 4.2 The Chief Internal Auditor is responsible for reviewing the charter and keeping it up to date with any changes being discussed with the Corporate Management team and brought to the Audit and Governance Committee for approval.
- 4.3 The charter was due for review, and work had already commenced on this piece of work, when the external peer review was carried out in September 2023. The report issued at the end of the review noted that the charter did not cover all areas as per the Public Sector Internal Audit Standards. It recommended that the charter be amended accordingly. However, the report did not note which of the standards it was felt had not been covered but did mention that "the charter does not state that the standards are mandatory and that Internal Audit must comply with them".

4.4 The Internal Audit Charter has therefore been completely rewritten to ensure that all the elements of the Public Sector Internal Audit Standards are covered.

4.5 The Committee is requested to consider and approve the Audit Charter.

5 Financial appraisal

5.1 There are no financial implications relating to expenditure arising from this report. Details of savings generated by the Counter Fraud team are included in Appendix D.

6 Legal implications

6.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

7 Risk management implications

7.1 If the Council does not have an effective governance 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.

8 Equality analysis

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

9 Environmental sustainability implications

9.1 Not applicable

10 Appendices

10.1 Appendix A - List of reports issued during the year

Appendix B - Position of audits requiring follow up

Appendix C - Recommendations outstanding after follow-ups

Appendix D - Counter Fraud savings.

Appendix E - Internal Audit Charter

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LIST OF ALL REPORTS ISSUED DURING THE YEAR 2023-24**Follow Up Reports Issued In Current Year**

AUDIT	FOLLOW UP	DATE FOLLOW UP ISSUED	ASSURANCE LEVEL	
Business Continuity Planning	Sixth	10.05.23	Substantial	See Appendix B and C for details
Members Allowances	Fourth	19.05.23	Substantial	See fifth follow up
Contract Management	First	05.06.23	Substantial	All recommendations addressed
Film Liaison Unit	Second	29.06.23	Substantial	See third follow up
Rent Sense	Third	30.06.23	Substantial	See fourth follow up
Love Clean Streets	Fourth	18.08.23	Substantial	All recommendations addressed
Construction Industry Scheme	Second	23.08.23	Substantial	See Appendix B and C for details
Film Liaison Unit	Third	01.11.23	Full	All recommendations addressed
Rent Sense	Fourth	13.11.23	Substantial	All recommendations addressed
Complaints	First	06.12.23	Partial	See Appendix B and C for details
Members Allowances	Fifth	06.12.23	Full	All recommendations addressed

Audit Reports Issued In Current Year

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-DUE
Casual Workers	03.05.23	Partial	Ongoing
Housing Rents – annual 2022-23	18.07.23	Substantial	With next review
Complaints	16.08.23	Partial	Completed
Housing Benefits – annual 2022-23	04.10.23	Substantial	With next review
Cyber Security	05.10.23	Full	No recommendations
Cloud Computing	06.10.23	Full	No recommendations
Managerial Responsibilities Training	23.10.23	Partial	February 24
Council Tax – annual 2022-23	06.12.23	Substantial	No recommendations
NNDR – annual 2022-23	06.12.23	Substantial	With next review
Payroll – annual 2022-23	15.12.23	Substantial	With next review

Draft Reports Issued In the Current Year That Are Awaiting Responses

AUDIT	DATE DRAFT ISSUED
Cash and Bank – follow up of 21/22 recommendations	14.12.23
Construction Industry Scheme – third follow up	14.12.23
Debtors – follow up of 21/22 recommendations	14.12.23
Main Accounting – follow up of 21/22 recommendations	19.12.23
Main Accounting – annual 22/23 – light touch	19.12.23

Appendix A – Quarterly Report On Internal Audit and Counter Fraud Work

Treasury Management – follow up of 21/22 recommendations	19.12.23
Casual Workers – first follow up	19.12.23
Debtors – annual 22/23	19.12.23
Risk Management	20.12.23

Key to assurance levels

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.

APPENDIX B – Quarterly Report on Internal Audit and Counter Fraud Work

POSITION OF AUDITS REQUIRING FOLLOW UP

AUDIT	FINAL DATE		FIRST FOLLOW-UP DATE		SECOND FOLLOW-UP DATE		THIRD FOLLOW-UP DATE		FOURTH FOLLOW UP DATE		FIFTH FOLLOW UP DATE		SIXTH FOLLOW UP DUE
	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW UP DATE	FIRST FOLLOW UP ASSURANCE LEVEL	SECOND FOLLOW UP DATE	SECOND FOLLOW UP ASSURANCE LEVEL	THIRD FOLLOW- UP DATE	THIRD FOLLOW- UP ASSURANCE LEVEL	FOURTH FOLLOW UP DATE	FOURTH FOLLOW UP ASSURANCE LEVEL	FIFTH FOLLOW UP DATE	FIFTH FOLLOW UP ASSURANCE LEVEL	
Business Continuity Plans	Nov 20	Minimal	May 21	Partial	Aug 21	Partial	Dec 21	Partial	May 22	Substantial	Dec 22	Partial	May 23 / July 23 / Jan 24 Substantial
Arrears Collection	Jan 21	Partial	Sep 21	Partial	Jan 22	Partial	May 22	Substantial	Nov 22	Substantial	Jan 24	Substantial	Jun 24
Members Allowances	Jan 21	Substantial	Jul 21	Substantial	Dec 21	Substantial	Oct 22	Substantial	May 23	Substantial	Dec 23	Full	
Film Liaison Unit	Jan 22	Minimal	Sep 22	Minimal	Jun 23	Substantial	Nov 23	Full					
Construction Industry Scheme	Feb 22	Partial	Feb 23	Partial	Aug 23	Substantial	Dec 23	In draft					
Rent Sense	Sep 22	Partial	Nov 22	Substantial	Feb 23	Substantial	Jun 23	Substantial	Nov 23	Substantial			
Casual Workers	Apl 23	Partial	Dec 23	In draft									
Complaints	Aug 23	Partial	Dec 23	Partial	Apl 24								
Managerial Responsibilities Training	Oct 23	Partial	Feb 24										

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ANNUAL AUDITS

AUDIT	TYPE	ASSURANCE LEVEL	OUTSTANDING RECOMMENDATIONS		
			HIGH	MEDIUM	LOW
Housing Rents (22/23)	Full	Substantial	1	3	0
Benefits (22/23)	Full	Substantial	0	1	0
Payroll (22/23)	Full	Substantial	2	4	1

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RECOMMENDATIONS FROM AUDIT REPORTS WHICH REMAIN OUTSTANDING AFTER FOLLOW UP

COLOUR KEY

High Risk
Medium Risk
Low Risk

REPORTS ISSUED 20/21

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Business Continuity Planning November 2020	Minimal	4	0	0	Dec 23	Sixth +	Substantial	1	0	0	Feb 24	Business Continuity Plans for every department must be completed and adopted as soon as possible. (6 months)	<p><u>AUDIT COMMENT</u></p> <p>Only Tourism BCPs are outstanding.</p> <p>The Senior Events and Seafront Manager has been contacted with regard to BCPs in his area and these have not yet been completed.</p> <p>Following comments made at the November Audit and Governance Committee meeting, the Director of Tourism, Culture and Organisational Development was contacted for comment regarding other areas of Tourism. No response was received.</p>

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
<p>Arrears Collection</p> <p>January 2021</p>	Partial	2	2	3	07.11.22	Fourth	Substantial	0	0	1	Jan 24	<p>An overarching corporate arrears collection strategy must be drawn up and adopted, under which the separate policies for the individual debt streams sit, to ensure council departments responsible for collecting monies are acting in accordance with approved guidelines.</p> <p>(3 months)</p>	<p><u>AUDIT COMMENT</u></p> <p>Centralised debt collection is due to begin in February 2024. The Lead for Income Maximisation and Welfare has confirmed that writing a Corporate Fair Debt Policy is on the priorities list for 2024/25</p>

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

REPORTS ISSUED 22/23

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Construction Industry Scheme February 2022	Partial	0	6	0	28.09.23	Second	Substantial	0	2	0	In draft	Procedures for CIS payments must be written up and regularly updated as directives from HMRC change. (6 months)	The Systems and Transactional Manager confirmed that procedure notes for CIS have not been written. Resourcing issues are currently impacting on the team's ability to undertake this work and therefore an estimated date for completion was not possible. It was suggested that it may require outside help in order to get these prepared.
												All relevant staff must be reminded / shown how to activate the CIS pop-up when setting up new suppliers on CAFI (6 months)	10 samples were taken, of which 3 did not activate the pop-up window. The Systems and Transactional Manager confirmed that the lack of procedures is probably impacting on the consistency of this process. A project to address missing pop-ups for CIS registered creditors already on the system, is underway. A reminder has been sent to the team.

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023	Partial	9	7	0	06.12.23	First	Partial	9	7	0	Mar 24	An aligned complaint management policy for defining and handling customer complaints must be drafted, implemented, and regularly reviewed. It must meet all complaint management requirements to avoid the need for separate supplementary polices. (6 months)	Head of Business Planning and Performance The draft Complaint Management policy is now written, and we are due to take this for formal sign off by members at February [2024] Cabinet.
												An aligned complaint management procedure for handling customer complaints and the associated record-keeping requirements must be drafted, implemented, and regularly reviewed. It must meet all complaint management requirements to avoid the need for separate supplementary procedures. (6 months)	Head of Customer First Once the policy has been agreed this will be developed. Target completion date March 2024.
												All council-wide complaint management documents and user guides must be reviewed, updated, and implemented to address inconsistencies and omissions. All documents must have quality assurance cover sheets. (6 months)	Head of Customer First Once policy has been agreed this will be developed. Target completion date March 2024.

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 (continued)	Partial	9	7	0	06.12.23	First	Partial	9	7	0	Mar 24	The support available to those who may otherwise struggle to make a written complaint must be widely and consistently communicated. (3 months)	Head of Customer First The Contact Centre have been reminded as to how they can take complaints verbally. No customer comms has been issued but we can include this when we launch the updated policy. Website is being updated as part of new website project. Target completion date for this action March 2024.
												Consideration must be given to procuring a dedicated complaint management system that meets all complaint management, recording and reporting needs. (6 months)	Head of Customer First Being considered by accelerating change steering group. No current update but will be discussed in January 2024.
												Complaints management system templates must support good documentation and record keeping practices. (3 months)	Head of Customer First Work not yet started will be started once policy is agreed. Target date for work to start March 2024

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 (continued)	Partial	9	7	0	06.12.23	First	Partial	9	7	0	Mar 24	Complaints must be handled in line with the documented complaints procedures and the complaint management system must be used as it is intended to be used. Mandatory training programmes must be devised and implemented for both managers responsible for implementing and overseeing the complaints management process, and staff assigned to investigate, respond to, and record complaints. All staff handling complaints, including all frontline staff, must complete the online Customer Complaints Procedure training course on the councils' online learning portal, Online Learning in Lewes and Eastbourne (OLLE). (6 months)	Head of Customer First The OLLE training has been reviewed and is being amended. CMT have been asked to consider making the training mandatory. This has been included in the policy that will go to Cabinet in Feb 24.
												All records supporting a complaint request / complaint must be appropriately stored and retained together. An explanatory file note must be left on the original complaint file for aborted and cancelled complaints. (6 months)	Head of Customer First Will be part of the training package.

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 (continued)	Partial	9	7	0	06.12.23	First	Partial	9	7	0	Mar 24	A process must be implemented to ensure complaints are resolved and closed in a timely manner. (3 months)	Head of Customer First Work not yet started. Target for starting in Jan 24.
												The complaint alert notification email distribution list must be kept up to date. Change requests to the distribution list must be submitted and processed in a timely manner. The process for updating the distribution list must be reviewed, updated, and implemented. (1 month)	Head of Customer First and Customer First Resolution Team Specialist Advisor (Complaints and Improvement) Specialist Advisor is working with service areas and ICT to update the lists. Going forward service areas will be required to keep us updated on changes.
												Information on the complaints management process detailed on The Hub and external website, must be reviewed and updated, and aligned with guidance. (1 month)	Audit comment Complaints process contact details on The Hub have been updated. Information on external website not yet updated.
												Staff must receive alerts when complaints they have been assigned are approaching their target resolution dates and when they have reached their target resolution dates. (6 months)	Head of Customer First Work not yet started will be started once policy is agreed. Target date for work to start March 2024.

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 (continued)	Partial	9	7	0	06.12.23	First	Partial	9	7	0	Mar 24	Customers must be signposted to where they can provide feedback on the way in which their complaint was handled. That feedback must be logged and reviewed, and lessons learnt disseminated and implemented across the councils. (6 months)	Head of Customer First Work not yet started will be started once policy is agreed. Target date for work to start March 2024.
												Root cause analysis of complaints, and systems and processes to disseminate and implement lessons learnt from root cause analysis, must be extended across the councils. (3 months)	Head of Customer First This is happening within Customer First as a proof of concept and will be rolled out wider as part of the training and comms plan. Seeking support from other service areas. Target for completion by March 2024.
												Reports must be designed to meet all complaint reporting needs. (6 months)	Head of Customer First Work not yet started will be started once policy is agreed. Target date for work to start March 2024.
												All service areas must be responsible for monitoring and recording their own complaints data in a standardised format for timely submission to Customer First to meet PI reporting requirements. (6 months)	Head of Customer First The complaints data is taken from D360 so directly linked to 2.4 and 2.7.

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

ANNUAL AUDITS

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Update
Housing Rents (22/23) July 2023	Substantial											<p>Outstanding from 2021/22</p> <p>There must be a review of the users and their permissions for the Housing CX system. To ensure that the users and their permissions are up to date and accurate.</p> <p>This requires IT, HR to work together to find a solution, with input from Finance and Customer First.</p> <p>(3 months)</p>	<p>Head of IT Agreed</p> <p>Head of HR Agreed</p> <p>Deputy Chief Finance Officer Agreed</p> <p>Head of Customer First Agreed</p>
Payroll (22/23) December 2023	Substantial											<p>2026/17 Outstanding Recommendation</p> <p>An authorised signatories list detailing officers' authorisation rights in respect of Payroll payments or changes to Payroll records, must be drawn up and maintained up to date and in accordance with the various Financial Procedure Rules.</p> <p>(6 months)</p>	<p>Audit Comment</p> <p>No further follow up of this recommendation will be undertaken however a full audit review of authorised signatories across the councils will be undertaken as part of the Audit Plan for 2024/25</p>

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Update
<p>Payroll (22/23) December 2023 (continued)</p>	Substantial											<p>2020/21 Outstanding Recommendation</p> <p>All discretionary pay awards must detail an explanation for why the award is being made.</p> <p>(6 months)</p>	<p>2020/21 and 2021/22 Client Comment</p> <p>HR Business Partners will ensure that payroll are provided with a summary of the additional duties that are being undertaken, how the payment for these has been calculated and the period to which the payment relates, to the best of the information provided to us at the time.</p> <p>HR will also check any calculations provided by managers.</p> <p>2022/23 Head of HR</p> <p>HR will remind managers of the requirement for this.</p>

Appendix D – Quarterly report on Audit and Counter Fraud work

INCOME AND SAVINGS ACROSS THE FINANCIAL YEAR 2023-24

Areas of savings	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	£186,000.00	0	£93,000.00	0	£93,000.000	0	0	0	£372,000.00
Right To Buy value saved through intervention	0	£288,975.00	0	£621,150.00	0	£364,775.00	0	0	0	£1,274,900.00
Housing intervention/fraud	0	0	0	£12,000.00	0	0	0	0	0	£12,000.00
Revenues										
National Non Domestic Rates	0	0	0	0	0	0	0	0	0	0
Council Tax	£727.84	0	£8,365.72	0	0	0	0	0	£9,093.56	0
Value of ongoing Council Tax increase per week	0	£1,033.60	0	£1,538.88	0	0	0	0	0	£2,572.48
Council Tax Penalties	0	0	0	0	0	0	0	0	0	0
CTR & Housing Benefit										
Council Tax Reduction	0	0	£4,505.28	0	£6,022.29	0	0	0	£10,527.57	0
Council Tax Reduction weekly incorrect benefit	0	0	0	£2,165.12	0	£704.320	0	0	0	£2,869.44
Housing Benefit	0	0	£3,648.14	0	0	0	0	0	£3,648.14	0
Housing Benefit weekly incorrect benefit	0	0	0	£2,265.28	0	0	0	0	0	£2,265.28
Income from Administrative penalty collection	0	0	0	0	0	0	0	0	0	0
National Fraud Initiative										
Overpayments identified	£6,265.90	0	£15,886.89	0	£22,420.08	0	0	0	£44,572.87	0
Weekly incorrect benefit identified	0	£5,653.18	0	£25,893.10	0	£33,537.40	0	0	0	£65,083.68
TOTALS	£6,993.74	£481,661.78	£32,406.03	£758,012.38	£28,442.37	£492,016.72	£0	£0	£67,842.14	£1,731,690.88

Appendix D – Quarterly report on Audit and Counter Fraud work

Explanation of Savings Recorded	
Tenancy Housing	
Recovery of council properties	Value of £93k per returned property based on NFI estimate
Right To Buy value saved through intervention	Value based on the discount saved for each withdrawn application (varies)
Housing intervention/fraud	Value based on an estimate of emergency placement costs £12k or removal from housing waiting list £3,400
Revenues	
National Non Domestic Rates	Value based on the outstanding liable bills now due following Counter-Fraud intervention
Council Tax	Value based on the outstanding liable bills now due following Counter-Fraud intervention
Value of ongoing Council Tax increase per week	Estimate of the amount saved based on a calculation of the length of undetected fraud - 32 weeks
Council Tax Penalties	Value of £70 or £280 penalty added to Council Tax Bill where discount/exemption fraud is found
CTR & Housing Benefit	
Council Tax Reduction	Value based on the re-assessment of entitlement following Counter-Fraud intervention
Council Tax Reduction weekly incorrect benefit	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks
Housing Benefit	Value based on the re-assessment of entitlement following Counter-Fraud intervention
Housing Benefit weekly incorrect benefit	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks
Income from Administrative penalty collection	The amount collected from Administrative Penalties following Dep for Work and Pension investigation
NFI	
Overpayments identified	Value of any overpayments detected in this quarter
Weekly incorrect benefit identified	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks

STRONGER together



Lewes District Council



Working in partnership with Eastbourne Homes

Document name:	Internal Audit Charter
Document type:	Charter
Authority(ies) covered:	Aligned
Responsible (Executive Lead):	Chief Finance Officer
Accountable (Operational Lead):	Chief Internal Auditor
Version (e.g. first draft, final report):	Final
Approved by:	
Date of publication:	
Revision due:	
Final Equality and Fairness Analysis (EaFA) report approved by:	Not applicable
Date final EaFA report approved:	Not applicable

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1. Introduction

1.1 The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

2. Definition of Internal Audit

2.1 The definition of Internal Audit specified by the Chartered Institute of Internal Auditors (IIA) and adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) reads as follows:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

3. Requirement for Internal Audit

3.1 There is a statutory requirement for Lewes District and Eastbourne Borough Councils to provide an Internal Audit Service. This is stated in Regulation 5 (1) of the Accounts and Audit Regulations 2015 which requires that “a relevant authority must undertake an effective Internal Audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

4. Public Sector Internal Audit Standards

4.1 The Relevant Internal Audit Standard Setters (including HM Treasury and the Chartered Institute of Public Finance and Accountancy) have adopted a common set of Public Sector Internal Audit Standards (the standards) from 1 April 2017. The standards cover the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). It also includes additional requirements and interpretations for the UK public sector.

4.2 It is a mandatory requirement that Internal Audit fully complies with the standards.

5. The Mission of Internal Audit

5.1 The standards include the following wording for the mission of Internal Audit:

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

6. Core Principles for the Professional Practice of Internal Auditing

6.1 The Standards state that all the following Core Principles should be present and operating effectively for an Internal Audit function to be considered effective:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement.

7. Code of Ethics

- 7.1 The standards also require that internal auditors must conform to the code of ethics set out in the standards. These have been put into another document (Code of Ethics for Internal Auditors) that internal auditors within the team for Lewes District and Eastbourne Borough Councils must read and abide by, alongside the councils' code of conduct for all employees.
- 7.2 The councils' Code of Ethics for Internal Auditors covers: the IIA's Code of Ethics, rules of conduct, due professional care, working relationships and the Seven Principles of Public Life.

8. Definition of Chief Audit Executive (CAE), Board and Senior Management

- 8.1 The standards refer to these terms throughout and it is expected that the Audit Charter will define these for the councils.
- 8.2 Chief Audit Executive: this is the position held by the Chief Internal Auditor.
- 8.3 Board: this is filled by the Audit and Governance Committees of both councils.
- 8.4 Senior Management: this is covered by the councils' Corporate Management Team.

9 Role and Mandate

- 9.1 Internal Audit is an independent and objective, assurance and consulting activity forming part of the system of governance and internal control.
- 9.2 The primary role of Internal Audit is to help the Corporate Management Team (CMT) and the committees to protect the assets, reputation and sustainability of the councils. Internal Audit will achieve this through assessing whether all significant risks are identified and appropriately reported to CMT and the committees, assessing whether they are adequately controlled and by assisting senior management to improve the effectiveness of governance, risk management and internal controls.

- 9.3 It assists the councils in accomplishing their objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of their risk management, control and governance processes.

10 Scope and Objectives of Internal Audit

10.1 The main objectives of the Internal Audit Service are to:

- independently review and appraise the effectiveness of the councils' risk management, control and governance processes
- recommend improvements in controls etc to aid the achievement of corporate objectives
- contribute to, and support, the objectives of the Section 151 Officer by promoting the need for sound financial systems and systems of controls
- support the Monitoring Officer in the discharge of their responsibilities for maintaining high standards of governance, conduct and ethical behaviour
- advise on risk, control and governance issues in respect of new activities, major system changes and other areas of concern, and to facilitate good practice in managing risks
- work in partnership with the External Auditors
- investigate allegations of internal fraud or irregularity, identify fraud as a consequence of its work, and act as a visible deterrent to potential wrongdoers
- carry out sufficient breadth of work on which the Chief Internal Auditor can base their opinion of the effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011.

10.2 The Internal Audit remit extends to the entire control environment of the councils.

11. Rights of Access

11.1 The rights of access for the Internal Audit Service are provided for by the Accounts and Audit Regulations 2015. Regulation 5 (2) states that:

- (1) *A relevant authority must 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.*
- (2) *Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—*
 - (a) *make available such documents and records; and*
 - (b) *supply such information and explanations;*
as are considered necessary by those conducting the internal audit.
- (3) *In this regulation “documents and records” includes information recorded in an electronic form*

11.2 The Public Sector Internal Audit Standards make clear that restrictions of access to records, personnel and properties would constitute an impairment to independence and objectivity. Any such perceived impairment will be reported to the Audit and Governance committees.

12 Position Within the Organisation

12.1 The Chief Internal Auditor reports functionally to the Director of Finance and Performance (Chief Finance Officer and Section 151 Officer).

12.2 The Chief Internal Auditor also has right of access directly to the Chief Executive, the Chairs of the Audit Committees, the Head of Legal Services and the Monitoring Officer should this be deemed necessary.

12.3 Meetings are held with the Chairs and Deputy Chairs of the Audit Committees ahead of the quarterly meetings.

12.4 The Chief Internal Auditor will communicate with, and report quarterly to, the audit committees.

13. Independence and Objectivity

13.1 The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessarily independent and objective service.

13.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. They will therefore not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgement.

13.3 Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must not allow themselves to be unduly influenced, by their own interests or by others, in forming judgements.

13.4 The Chief Internal Auditor will confirm to the audit committees, at least annually, the organisational independence of the internal audit activity.

14. Avoidance of Conflicts of Interest

14.1 The Code of Ethics set out in the Public Sector Internal Audit Standards lay down that internal auditors: *"shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment."*

14.2 Internal Auditors are not permitted to assess specific operations for which they were previously responsible, for a period of at least 12 months.

14.3 In exceptional circumstances (e.g. during the Covid 19 pandemic) Internal Auditors may be required to undertake non audit duties. Where this occurs, the work carried out will be subject to Audit reviews as usual but the Auditor carrying out, or who had carried out, the work, will not carry out the Audit review.

14.4 Where the Chief Internal Auditor or Audit Manager are expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards

must be put in place. Currently, the Chief Internal Auditor manages the Counter Fraud team and administers the Strategic Risk Register. To safeguard independence, any audit review of Counter Fraud and Risk Management is not overseen or reviewed by the Chief Internal Auditor, but passed directly to the Director of Finance and Performance/s. 151 officer.

14.5 If any Internal Auditor considers that there is, or is perceived to be, a conflict of interest, this must be reported to the Audit Manager. This will be recorded and, if considered appropriate, an alternative auditor will be allocated to the work being undertaken.

14.6 If the Audit Manager considers that there is, or is perceived to be, a conflict of interest, then they must inform the Chief Internal Auditor so appropriate action can be taken.

14.7 If the Chief Internal Auditor considers that there is, or is perceived to be, a conflict of interest, this must be reported directly to the Director of Finance and Performance Management (Chief Finance Officer and s.151 Officer).

14.8 The Chief Internal Auditor will report any instances of perceived impairment in the quarterly reports which are seen by both the Corporate Management Team and the Audit and Governance Committees. The committees should approve and periodically review any safeguards put in place to limit impairments to independence and objectivity.

15. Chief Internal Auditor – Other Responsibilities

15.1 The Chief Internal Auditor has other responsibilities beyond managing the Internal Audit function. These are:

- Counter-Fraud – the Chief Internal Auditor is also responsible for managing the Counter-Fraud team. There are clear cross-overs of work between the two teams as Internal Audit look to see if controls are in place and working and Counter-Fraud may identify fraud or error that shows that controls are not in place or working.
- Strategic Risk Register – the Chief Internal Auditor administers the Strategic Risk Register and takes it to the Corporate Management Team quarterly for review/update.
- Companies – the Internal Audit team provide a service for some council companies. The Chief Internal Auditor attends relevant meetings of these companies. This is dealt with further at paragraph 21.

16. Areas of Work

16.1 The main areas of work for Internal Audit are covered by the following:

- Assurance work
- Consultancy/Real-time assurance
- Special investigations (Fraud)

Assurance Work

16.2 The main purpose of Internal Audit is to independently review and appraise the councils' key risk management, control and governance processes and to provide assurance on their effectiveness.

16.3 Internal Audit uses a risk-based approach to evaluate a broad range of activities including an annual review of the key financial systems. These reviews seek to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- the reliability and integrity of financial and operational information
- the effectiveness and efficiency of systems and processes
- safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- compliance with laws, regulations, policies, procedures and contracts
- the economic and efficient use of resources (value for money)
- effective monitoring systems and optimum use of performance management information.

16.4 Reasonable assurance is a caveat to the work of Internal Audit. It is rarely possible to test 100% of an area under review. Therefore the assurance that Internal Audit can give must be caveated by the fact that it is given only on the work that has been tested. For this reason, the following paragraph is added to all audit reports:

In giving this assessment, it should be noted that assurance cannot be absolute. The most that an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. The performance of internal audit work is not, and should not be taken as, a substitute for management's responsibilities for the application of sound management practices. It should be emphasised that the responsibility for a sound system of internal controls, and the prevention and detection of fraud and other irregularities, rests with management. The work of Internal Audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

Consultancy/Real-Time Assurance

16.5 Internal Audit give advice on risk, control and governance issues in areas of concern, new activities or system changes. This work can take many forms, from just giving a piece of advice in response to a specific question to undertaking a review. However, when undertaking a review, consideration must be given to whether this piece of work actually now constitutes an audit review.

16.6 Where an Internal Auditor is asked to sit on a project group put in place for implementing a new process or system, this will be dealt with as "real-time assurance". If the Auditor feels that they need to comment or make recommendations, they can do so at the meeting. However, a form should also be completed and passed to the project leaders. This records the

reasons why the comment/recommendation was made and the details of the comment/recommendation. A copy of the form is also kept on the Audit files and these will be referred to at the end of the project.

Special Investigations

16.7 Internal Audit will sometimes be asked to undertake work that is outside of the audit plan and is not consultancy work. This can be a piece of work to investigate issues in an area, or to carry out an investigation that will be used in a disciplinary investigation, or to investigate what may be possible fraudulent activity, which may also lead to a disciplinary investigation. These will be carried out in consultation with the Chief Internal Auditor, or Audit Manager in the absence of the Chief Internal Auditor.

16.8 The Anti-Fraud and Corruption Strategy covers the role of Internal Audit and Counter-Fraud within the councils. The strategy states that Internal Audit must be informed of all suspected incidences of fraud.

17. Internal Audit Plan

17.1 Annually, the Chief Internal Auditor and Audit Manager will calculate the level of resource in the Internal Audit team which will be available for carrying out audit reviews.

17.2 Annually, a draft indicative audit plan will be produced for the year. This plan will be produced by considering areas of high risk, other areas of concern and aligning to the councils' objectives.

17.3 The plan is called "indicative" as this is the work that will be carried out if no other work is requested of the Internal Audit team. This approach means that the team can be flexible in addressing the dynamic environment.

17.4 The draft indicative audit plan is taken to both the Corporate Management Team and the Audit and Governance Committees for consultation/agreement.

18. Audit Work

18.1 All work carried out on audit reviews is supervised and a quality assessment is carried out of each to ensure that the work meets the Public Sector Internal Audit Standards.

18.2 The results of audit reviews will be formally reported to relevant managers, senior managers, Corporate Management Team and the Audit and Governance Committees.

18.3 Follow up reviews will be carried out to ensure that recommendations are addressed.

19. Reporting and Monitoring

19.1 The last quarterly report of the financial year will also contain elements that summarise the work of the whole year.

19.2 The Chief Internal Auditor will provide their opinion on the control environment based on the work of Internal Audit during the financial year. The statement will also be used in the Annual Governance Statement.

19.3 As part of the Quality and Improvement Programme, an annual self-assessment against the Public Sector Internal Audit Standards will be carried out and reported to the Corporate Management Team and the Audit and Governance Committees in the last reports of the year.

19.4 The Public Sector Internal Audit Standards also require an external assessment to be carried out at least once every five years. This will be commissioned by the Chief Internal Auditor and the results will be reported to the Corporate Management Team and the Audit and Governance Committees.

20. Resourcing

20.1 The Public Sector Internal Audit Standards state that the Chief Audit Executive (Chief Internal Auditor) must ensure that the internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

20.2 Appropriate

The Chief Internal Auditor is a Chartered Member of the Institute of Internal Auditors (CMIIA) and has over 30 years' experience of working for the councils, 20 of which are in Internal Audit.

The Audit Manager has undertaken the Internal Audit Practitioner Apprenticeship, achieving the IIA Certificate in Internal Audit and Business Risk (IACert). The Audit Manager has worked in the councils' Internal Audit team for over nine years.

The remainder of the Internal Audit team is made up of staff with varying experience in both the public and private sectors. Each were appointed based on transferrable skills. All new auditors are given full training and support to carry out audit reviews in line with the standards. Training plans are in place for the team as it is the ambition to ensure that all the team are trained to a consistent level, with staff encouraged to study for professional qualifications.

20.3 Sufficient

The Chief Internal Auditor believes that the number of posts in Internal Audit is sufficient to enable a breadth of work to be carried out upon which the opinion of the control environment can be based.

However, absences or leavers will affect the resource levels. Where this has an impact on work, this will be reported to the Chief Finance Officer, Corporate Management Team and Audit and Governance Committees. Where resource issues affect the work of the team during the year, this will also be reported in the Annual Governance Statement as a caveat to the opinion on the control environment.

20.4 Effectively Deployed

Every effort is made to allocate audits to an Auditor with the relevant knowledge and experience. However, this has to be weighed against the standard that assurance engagements and other audit responsibilities should

be rotated periodically within the Internal Audit team. Where there may be a lack of knowledge or experience, the Auditor will be fully supported.

21. Assurances to Parties Outside of the Councils

21.1 The Internal Audit team has been commissioned to provide an internal audit service for two companies set up by Eastbourne Borough Council: Eastbourne Homes Limited and South East Environmental Services Limited.

21.2 Eastbourne Homes Limited

Internal Audit provide 36 days of audit time. The audits to be undertaken during the year are agreed by the Audit and Risk Committee. When reviews are completed the reports are shared with the relevant manager and Director, and are sent to the Audit and Risk Committee of Eastbourne Homes Limited. The Chief Internal Auditor reports quarterly to the Audit and Risk Committee.

21.3 South East Environmental Services Limited

Internal Audit carry out one audit review a year. The audit to be undertaken during the year is agreed by the Board of South East Environmental Services Limited. When the review is completed the report is shared with the relevant manager and Director, and sent to the Board. The Chief Internal Auditor reports quarterly to the Board.

22. Responsibilities of Managers and Internal Audit

22.1 Managers have the responsibility to establish systems of internal control to ensure that activities are carried out appropriately. Internal Audit is part of the control environment and will test controls, but this does not relieve managers of their responsibility for maintaining effective risk management, controls and governance processes.

23. Relationships with Elected Members

23.1 The Chief Internal Auditor must establish and maintain good working relationships with Members by regularly attending the Audit and Governance Committees of both councils and responding to any issues raised.

23.2 The Chief Internal Auditor will report to the Corporate Management Team and the Audit and Governance Committees of each council. The programme of reports is listed below.

Month	Corporate Management Team	Committees
March	Third quarter report Draft Audit Plan Consideration of the Strategic Risk Register	Third quarter report Draft Audit Plan Strategic Risk Register (if changes agreed by CMT)
June	Annual report/fourth quarter	Annual report/fourth quarter

APPENDIX E – Internal Audit Charter

	Annual Governance Statement Consideration of the Strategic Risk Register	Annual Governance Statement Strategic Risk Register (if changes agreed by CMT)
September	First quarter report Consideration of the Strategic Risk Register	First quarter report Strategic Risk Register (if changes agreed by CMT)
December	Second quarter report Consideration of the Strategic Risk Register	Second quarter report Strategic Risk Register (if changes agreed by CMT)

24. Review of the Charter

24.1 The charter will be reviewed annually and will be presented to the committees when changes are made.

Report to:	Audit and Governance Committee
Date:	4th March 2024
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 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 and after an election.

2 Process

- 2.1 The Strategic Risk Register is the top level of the risk management process. Whilst the Strategic Risk Register is considered quarterly at the Corporate Management Team, this is a simply a review of the register itself.
- 2.2 There are many different risks and pieces of work that feed into the Strategic Risk Register. These are managed and monitored on a day to day basis within the relevant sections and departments.
- 2.3 The quarterly meeting of the Corporate Management Team to discuss the Strategic Risk Register allows the relevant Director/Assistant Director to provide feedback on risks in their area. This information is then used to consider changes that may need to be made to the Strategic Risk Register.

- 2.4 The Corporate Management Team will also carry out “horizon scanning” at these meetings: considering issues that are arising and considering whether they need to be included in the register.

3 February 2024 Review

- 3.1 The Strategic Risk Register was taken to Corporate Management Team on 7th February 2024 for the quarterly review.

- 3.2 The Corporate Management Team reviewed the risk scores for all the risks and considered that the scores should remain at their current levels based on the cost of living crisis and issues with recruitment.

- 3.3 Concerns have been raised over the shared service arrangement with Eastbourne Borough Council in view of the current financial environment. This was discussed at Corporate Management Team and the following entry has been added to the Internal Controls column of risk SR_002 “Changes to the economic environment makes the council economically less stable” :

The corporate management team has considered any shared service implications and are satisfied that sufficient arrangements have been made in flexibility of changes in either council’s circumstances.

- 3.4 The Strategic Risk Register can be seen at Appendix A.

4. Financial appraisal

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

5. Legal implications

- 5.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

6. Risk management implications

- 6.1 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.

7. Equality analysis

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

8. Appendices

- 8.1 Appendix A - Strategic Risk Register

9. Background papers

- 9.1 None.

Strategic Risk Register (Lewes)



Report Type: Risks Report
Generated on: 12 February 2024

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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	<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 that can respond to changes in the environment.</p>	Chief Executive	2	3	6	Amber	07-May-2024
SR_022	Changes to the economic environment makes the council economically less sustainable.	<p>1. Economic development of the district suffers.</p> <p>2. Council objectives cannot be met.</p> <p>3. Council will need to provide a new service for inspecting imports at the port.</p> <p>4. Inflation affecting council costs is having a significant impact on the council's finances.</p>	5	5	25	<p><u>Reduces Impact</u></p> <p>1. Robust Medium-Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macroeconomic environment triennially.</p> <p>2. Creating an organisational architecture that can respond to changes in the environment.</p> <p>3. Working with the port authority to provide support, advice and to help explore funding options.</p> <p>4. The corporate management team has considered any shared service implications</p>	Director of Finance and Performance (Chief Finance Officer – S.151 Officer)	4	5	20	Red	07-May-2024

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>5. The council's Recovery and Stabilisation programme fails to meet its objectives.</p> <p>6. Rising energy prices and inflation affecting the cost of living will affect customers' ability to pay rent and council tax.</p> <p>7. Uncertainty over government fiscal policies such as Fair funding review, Rent cap and Business Rate Reset.etc.</p> <p>8. Increased Homelessness presentations due to the economic situation, lack of available social housing and rising private sector rents, leads to an increased number that require prevention or place into emergency accommodation. This will have a detrimental impact on the resource required for prevention and the General Fund. The nightly paid accommodation budget will be impacted and more significantly the loss of Housing Benefit Subsidy will increase at the end of the financial year.</p>				<p>and are satisfied that sufficient arrangements have been made in flexibility of changes in either council's circumstances.</p> <p><u>Reduces Likelihood</u></p> <p>5. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme.</p> <p>6. Continuous monitoring and impact assessment of government fiscal policies.</p> <p>7. Responding to government consultation.</p> <p>8. Maintaining appropriate levels of earmarked provisions.</p> <p>9. Continuous review and monitoring of the council's Housing Revenue Business Plan in light of the recently introduced rent cap.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>10. Full action plan in place in the Housing Options and Wellbeing team with a target of a reduction of 100 placements by December 23. Creation of a physical Housing Hub, co-locating with partners to deliver a local, joined-up, preventative model. Lead the East Sussex Housing Partnership providing Health and Housing outcomes.</p>						

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_023	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	<ol style="list-style-type: none"> 1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud. 5. Failure to support Newhaven Port Authority in the changes could result in an economic downturn in the town. 6. Increased Homelessness presentations due to the economic situation, lack of available social housing and rising private sector rents, leads to an increased number that require prevention or place into emergency accommodation. This will have a detrimental impact on the resource required for prevention and the General Fund. The nightly paid accommodation budget will be impacted and more significantly the loss of Housing Benefit Subsidy will increase at the end of the financial year. 	5	5	25	<p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> 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). 3. Working with the Port Authority to provide support, advice and to help explore funding options. 4. Full action plan in place in the Housing Options and Wellbeing team with a target of a reduction of 100 placements by December 23. Creation of a physical Housing Hub, co-locating with partners to deliver a local, joined-up, preventative model. Lead the East Sussex Housing Partnership providing Health and Housing outcomes. 	Director of Service Delivery	3	3	9	Amber	07-May-2024

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_024	The employment market provides unsustainable employment base for the needs of the organisation.	Employment market unable to fulfil recruitment, and council unable to retain staff, resulting in a decline in performance standards and an increase in service costs.	4	4	16	<u>Reduces Likelihood</u> 1. Changes increase non-financial attractiveness of the council to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. <u>Reduces Likelihood and Impact</u> 3. Pursuit of mutually beneficial shared service arrangements. 4. Maximising flexibility around recruitment and retention.	Director of Organisational Development/ Director of Devonshire Quarter	5	2	10	Amber	07-May-2024
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. 7. The council's Recovery and Stabilisation programme fails to meet its objectives.	4	4	16	<u>Reduces Likelihood</u> 1. Build an organisational culture that supports equality and inclusivity through communication and support. <u>Reduces Likelihood and Impact</u> 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. 4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme.	Director of Organisational Development/ Director of Devonshire Quarter	3	4	12	Amber	07-May-2024
SR_026	Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property. 2. Denial of access to technology/information. 3. Denial of access to people.	5	5	25	<u>Reduces Likelihood</u> 1. Adoption of best practice IT and Asset Management policies and procedures. <u>Reduces Likelihood and Impact</u>	Chief Executive	2	4	8	Amber	07-May-2024

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						2. The council has created a more flexible, less locationally dependent service architecture. <u>Reduces Impact</u> 3. Regularly reviewed and tested Business Continuity Plans and updated contingency plans actioned. 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. Work adversely affected by reduced staff numbers owing to effects of pandemic virus. 4. Emergency caused by a climate change event (e.g. increased flooding risks)	5	5	25	<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. 3. Working with the Environment Agency on climate change measures. <u>Reduces Impact</u> 4. Ongoing and robust risk profiling of local area (demographic and geographic). 5. Review budget and reserves in light of risk profile. 6. Funds set aside to help fund responses to an event. <u>Reduces Likelihood</u> 7. Adoption of, and action taken to implement, the council's Climate Change and Sustainability Strategy.	Chief Executive	2	3	6	Amber	07-May-2024
SR_028	Failure to meet regulatory or legal requirements.	1. Trust and confidence in the council is negatively impacted.	3	4	12	<u>Reduces Likelihood</u>	Chief Executive	2	4	8	Amber	07-May-2024

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>2. Deterioration of financial position as a result of regulatory intervention/penalties.</p> <p>3. Deterioration of service performance as a result of regulatory intervention/penalties.</p>				<p>1. Developing, maintaining, and monitoring robust governance framework for the council.</p> <p>2. The council has adopted and published an Asset Management Strategy (AMS) that set out how the council uses its land and property assets effectively to deliver its service and the rules by which the council can purchase assets in the future. These strategies are updated on a yearly basis as part of the Capital and Medium-Term Financial Strategies.</p> <p>3. Ensure there is full understanding the impact of new legislation.</p> <p>4. All managers are required to abide by the council's procurement rules.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>5. Building relationships with regulatory bodies.</p> <p>6. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise.</p> <p>7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.</p>						
SR_029	Commercial enterprises and investments 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>	5	5	25	<p><u>Reduces Likelihood</u></p> <p>1. Hire suitably qualified/experienced staff to give legal and specialist support.</p> <p>2. Up, or re, -skill staff to maximise commercial opportunities.</p> <p><u>Reduces Likelihood and Impact</u></p>	<p>Director of Regeneration and Planning And Chief Executive</p>	3	3	9	Amber	07-May-2024

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.				3. Ensure that projects meet core principles. 4. Ensure governance processes are set up and adhered to.						
SR_030	The council suffers a personal data breach by inadequate handling of data or by an IT incident.	1. Trust and confidence in the council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties. 4. Increased probability of compensation claims by persons affected by a personal data breach.	3	4	12	<u>Reduces Likelihood</u> 1. Ongoing corporate training for data protection. 2. Ensure all staff complete the e-learning Data Protection course. 3. Ensure that the Data Protection Policy is regularly reviewed. 4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions. 5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements. 6. Ensure the suite of IT policies is kept up to date. 7. Ensure that IT security is in place and regularly tested. <u>Reduces Impact</u> 8. Incident management procedures to mitigate loss or breach of data are in place.	Chief Executive	2	4	8	Amber	07-May-2024

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