



Audit and Governance Committee

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MEMBERS: Councillor Ungar (Chairman); Councillor Mattock (Deputy-Chairman); Councillors Belsey, Cooke, Harris, Heaps, Taylor and Tester

Agenda

- 1 Minutes of the meeting held on 26 June 2013 - Previously circulated**
- 2 Apologies for absence.**
- 3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct (please see note at end of agenda).**
- 4 Questions by members of the public.**

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

5 Urgent items of business.

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

6 Right to address the meeting/order of business.

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

7 Update - Members and Standards. (Pages 1 - 4)

Report of Monitoring Officer

8 Update - The Regulation of Investigatory Powers Act (RIPA) and related legislation. (Pages 5 - 18)

Report of Monitoring Officer

9 Internal Audit Report to 30th June 2013. (Pages 19 - 28)

Report of Internal Audit Manager

10 Annual Governance Report 2012/13.

Report of External Auditors BDO – **Report to follow.**

11 Statement of Accounts 2012/2013. (Pages 29 - 30)

Report of Financial Services Manager

12 Risk Management. (Pages 31 - 40)

Report of Internal Audit Manager

Inspection of Background Papers – Please see contact details listed in each report.

Councillor Right of Address - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

Public Right of Address – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting e.g. if the meeting is on a Tuesday, received by 12 Noon on the preceding Friday). The request should be made to Local Democracy at the address listed below. The request may be made by letter, fax or e-mail. For further details on the rules about speaking at meetings please contact Local Democracy.

Disclosure of interests - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Further Information

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

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

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Agenda Item 7

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	18 September 2013
Subject:	Members and Standards: an update
Report Of:	LAWYER TO THE COUNCIL AND MONITORING OFFICER
Ward(s)	All
Purpose	To assist the Audit and Governance Committee in fulfilling its obligations in relation to member standards.
Recommendations:	That the Committee note the following: <ul style="list-style-type: none">• The information supplied to it regarding complaints against members either received in or determined since the last quarterly report• Other relevant information regarding member training related to Standards
Contact:	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

1.0 Background

- 1.1 Members will recall their longstanding invitation to the Monitoring Officer to provide quarterly updates on Standards-related matters.
- 1.2 This report aims to update the Committee on the standards and related issues which have arisen since the Committee's last meeting.

2.0 Complaints

- 2.1 The last quarterly report was considered alongside an oral update on the three member complaints which had been made during that quarter.
- 2.2 Members noted the outcomes of the two complaints which had at the time of the last meeting been determined. One of those two complaints resulted in a finding that the Code of Conduct had been breached by the relevant member. The sanction imposed by the Standards Panel was that the relevant member be mandated to attend an additional training session on the Code of Conduct (see below, at 4.2), which would be open to all members.
- 2.3 Only one formal complaint was outstanding at the time of the last meeting and thus fell to be dealt with during this quarter. Members are invited to note that following formal investigation, a decision was made by the Monitoring Officer not to take any further action in relation to that complaint. The parties were notified accordingly and that matter is now at an end.
- 2.4 No new formal complaints against members have been received in during this quarter. As a result no complaints await determination at time of writing.

3.1 Dispensations

3.2 No dispensations have been applied for since the last report to this Committee.

4.1 Member training

4.1 Insofar as member training is concerned, a session additional to the usual programme has been arranged on a date in November 2013. As well as providing an update on Standards and related matters it will – as directed by the Standards Panel – focus on the relationship between the Code of Conduct for Members in the light of the Protocol for Member/Officer Relations. The latter protocol sets out requirements which both members and officers are expected to comply with and failure by members to do so may lead to their breaching the Code.

4.2 The above training session has been devised at the behest of the Standards Panel. When imposing sanctions in relation to the complaint referred to above in 2.2, the Panel indicated that the attendance of the member who they found had breached the Code of Conduct would be mandatory. The Panel also considered that training with this remit would be of a broader interest and hence all members are invited to attend the session.

4.3 Attendance figures for this and future training will be reported back to this Committee, in accordance with usual practice.

5.0 Consultation

5.1 There has been no consultation.

6.0 Resource Implications

6.1 None.

7.0 Financial

7.1 None.

8.0 Staffing

8.1 None.

9.0 Conclusion

9.1 The requirement that authorities have in place arrangements to monitor member conduct and to promote effective decision-making remains a feature of the current Standards regime. This report updates the Committee and assists it in discharging its responsibilities in this regard.

Victoria Simpson
LAWYER TO THE COUNCIL AND MONITORING OFFICER

Appendices

None.

Background Papers:

Previous reports and minutes of the Committee and Panel.

Articles in the Local Government Lawyer

ACSeS bulletins

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Agenda Item 8

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	18 September 2013
Subject:	The Regulation of Investigatory Powers Act and related legislation: update on the authority's usage of its powers and on the outcome of a recent inspection of its arrangements by the Office of Surveillance Commissioners
Report Of:	LAWYER TO THE COUNCIL AND MONITORING OFFICER
Ward(s)	All
Purpose	To 1) provide the Audit and Governance Committee with information relevant to the monitoring of covert surveillance conducted pursuant to the Regulation of Investigatory Powers Act, and 2) to brief the Committee in detail on the outcome of the Office of the Surveillance Commissioners most recent inspection
Recommendations:	That the Committee note the following: <ul style="list-style-type: none">• No applications were made by officers of this authority pursuant to the Regulation of Investigatory Powers Act to conduct covert surveillance during the quarter leading up to 1 September 2013.• That a detailed review in June 2013 of this authority's RIPA-related arrangements generated a favourable report.
Contact:	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

1.0 Background

- 1.1 Members will recall that at the last meeting of this Committee it was agreed that the Audit and Governance Committee would receive quarterly reports on the subject of the monitoring of covert surveillance conducted pursuant to the Regulation of Investigatory Powers Act 2000.
- 1.2 While Cabinet receives annual reports on this subject, most recently in March 2013, best practice requires quarterly reporting. This is the case regardless of the fact that in recent years this authority's use of its powers to conduct covert surveillance under RIPA has been consistently low.
- 1.3 At the last meeting of this Committee, the Monitoring Officer was in addition invited to report in detail to the Committee regarding the outcome of the Office of the Surveillance Commissioner's inspection report, which was not received until 24 June 2013.

2.0 Usage of the powers available to Eastbourne Borough Council under the Regulation of Investigatory Powers Act

2.1 The quarterly returns compiled for the period 1/6/2013 to 1/9/2013 include the following data:

RIPA applications for the use or conduct of a CHIS:

Nil applications made by EBC

Nil applications by partner organisations with which the authority is working on relevant matters.

RIPA applications for authorised surveillance:

Nil applications made by EBC

Nil applications made by partner organisations with which the authority is working on relevant matters.

2.2 The Committee may wish to note that the returns for this quarter are consistent with those of the past few years, which show very infrequent recourse by this authority to the powers available to it under RIPA. The last applications made by the Council for authorised surveillance were during 2010 and concerned serious allegations of benefit fraud.

3.1 Inspection of the Office of the Surveillance Commissioner

3.2 The Surveillance Commissioner's inspectors are amongst other things responsible for reviewing the arrangements in place at local authorities and those other statutory bodies empowered to carry out cover surveillance using RIPA, and to report on legal compliance and make best practice recommendations, this at regular intervals.

3.3 In 2010 a requirement of annual inspections was lifted in favour of three yearly inspections.

3.4 The inspector visited this authority in early June 2013 and conducted a thorough review of all aspects of the authority's arrangements which included considering our policy, procedures and guidance materials as well as interviewing officers at all levels. A copy of her report is appended here as appendix 1.

3.5 Members will note that that in his covering letter, Sir Christopher Rose notes with approval the 'wholesale change in approach' which has characterised this authority's arrangements with regard this statutory regime in recent years.

3.6 In the report itself, the inspector's understanding of the approach espoused by the Council is self-evident. This Committee will be aware that this authority has chosen to take a robust approach to the use of the powers available to the Council, seeing those as a last resort. The Council's policies and procedures reflect that. The objective is to use investigative strategies which deploy overt rather than covert techniques where possible and are thus - as the inspector noted - in keeping with the new ethos of outward engagement.

- 3.7 The result of this is a lack of applications for authorised surveillance in the last three years. While this has meant that the inspector had no substantive applications to examine for compliance, she clearly comprehended and approved the Council's chosen approach. She noted what she termed good practices in place in preparation for future recourse to RIPA, specifically highlighting at clause 10.1 'the excellent availability of a plethora of clear and helpful guidance materials for officers; engaged officers, from the Chief Executive and SIRO down; good training provision and internal oversight mechanisms, good surveillance equipment management processes.' She noted that the arrangements boded well for future recourse to the powers available under RIPA.
- 3.8 Having interviewed officers at a number of levels, moreover, the inspector did not consider that the fall-off in applications for authorised surveillance at this authority was evidence of unauthorised activity. At clause 4.5 she noted that the systems which had been brought in to check and balance this aspect were 'very good', highlighting the arrangements made at this Council to ensure that covert surveillance not subject to RIPA was also subject to an authorisation process designed to ensure that human rights and proportionality issues are rigourously canvassed.
- 3.9 It is reassuring to note that the arrangements in place in relation to surveillance at this authority have met with the inspector's approval. Clearly there can be no scope for complacency and all investigative scenarios must be considered on their individual merits with consideration given at all levels to the appropriate safeguards. However the arrangements in place at the Council – including the 'last resort' approach – have been given a clean bill of health by the relevant inspectorate.

4.0 Consultation

- 4.1 There has been no consultation.

5.0 Resource Implications

- 5.1 None.

6.0 Financial

- 6.1 None.

7.0 Staffing

- 7.1 None.

8.0 Conclusion

- 8.1 This report updates the Committee on the authority's arrangements for and usage of its powers to conduct covert surveillance when or if circumstances merit. The report aims to equip this Committee to assist the authority in ensuring it applies a robust approach which balances its enforcement responsibilities with the requirement to act at all times in a proportionate and human rights-compliant way.

Appendices

Appendix 1 – report of the Office of Surveillance Commissioners and covering letter dated 20 June 2013

Background Papers:

The Regulation of Investigatory Powers Act 2000 and associated legislation

Previous reports and minutes of this Committee and of Cabinet.

Appendix 1



**Office of Surveillance
Commissioners**

**PO Box 29105, London, SW1V 1ZU
Direct Line: 020 7035 8206**

E-mail: Yvette.moore@osc.gsi.gov.uk

With Compliments

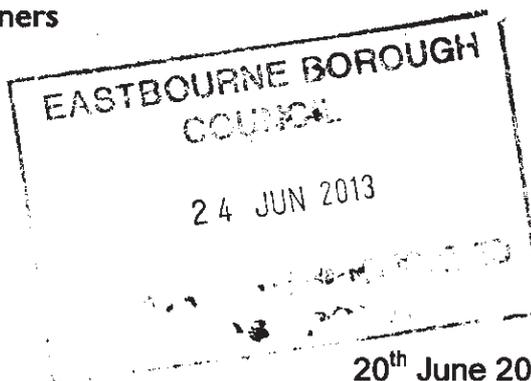
**Yvette Moore
Clerk to the Secretariat**



Office of Surveillance
Commissioners



Chief
Surveillance
Commissioner



20th June 2013

Restricted

Dear Mr. Cottrill,

Covert Surveillance

On 5 June 2013, one of my Inspectors, Mrs Clare Ringshaw-Dowle, visited your Council on my behalf to review your management of covert activities. I am grateful to you for the facilities afforded for the inspection.

I enclose a copy of Mrs Ringshaw-Dowle's report which I endorse. I am pleased to see that the recommendations made following the last inspection 3 years ago have been completed and that there has been what Mrs Ringshaw-Dowle calls "a wholesale change in approach" since she last inspected your Council in 2008. She identifies good practice in relation to clear and helpful guidance materials, engaged officers, good training provision and internal oversight mechanisms and good management processes for management of surveillance equipment.

There are no recommendations but I draw attention to the matters, highlighted by Mrs Ringshaw-Dowle in para 10.2 of the report, meriting close scrutiny.

One of the main functions of review is to enable public authorities to improve their understanding and conduct of covert activities. I hope your Council find this process constructive.

Please let this Office know if it can help at any time.

Mr Robert Cottrill
Chief Executive
Eastbourne Borough Council
1 Grove Road
Eastbourne
East Sussex
BN21 4TW

*Yours sincerely,
Christopher Rose*

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**Office of Surveillance
Commissioners**

OFFICE OF SURVEILLANCE COMMISSIONERS

INSPECTION REPORT

Eastbourne Borough Council

5th June 2013

**Assistant Surveillance Inspector:
Mrs Clare Ringshaw-Dowle**

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DISCLAIMER

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context.

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Office of Surveillance
Commissioners

OSC/INSP/075

The Rt. Hon. Sir Christopher Rose
Chief Surveillance Commissioner
Office of Surveillance Commissioners
PO Box 29105
London
SW1V 1ZU

RESTRICTED

7 June 2013

OSC INSPECTION REPORT – EASTBOURNE BOROUGH COUNCIL

Date of inspection

5th June 2013.

Inspector

Clare Ringshaw-Dowle.

1 Introduction

- 1.1 Eastbourne is a seaside town at the foot of the South Downs in East Sussex with a population of around 90,000 people, who largely fall into three main categories: the retired, commuters, and seasonal workers. Eastbourne Borough Council (EBC) is half way through a major change to its way of working, under the banner “DRIVE” – Delivering Real Innovation and Value for Eastbourne. All officers now work from a single location, but home working is encouraged, as is spending as much time as possible out in the community, engaging with residents and raising the Council’s profile.
- 1.2 The Chief Executive and his Deputy are responsible for six Heads of Service, taking three apiece for external and internal services respectively. The focus under DRIVE is to end the traditional “silo” approach of Council services and make them far more integrated and customer-centric. Levels of crime and disorder are pretty average, but on a downward trend. The potential for increased working alongside the local police is being explored.
- 1.3 The Chief Executive is Robert Cottrill. The Senior Responsible Officer (SRO) for RIPA is the Deputy Chief Executive, Julian Osgathorpe. The address for correspondence is Eastbourne Borough Council, 1 Grove Road, Eastbourne, East Sussex, BN21 4TW.

2 Inspection process

2.1 The inspection consisted of discussions with the following members of staff:

- Robert Cottrill (Chief Executive)
- Julian Osgathorpe (Deputy Chief Executive & SRO)
- Victoria Simpson (Lawyer to the Council)
- Ian Fitzpatrick (Senior Head of Community)
- Jeff Collard (Senior Head of Development & Environment)
- Tracey McNulty (Senior Head of Tourism & Leisure)
- Alan Osborne (Chief Finance Officer)

PO Box 29105 London SW1V 1ZU Tel 020 7035 0074 Fax 020 7035 3114

Web: www.surveillancecommissioners.gov.uk

email: oscnp@osc.gsi.gov.uk

- Becky Cooke (HR Manager)
- Alison Robins (HR Advisor)
- Julie Hickling (Specialist Advisor, Noise Nuisance)
- Jay Virgo (Senior Specialist Advisor, Licensing)
- Nikkee Houghton (Investigator, Benefit Fraud)
- Adam Godden (Investigations Officer, Benefit Fraud)
- Dan Stevens (Neighbourhood Advisor, Planning Enforcement)
- Denise White (Information & Administration Officer)

3 Response to May 2010 recommendations

- 3.1 *The Council should ensure that training continues so that staff are competent in the RIPA roles they perform. Formal oversight by the Lawyers to the Council on behalf of the SRO will identify individual and corporate training needs which should be addressed through appropriate one to one discussions and included in training material.*

Completed. Training has been provided and the internal oversight arrangements are sound. Further details are in sections 4-5 of this report.

- 3.2 *The Council is recommended to make amendment to the policy document as detailed to create clarity around its RIPA processes.*

Completed. The RIPA policy is clear and comprehensive. Further detail is at paragraph 4.3.

4 Progress following the last inspection

- 4.1 The inspection had been planned originally for 2 May, but was postponed due to local elections later announced for that day. My inspection began by meeting the Deputy Chief Executive (SRO) and Mrs Simpson, who oversees RIPA business on the SRO's behalf. However, this is for practical oversight and quality assurance, and it was clear from the very detailed discussions with Mr Osgathorpe that he takes his responsibilities seriously.
- 4.2 Following the very helpful explanation of how the Council is changing its whole way of working, both internally and with its local residents, it was explained that the Council Members take a robust approach to the use of RIPA powers, seeing them as a matter of last resort. In practice, EBC can usually tackle issues through an overt approach, in keeping with the new ethos of outward engagement, and indeed, there has been no need to use the powers since the last inspection.
- 4.3 EBC has purchased a RIPA policy and "toolkit" from Act Now training. This is a commercially available document. It provides a very clear and comprehensive outline of the powers and the toolkit contains annotated RIPA forms to assist officers with their completion. Mrs Simpson provided me with a number of documents taken from the Council's "insite" website. This contains all the various guidance documents¹ and links for officers to understand more about RIPA, and includes full contact details for key officers in EBC who can help – from the SRO to the designated Authorising Officers, the legal team, and those officers who had undergone recent RIPA training.

¹ Including documents I read: the RIPA policy and toolkit; Digital Imaging Guidance Note; Employee Monitoring and Surveillance Guide for Managers; Guidance for employees on surveillance in council offices.

- 4.4 There are five key Authorising Officers (as well as senior officers who may be required to so act) and the policy is that an applicant will approach one who is external to their normal business area, to provide real impartiality of approach.
- 4.5 In the absence of any authorisations, I asked how the monitoring officers could assess whether there had been any unauthorised activity. Whilst this is a difficult matter to address, I feel that EBC has some very good systems in place as a check and balance. It has continued with its annual "Managers Assurance Statement", in which all key managers are asked pointedly whether there has been any use of RIPA or covert activity. It also has a Middle Managers Engagement Group that meets regularly, and at which RIPA is discussed. There is also an e-mail group of all Investigating Officers, enabling key messages to be shared and for officers to ask for peer advice from colleagues. Refresher training should also ensure due vigilance.
- 4.6 Council Members are updated annually on use (or lack) of the powers, and I was provided with recent reports. The latest was a very comprehensive briefing on RIPA and also The Protection of Freedoms Act 2012 and enabled adoption of the Council's RIPA policy. The Audit & Governance Committee also receives a quarterly update. The Councillors have also agreed there should be an internal review of all RIPA matters each year, with a thorough review every three.
- 4.7 The Central Record stands ready to be completed once authorisations are used again and is maintained by Mrs Simpson. Any RIPA documentation is stored securely.

5 Training

- 5.1 RIPA training was provided recently by Act Now and attended by the Authorising Officers, the Chief Executive and various Investigating Officers. The SRO was unable to attend (he is currently providing corporate advice to East Sussex County Council two days a week) but had been provided with the documents and key messages after the event. The training had been well received and had been geared to realistic scenarios.

6. Use of the powers

- 6.1 Nil since 2010. I discussed with the various Authorising Officers and applicants the types of case where directed surveillance or use of a CHIS might arise, and the reasons for the lack of any authorisation in recent years. The preferred approach of overt measures and the availability of other means, such as data matching for the benefits cases, suggests there is nothing sinister in the drop-off.
- 6.2 I was able to explore the possibly increased potential for CHIS engagement by EBC in light of its new ways of working, and the appointment of nine Neighbourhood Advisors, whereby residents might provide information direct to council officers in a way they had not in the past. The importance of remaining vigilant as to the provenance of this information was explained, lest a resident meet the criteria for being a CHIS.

- 6.3 I also discussed the Council's approach to noise nuisance cases (which appears to be the main type of assistance sought from those now responsible for housing in Eastbourne (an arms length management organisation)). Overt written warnings are given prior to any noise monitoring, repeated after three months if necessary. The equipment is deployed for a week at a time to assess levels. It is possible that the equipment has a pre-record facility, which might constitute intrusive surveillance if the complainants are not warned of this capacity, and I advised the officers to check the equipment and determine how best to notify residents during installation.
- 6.4 Unusually for a local authority, EBC has a very thorough equipment inventory, which I was provided with and able to discuss with its owner, Mrs White, who deals with data protection and FoI issues for EBC, and had attended the recent RIPA training. The register of items includes CCTV cameras covering the EBC estate; noise monitoring devices; personal issue mobile phones, including those with a camera facility; and other cameras. If these are used operationally, a deployment log sheet is to be completed, and I was shown this. It would benefit from the addition of a column to record the RIPA URN should the use be covert. Mrs White also explained her responsibility for a review of the retention and disposal of material held by the Council, which should cover any surveillance product.

7 Magistrate's approval

- 7.1 There has been no need to seek magistrate's approval yet, but there is good liaison with the local court and the legal team will probably assist officers when the first approvals under The Protection of Freedoms Act 2012 are sought.
- 7.2 I had a helpful discussion with officers about the potential limitations brought about by the serious crime threshold under the said Act. EBC has considered the matter carefully and has incorporated a briefing to the Cabinet to explain how any covert activity outside the protection of RIPA will be managed (this is also helpfully covered in the RIPA policy document). A non-RIPA form will be used to ensure that Human Rights considerations are made and accountable.

8 CCTV

- 8.1 EBC only has CCTV cameras observing its premises for security reasons. Town centre systems are managed by the police. It has no capacity at present to install mobile cameras for serious fly tipping, for example, but this is, in any case, investigated through clues in the deposited waste, or warning stickers at the location and increased patrols.

9 Social Networking Sites (SNS)

- 9.1 I asked about the use of SNS in order to investigate matters such as, for example, living together cases. It was pleasing to be provided with an internal policy document that had been prepared, primarily for the Benefits team, which contained sound advice as per Note 308 of the OSC's current Procedures & Guidance document, which was also included in its entirety. When I spoke to the Benefits officers, they advised they used Google to see whether a claimant had an SNS and if it was open source, they would take a print of the available page(s) and log their activity. I provided the latest thinking of the Surveillance Commissioners about repeated visits to open source sites.

10 Conclusions

- 10.1 Feedback was provided to Mr Cottrill and thereafter to Mrs Simpson. I had last inspected the Council in 2008 and had found an extremely poor state of affairs in terms of RIPA oversight. There have been two inspections between then and now, and it is pleasing to report a wholesale change in approach. Although EBC has not used the powers and cannot therefore be assessed for compliance with them, I have nonetheless found a number of good practices in preparation for its future use, including: excellent availability of a plethora of clear and helpful guidance materials for officers; engaged officers, from the Chief Executive and SRO down; good training provision and internal oversight mechanisms; good surveillance equipment management processes. All this bodes well for any use of the powers in future.
- 10.2 There is no need for any formal recommendation this time, but I would suggest the SRO ensures that the following matters are kept under close scrutiny: the potential for CHIS engagement in the new ethos of EBC; the growth of SNS as an investigative tool; the sensitivity of any noise monitoring equipment and the advice provided to complainants should there be the potential for intrusive surveillance (incapable of authorisation by the Council) by this device.
- 10.3 Finally, I should like to thank all the staff I met in EBC for their input to the inspection.

Clare Ringshaw-Dowle

Surveillance Inspector

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Agenda Item 9

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 TH SEPTEMBER 2013
Subject:	Internal Audit Report to 30 th June 2013
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a summary of the activities of Internal Audit for the first quarter of the financial year 2013/14.
Recommendation(s):	That the information in this report be noted and members identify any further information requirement and timescales.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2013/14 was agreed by the Audit and Governance Committee in March 2013.

2.0 Review of work in the first quarter of the financial year 2013/14.

- 2.1 A list of all the audit reports issued in final from 1st April to 30th June 2013 is as follows:

Theatres Reconciliations (Annual 2012/13)	Performing Inadequately
Treasury Management (Annual 2012/13)	Performing Excellently
Council Tax (Annual 2012/13)	Performing Excellently
Information Governance – Records Management	Performing Inadequately
Debtors (Annual 2012/13)	Performing Excellently
Benefits (Annual 2012/13)	Performing Well
IT (Annual 2012/13)	Performing Excellently
Payroll (Annual 2012/13)	Performing Excellently
Project Management Controls	Performing Adequately
Cemeteries and Crematorium	Performing Excellently
Cafi Purchasing	Performing Excellently
Cafi Creditors	Performing Well
Creditors	Performing Well

Levels of Assurance - Key

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

- 2.2 It is noted that the Head of Tourism is aware of the issues around Theatres Reconciliations which have been caused by a member of staff on long term sick leave and the taking on of the Catering Function. It is planned to tackle the resource issues with a restructure of Catering and consideration of other mitigating actions.
- 2.3 Work has already begun on addressing issues raised in the report on Information Governance/Records Management and Civica are being approached to help build the successful delivery of the required records management outcomes into the next phase(s) of the Future Model project.
- 2.4 Appendix A shows the work carried out against the annual plan to the end of June 2013. The following comments explain the main points to be noted from the table:
- Annual audits for BDO – The number of days taken to carry out the work currently refers to work which relates to the last financial year but which was carried out in this year.
 - A review of Void Management had been requested and was included in the annual audit plan. However the Senior Head of Community, in discussion with Eastbourne Homes Ltd, has agreed that this review does not now need to be carried out.
- 2.5 Appendix B is the list of all reports issued in final during the year which were given an assurance level below “Performing Excellently”, with any issues highlighted in the reviews which informed the assurance level given.
- 2.6 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been implemented along with the month when the next follow up is due.
- 2.7 Where the column “priority” in Appendix C shows “High” the outstanding recommendations, and client comments from the report, have been listed at Appendix D. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.
- 2.8 There are no reviews with a high risk priority in Appendix C and therefore, for this quarter, no Appendix D is appended to this report.

3.0 Frauds over £10k

- 3.1 It is a requirement that frauds over £10k are reported to our external auditors. Usually such frauds are only found by the Benefit Fraud section however a request is now also sent quarterly to Eastbourne Homes Ltd to ask them to confirm whether they have been aware of any frauds over £10k within that quarter.
- 3.2 The Benefit Fraud section now report these frauds to Internal Audit on a quarterly basis and these are passed on to the external auditors.
- 3.3 No frauds over £10k were reported in the first quarter of 2013/14.

4.0 Consultation

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

5.0 Resource Implications

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

6.0 Other Implications

- 6.1 None

7.0 Summary of Options

- 7.1 None

8.0 Recommendation

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

Jackie Humphrey
Internal Audit Manager

Background Papers:

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

None

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			Planned days	Actual days	Reason for Variance
CORE ANNUAL AUDITS	Benefits	Governance	10	3.3	12/13 work completed this year
	Cash and Bank	Governance	25		
	Council Tax	Governance	10	0.6	12/13 work completed this year
	Creditors	Governance	15	1.1	12/13 work completed this year
	Debtors	Governance	15	0.3	12/13 work completed this year
	Housing Rents	Governance	15	8.2	12/13 work completed this year
	Main Accounting	Governance	10		
	NNDR	Governance	10		
	Payroll	Governance	10	3.4	12/13 work completed this year
	Treasury Management	Governance	10	0.3	12/13 work completed this year
	IT	Governance	4	1.7	12/13 work completed this year
	Theatres Reconciliation	Governance	5	0.1	12/13 work completed this year
	Claims work		75	32.3	
Page 23	Contingency		25	7.2	Extra piece of work requested and completion of audits started in the previous year
	NFI		20	1.3	
	Special Investigations/advice		40	6.2	
	Follow ups re audits carried out in previous year		30	6.8	
	Consultancy		25	0.1	
HIGH	Catering	Review	20	8.6	
	Leaseholders Recharges (EHL)	Review	10	0.9	
	Repairs and Renewals (EHL follow up)	Review	10	1.6	
	Void Management	Review	10	2.3	EHL/Senior Head of Community agreed this would not be carried out
	Tenancy Management	Review	10	0.9	
REQUESTS	Safeguarding	Review	5	5.5	
	Back up and Storage	Review	5		

			Planned days	Actual days	Reason for Variance
MEDIUM RISK REVIEWS	Business Continuity	Review	15		
	Leasing and Licensing	Review	15		
	Planning System	Computer	10	0.7	
	Corporate Equality	Review	10	2.1	
	Human Resources	Review	15	2.2	
	Corporate Complaints	Review	10	1.7	
	Events and Attractions	Review	15		
	Civica Icon and KPR	Computer/Review	15	1.2	
	Community Enforcement	Review	10	0.3	
	Homelessness/Temporary Accommodation	Review	10	0.1	
	Community Grants	Review	10	11.1	
	Destination Management System	Computer	5	0.7	
	Land Charges and Searches	Review	5	2	
	Parks and Gardens	Review	10	1.5	
	Cemeteries and Crematorium	Review	10	12.3	Completed
GIS and LLPG	Computer	5	0.5		

APPENDIX B

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED
Theatres Reconciliations	Performing Inadequately	<ul style="list-style-type: none"> • Reconciliations not carried out on a monthly basis. • Variances required investigating. • No evidence retained of checks being made.
Information Governance – Records Management	Performing Inadequately	<ul style="list-style-type: none"> • General lack of awareness and understanding, especially that digital documents must be treated in the same way as hard copies. • Retention and Disposal Schedule not being followed. • Policies and guidance only in draft. • Retention and Disposal Schedule in need of review. • No disposal dates noted on documents – especially in W2. • No documented filing or naming conventions.
Housing and C. Tax Benefits	Performing Well	<ul style="list-style-type: none"> • Claims not reviewed on a periodic basis due to lack of resources. • Evidence of benefit applications closed without being correctly actioned. (Two cases identified)
Project Management Controls	Performing Adequately	<ul style="list-style-type: none"> • No clarity of how to decide if a piece of work should be classed as a project and then approved. • Lack of business cases written for projects. • Project workbook (guidance) was not used for projects. • Lack of project plans. • Lack of timetables for projects • Post Implementation Reviews not being carried out and therefore “lessons learned” not recorded. • Covalent was not used to document projects.
Cafi Creditors	Performing Well	<ul style="list-style-type: none"> • Records being retained beyond the limit set in the Retention and Disposal Schedule.

APPENDIX B

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED
Creditors	Performing Well	<ul style="list-style-type: none">• Late completion of Goods Received Notes by departments.• Invoices being delivered to departments leading to delay in putting them onto the system for payment.• Large numbers of new creditors continue to be set up.

AUDIT	NUMBER OF RECS		FOLLOW UP DUE	OUTSTANDING RECS		CURRENT POSITION	NOTES RE FOLLOW UP/RECS OUTSTANDING	PRIORITY
	HIGH	MEDIUM		HIGH	MEDIUM			
Procurement	-	-	Dec-12	5	7	Ongoing	Awaiting response from Strategic Projects Coordinator	
APP	0	1	Jun-13	-	-	Not Yet Due		
Project Management Controls	5	3	Jul-13	-	-	Not Yet Due		
IT Policies and Procedures	0	4	Jul-13	-	-	Not Yet Due		
Officers Expenses	1	4	Aug-13	0	2	Not Yet Due		Medium
Food Safety and Hygiene	1	3	Aug-13	-	-	Not Yet Due		
Records Management	6	0	Aug-13	-	-	Not Yet Due		
Use of Council Vehicles	4	5	Sep-13	1	0	Not Yet Due	Only rec outstanding is to inform managers of new policy.	Medium
Civil Contingencies	0	7	Sep-13	0	6	Not Yet Due	Awaiting set up of Partnership Board	Medium
Owner (collection)	2	9	Sep-13	-	-	Not Yet Due		
Café Creditors	0	1	Oct-13	-	-	Not Yet Due		
Daily Cash Recs at Venues	0	6	-	0	0		All recs now addressed	
Covalent	0	3	Nov-12	-	-	Not Yet Due		

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BODY: **AUDIT AND GOVERNANCE COMMITTEE**
DATE: **25 September 2013**
SUBJECT: **Statement of Accounts 2012/13**
REPORT OF: **Financial Services Manager**

Ward(s): All

Purpose: To agree the audited accounts for 2012/13 under powers delegated by the Council.

Decision Type Key decision

Contact: Pauline Adams, Financial Services Manager.
Telephone Number 01323 415183

Recommendations: Members are asked to -

- i) Agree the action taken in respect of the non-trivial but not material errors identified by External Audit.
- ii) Approve the final audited accounts for 2012/13.
- iii) Agree delegated authority to the Chief Finance Officer to make minor amendments to the Statement of Accounts.

1.0 Introduction

1.1 The Accounts and Audit Regulations 2011, the Audit Commission Act 1998, the Code of Audit Practice (issued by the Audit Commission) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code) set out the requirements for the production and publication of the annual Statement of Accounts.

1.2 The regulations require that an appropriate body should approve the audited Statement of Accounts after they have been certified by the Chief Financial Officer within six months of the financial year end i.e. by 30 September.

1.3 The Committee noted the draft accounts for 2012/13 at its meeting on 26 June 2013

2.0 Audit of Accounts

2.1 BDO has now issued the draft ISA260 Annual Governance Report which is included as a separate report to this committee.

2.2 BDO has indicated that subject to satisfactory completion of the outstanding work it is anticipated that an unqualified audit opinion on both this Council's accounting statements and the group accounting statements will be issued. The opinion is expected to be given before the statutory deadline of 30 September.

3.0 Key issues arising from the audit.

3.1 There have been only minor changes to the accounts between June and the current position. These are mainly presentational and a revised copy of the statement of accounts is attached to this report.

3.2 BDO's Annual Governance report highlights some areas of unadjusted differences. These are below the level of materiality and no changes to the main accounting statements have been necessary.

4.0 Conclusions

4.1 The process for the 2012/13 audit and statement of accounts presentation represent a further significant improvement to previous years in terms of timeliness and accuracy.

4.2 An unqualified audit opinion is expected to be issued by 30 September by BDO.

Background Papers:

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

Final Accounts working papers 2012/13
PKF Annual Governance Report 2012/13

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 th September 2013
Subject:	Risk Management
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a report on the updating of the Strategic Risk Register and changes made to it.
Recommendation(s):	To consider and agree the amended Strategic Risk Register.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Introduction

- 1.1 The terms of reference for the Audit and Governance Committee include the following: Review the effectiveness of the Council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.
- 1.2 It has been agreed that the Strategic Risk Register need only be reported to Committee when there are any changes made.

2.0 Quarterly review of Strategic Risk Register

- 2.1. The Strategic Risk Register was taken to Corporate Management Team on 20th August 2013 for the regular quarterly review.
- 2.2. One item was raised concerning risk SR_006. The first mitigating action listed for this risk is "Regularly reviewed and tested Business Continuity Plans". It was discussed that currently this control is not in place.
- 2.3. It was therefore agreed that the current impact score should be raised from 3 (significant) to 4 (major). However the level of alert remains at Amber.
- 2.4. Corporate Management Team commented that as the authority is currently in a time of transition, it would not be expected that the testing of Business Continuity Plans would be carried out regularly as expected.
- 2.5. The updated Strategic Risk Register is appended to this report.

3.0 Consultation

- 3.1 Corporate Management Team.

4.0 Resource Implications

- 4.1 Financial – Delivered within the approved budget for Internal Audit
- 4.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

5.0 Other Implications

- 5.1 None

6.0 Recommendations

- 6.1 To consider and agree the amended Strategic Risk Register.

Jackie Humphrey
Internal Audit Manager

Background Papers:

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

None

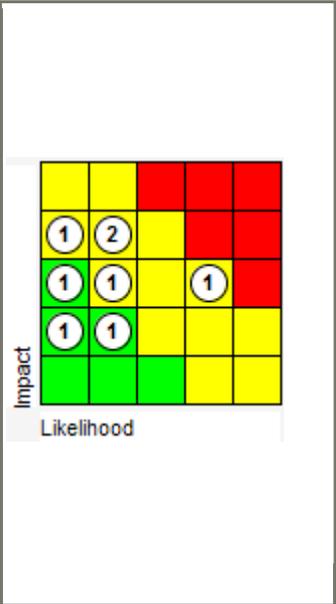
STRATEGIC RISK REGISTER

AUGUST 2013



Code & Title	SR_000 Strategic Risk Register
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Current Risk Matrix



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

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

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_001	No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	3	4	12	<p>1. Create inclusive governance structures which rely on sound evidence for decision making.</p> <p>2. Annual review of corporate plan and Medium Term Financial Strategy</p> <p>3. Creating an organisational architecture through the DRIVE Programme that can respond to changes in the environment.</p>	CMT; SHoS	1	2	2	Green	01-Nov-2013
SR_002	Changes to the economic environment makes the Council economically less sustainable	<p>1. Economic development of the town suffers.</p> <p>2. Council objectives cannot be met.</p>	4	4	16	<p>1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.</p> <p>2. Creating an organisational architecture through the DRIVE Programme that can respond to changes in the environment.</p>	CMT; SHoS	4	3	12	Amber	01-Nov-2013

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_003	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p> <p>3. Council structure unsustainable and not fit for purpose.</p> <p>4. Heightened likelihood of fraud.</p>	2	4	8	<p>1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Local Futures Toolkit/data modelling; East Sussex in Figures data modelling).</p> <p>2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)</p>	CMT; SHoS	2	3	6	Amber	01-Nov-2013
SR_004	The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	4	4	16	<p>1. DRIVE change programme to increase non-financial attractiveness of EBC to current and future staff.</p> <p>2. Appropriate reward and recognition policies reviewed on a regular basis.</p> <p>3. Review of organisation delivery models to better manage the blend of direct labour provision.</p>	CMT; ShoS	2	2	4	Green	01-Nov-2013

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_005	Not being able to sustain a culture that supports organisational objectives and future development.	<ul style="list-style-type: none"> 1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud. 	3	4	12	<ul style="list-style-type: none"> 1. Deliver a fit for purpose organisational culture through DRIVE change programme. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff. 	CMT; SHoS	2	4	8	Amber	01-Nov-2013
SR_006	Council prevented from delivering services for a prolonged period of time.	<ul style="list-style-type: none"> 1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people 	3	5	15	<ul style="list-style-type: none"> 1. Regularly reviewed and tested Business Continuity Plans. 2. Regularly reviewed and tested Disaster Recovery Plan. 3. DRIVE change programme has created a more flexible, less locationally dependent service architecture. 4. Adoption of best practice IT and Asset Management policies and procedures. 	CMT; SHoS	2	4	8	Amber	01-Nov-2013

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_007	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	<p>1. Service profile of the Council changes materially as a result of the impact of the event.</p> <p>2. Cost profile of the Council changes materially as a result of the impact of the event.</p>	3	5	15	<p>1. Ongoing and robust risk profiling of local area (demographic and geographic).</p> <p>2. Review budget and reserves in light of risk profile.</p> <p>3. Working in partnership with other public bodies.</p>	CMT; SHoS	1	3	3	Green	01-Nov-2013
SR_008	Failure to meet regulatory or legal requirements (e.g. Data Protection Act)	<p>1. Credibility of the Council is negatively impacted.</p> <p>2. Deterioration of financial position as a result of regulatory activity/penalties.</p> <p>3. Deterioration of service performance as a result of regulatory activity/penalties.</p> <p>4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health</p>	3	4	12	<p>1. Developing, maintaining and monitoring robust governance framework for the Council.</p> <p>2. Building relationships with regulatory bodies.</p> <p>3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise.</p> <p>4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property.</p>	CMT; SHoS	1	4	4	Amber	01-Aug-2013

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		and Safety duties. 5. Possibility of fraud and bribery.				5. Ensure there is full understanding the impact of new legislation (e.g. Localism Act).						

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