

Audit and Standards Committee

12 September 2022



Lewes District Council

Time and venue:

10.00am in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, BN7 1AB

Membership:

Councillor Julian Peterson (Chair); Councillor Adrian Ross (Vice-Chair); Councillors Christine Brett, Phil Davis, Isabelle Linington, Sean MacLeod and Christine Robinson

Quorum: 4

Published: Thursday, 1 September 2022

Agenda

1 Minutes (Pages 5 - 10)

To confirm and sign the minutes of the previous meeting held on 4 July 2022 (attached herewith).

2 Apologies for absence/declaration of substitute members

3 Declarations of interest

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

4 Urgent items

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

5 Written questions from councillors

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

6 External Audit Progress

Verbal update by Chief Finance Officer and Council's External Auditor, Deloitte

- 7 The Annual Audit Letter - 2018/19 External Audit (Pages 11 - 24)**
Report of Chief Finance Officer
- 8 Treasury Management Monitoring Report (Pages 25 - 40)**
Report of Chief Finance Officer
- 9 Internal Audit and Counter Fraud Report for the Financial Year 2022/2023 - 1st April 2022 to 30th June 2022 (Pages 41 - 76)**
Report of Chief Internal Auditor
- 10 Strategic Risk Register Quarterly Review (Pages 77 - 88)**
Report of Chief Internal Auditor
- 11 Annual Governance Statement Report (Pages 89 - 104)**
Report of Chief Internal Auditor
- 12 Date of next meeting**

To note that the next meeting of the Audit and Standards Committee is scheduled to be held on Monday, 14 November 2022, in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, BN7 1AB, commencing at 10:00am.

Information for the public

Accessibility:

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

Filming/Recording:

This meeting may be filmed, recorded or broadcast by any person or organisation. Anyone wishing to film or record must notify the Chair prior to the start of the meeting. Members of the public attending the meeting are deemed to have consented to be filmed or recorded, as liability for this is not within the Council's control.

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.

Email: committees@lewes-eastbourne.gov.uk

Telephone: 01273 471600

Council website: <https://www.lewes-eastbourne.gov.uk/>

Modern.gov app available: View upcoming public committee documents on your device. Free modern.gov [iPad app](#) or [Android app](#) or [Microsoft app](#) .

This page is intentionally left blank



Audit and Standards Committee

Minutes of the meeting held in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, East Sussex, BN7 1AB, on 4 July 2022 at 10:00am

Present:

Councillor Julian Peterson (Chair);

Councillors Adrian Ross (Vice-Chair), Robert Banks (Substitute) and Isabelle Linington

Officers in attendance:

Lee Ewan (Counter Fraud Investigations Manager), Jackie Humphrey (Chief Internal Auditor), Jennifer Norman (Committee Officer, Democratic Services), Ola Owolabi (Deputy Chief Finance Officer - Corporate Finance) and Tim Whelan (Director of Service Delivery)

Also in attendance (remotely, via Microsoft Teams): Niren Ramkhelowon (Deloitte) and Ben Sheriff (Deloitte)

1 Minutes

The minutes of the meeting held on 14 March 2022 were submitted and approved, and the Chair was authorised to sign them as a correct record.

2 Apologies for absence/declaration of substitute members

Apologies had been received from Councillors Christine Brett, Phil Davis, Sean MacLeod and Christine Robinson. It was declared that Councillor Rob Banks would be acting as substitute for Councillor MacLeod for the duration of the meeting.

3 Declarations of interest

There were none.

4 Urgent items

There were none.

5 Written questions from councillors

There were none.

6 External Audit of the Statement of Accounts

The Committee received a verbal update from the Deputy Chief Finance Officer (DCFO) and the Council's External Auditors, Deloitte, in respect of the External Audit of the Statement of Accounts.

The DCFO reminded the Committee that at its previous meeting on 14 March 2022 the External Audit of the 2018/19 Statement of Accounts had not yet been signed off. He confirmed, however, that the External Audit of the 2018/19 Statement of Accounts was signed off on 29 June 2022 and that District Council Officers and Deloitte were working together in respect of the remaining outstanding external audits.

The DCFO welcomed representatives from Deloitte, Mr Sheriff and Mr Ramkhelowon, via Microsoft Teams.

Mr Sheriff discussed various matters on valuation and where his team was in respect of the External Audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22. He explained that Deloitte was doing its best to recover its position and he thanked the Council's Finance team for their help and support throughout the process.

The Committee queried whether Deloitte had any targeted milestones, outline or timetable as to when the External Audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22 would be completed.

The DCFO and Mr Sheriff outlined the timetable for the completion of the outstanding audits, noting that they were confident that the timetable could be supported although it would be challenging. The Committee was informed that it should expect the following outstanding external audits at its meeting as follows:

- 2019/20 External Audit of the Statement of Accounts - 12 September 2022
- 2020/21 External Audit of the Statement of Accounts - 14 November 2022
- 2021/22 External Audit of the Statement of Accounts - 16 January 2023

The Chair thanked Deloitte on behalf of the Committee and highlighted that Members were looking forward to the completed audits.

Resolved: That the verbal update be noted.

7 Arrears Collection Audit

The Committee received a verbal update from the Director of Service Delivery (DSD) in respect of the Arrears Collection Audit.

The DSD highlighted there were a number of recommendations provided to the Council in respect of the Arrears Collection Audit, including the investigation

and recovery of old debts. He further highlighted that the Council had recruited Officers to complete the debit priorities and that additional temporary resources were being provided by Dukes Bailiffs.

Discussions included at what stage the Council wrote debt off, energy grants, non-engagement from residents in terms of debt recovery and aged debt.

The DSD explained that in terms of aged debt, the Council had set up a recovery hub and targets going forward, and that he was happy to circulate the information to the Committee once it became available.

Resolved: That the verbal update be noted.

8 Treasury Management Annual Report 2021/22

The Committee received the Annual Treasury Management report which presented details of Treasury Management activities and the prudential and treasury indicators for 2021/22.

The Deputy Chief Finance Officer (DCFO) summarised the report and its findings.

Discussions included capital expenditures, financing the capital programme, the Council's external debt levels, and the Council's ESG (Environmental, Social and Governance) investments.

The Vice-Chair queried whether all of the Council's deposits were ESG. The DCFO explained that 5 million pounds of the Council's deposits were considered ESG but he could not confirm if the remaining amounts were considered ESG, as the DMO (Debt Management Office) was a government bank.

Resolved:

1. That Full Council be recommended (via Cabinet) to agree the Annual Treasury Management report for 2021/22; and
2. That Full Council be recommended (via Cabinet) to approve the 2021/22 Prudential and Treasury Indicators included in the report.

9 Post Assurance Review of the First and Second Phase of Covid Business Grants

The Committee received the report which provided an update on the progress of the work being carried out in respect of the Post Assurance Review of the First and Second Phase of Covid Business Grants.

The CFIM presented the report and discussed its findings.

The Counter-Fraud Investigations Manager (CFIM) explained that the purpose of the report was to provide an update of the work undertaken to verify the coronavirus business support payments administered by Lewes District Council and to establish whether any payments were made in error or were fraudulent.

Discussions included the percentage of incorrect payments in comparison with neighbouring local authorities, grants which were discretionary and errors which were found to be fraudulent.

The Chair thanked the CFIM for his hard work.

Resolved: That the report be noted.

10 Internal Audit and Counter Fraud Report for the financial year 2021-2022 - 1 April 2021 to 31 March 2022

The Committee received the report which provided a summary of the activities of Internal Audit and Counter Fraud a summary of the activities of Internal Audit and Counter Fraud for the financial year 2021-2022 from 1 April 2021 to 31 March 2022.

The Chief Internal Auditor (CIA) summarised the report and discussed its findings.

Discussions included procurement, departmental restructure and counter fraud.

Resolved: That the report be noted.

11 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 and its findings, highlighting the June 2022 review by CMT in section 3 of the report.

Discussions included the changes to the SRR as set out in Appendix A, risk of flood and drought and water supply issues.

The Committee thanked the CIA for adding risk on rising energy prices and inflation to the SRR, with the Vice-Chair highlighting concerns about increased related costs to the Council.

Resolved: That the report be noted.

12 Annual Governance Statement

The Committee considered the report which set out the draft 2021/22 Annual Governance Statement (AGS).

The Chief Internal Auditor (CIA) summarised the report and discussed its findings, highlighting that no significant issues had been reported this year.

The CIA highlighted that during discussions with Officers relating to the housing system software being previously identified as a significant issue in the

SRR, it had been decided that the risk would be removed from the SRR as a significant governance issue. During the process, the CIA had mistakenly left a paragraph in the agreed SRR indicating that the housing software remained a significant governance issue. This was incorrect. After consultation with Democratic Services, it was agreed that the amended SRR would be published on the Council's website alongside the previous version which was agreed by the Committee in July 2021.

Discussions included previously requested more detailed breakdown in respect of the manager assurance statement and issues surrounding capacity and workforce shortages

Resolved: That the Annual Governance Statement as set out in Appendix 5, be approved.

13 Date of next meeting

That it be noted that the next meeting of the Audit and Standards Committee was scheduled to commence at 10:00am on Monday, 12 September 2022, in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, East Sussex, BN7 1AB.

The meeting ended at 12.12pm.

Councillor Julian Peterson (Chair)

This page is intentionally left blank

Report to:	Audit and Standards Committee
Date:	12 September 2022
Report Title:	The Annual Audit Letter - 2018/19 External Audit
Report of:	Chief Finance Officer
Ward(s):	All
Purpose of report:	To inform the Committee of the Annual Audit Letter for 2018/19.
Officer recommendation:	The Committee is recommended to note the Annual Audit Letter for 2018/19.
Reasons for recommendations:	The Council External Auditor is required to provide the Committee with an annual audit letter.
Contact Officer:	Name: Ola Owolabi Post title: Deputy Chief Finance Officer E-mail: ola.owolabi@lewes-eastbourne.gov.uk Telephone number: 01273 415083

1 Introduction

1.1 The Annual Audit Letter (AAL) attached as Appendix A summarises key issues arising from the work carried out during the final audit. This report contains no new findings or recommendations, and reflects issues already reported within the 2018/19 External Audit Report to the Audit and Standards Committee.

1.2 Deloitte issued an unqualified opinion on the Council's financial statements on 29 June 2022. This means that Deloitte confirms that the accounts present a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended. The AAL will be circulated to all Councillors and published on the Council's website on 12 September 2022.

2.0 2018/19 Statement of Accounts

2.1 The main message is that the auditors issued an unmodified audit opinion on the 2018/19 financial statements. The audit was conducted in accordance with the NAO Code of Audit Practice and the International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

2.2 The auditors also issued an unqualified VFM conclusion on 29 June 2022. The ISA 260 report to the Audit and Standard Committee in September 2021 concluded there are no material matters which Deloitte need to report in their Auditor's report on the financial statements with respect to the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

3 Corporate plan and council policies

3.1 Considered as part of the overall Accounts and Audit Regulations requirement and the timescales.

4 Financial appraisal

4.1 There are no direct financial considerations arising from this report.

5 Legal implications

5.1 Comment from the Legal Services Team is not necessary for this routine monitoring report. The Accounts and Audit (England) Regulations requires the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published.

6 Risk management implications

6.1 There are no implications arising from this report.

7 Equality analysis

7.1 Equality issues are considered.

8 Appendices

8.1 Appendix A - Annual Audit Letter on the 2018/19 External Audit - Lewes District Council

9 Background papers

9.1 2018/19 Independent Auditor's (Deloitte) Annual Governance Report on LDC Accounts and Value for Money conclusion report – ISA 260.



**Annual Audit Letter on the
2018/19 External Audit
Lewes District Council**

July 2022

Deloitte Confidential: Government and Public Services – For Approved External Use Only

Contents

	Page
1 Letter to Members	3
2 Key Messages	4
3 Responsibilities and Scope	5
4 Audit of the Accounts	6
5 Value for Money	10
6 Other Matters	11

1. Letter to Members

The Members
Lewes District Council
Southover House
Southover Road
Lewes
BN7 1AB

11 August 2022

Dear Members

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2019.

Although this letter is addressed to the Members of Lewes District Council ("the Council"), it is also intended to communicate the significant issues we have identified in an accessible style to key external stakeholders including members of the public.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from www.psaa.co.uk.

This letter has been discussed and agreed with the Chief Finance Officer. A copy of the letter will be provided to all Members.

This is our first year as the external auditor of the Council following the transition to the PSAA contract in 2018/19. The audit was impacted by: the timing of receipt of initial draft financial statements after the deadline for 2018/19 audits; prior year adjustments in respect of Capital Receipts in Advance and Capital Grant Unapplied Account; and other issues identified on property valuation and in the quality of the draft financial statements and supporting information for the audit. These led to significant additional audit work being required, with the impact on the timetable further exacerbated by the impact of the Covid-19 pandemic. All these factors led to an extension of the timetable for completing the Statement of Accounts. Our audit opinion was signed on 29 June 2022.

Yours faithfully,



Ben Sheriff
Key Audit Partner
for and on behalf of Deloitte LLP
St Albans, United Kingdom

2. Key Messages

Statement of Accounts

Unqualified opinion issued on 29 June 2022

In 2018/19 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards ("IFRS") as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and other relevant legislation.

The first draft of the Statement of Accounts was provided to us in November 2019, after the target date for 2018/19 audit completion and after availability of the audit engagement team, with consequent delays on the audit process.

We issued our audit opinion on the financial statements on 29 June 2022. Our opinion was not qualified.

Materiality for the Council's accounts was set at £1.8m.

Value for Money ("VfM") conclusion

Unqualified conclusion issued on 29 June 2022

We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office. This is an evaluation of whether the Council has in place proper arrangements to ensure properly informed decisions were taken and the Council deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We issued an unqualified VfM conclusion on 29 June 2022. Our ISA 260 report to the Audit Committee in September 2021 concluded there are no material matters which we need to report in our Auditor's report on the financial statements with respect to the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit findings

Our Audit Committee reporting included findings from our controls work and recommendations for improvement.

International Standards on Auditing (UK) require us to communicate in writing to those charged with governance the significant findings from our audit. Our report to the September 2021 Audit Committee meeting included our findings on internal control weaknesses and recommendations arising from the 2018/19 audit.

Independence and Objectivity

Independence and objectivity

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

3. Responsibilities and Scope

Responsibilities of the Council and Auditors

The Council is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We are appointed as the Council's independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England where they have opted into this programme.

As the Council's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- auditing the Council's accounts; and
- evaluating whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money ("VFM") conclusion).

These responsibilities are set out in greater detail in the Statement of Responsibilities of Auditors and Audited Bodies. This document can be accessed here: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/> .

The scope of our work

We conducted our audit in accordance with the NAO Code of Audit Practice and the International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS and other relevant legislation.

We conducted our work on the 2018/19 VFM conclusion in line with guidance issued by the National Audit Office in November 2017.

4. Audit of the Accounts

Statement of Accounts	
Unqualified opinion issued on 29 June 2022	<p>We issued an unqualified opinion on the Council's 2018/19 accounts on 29 June 2022.</p> <p>Before we give our opinion on the accounts, we are required to report to those charged with governance (here the Audit Committee) any significant matters arising from the audit. To address this requirement, our report was issued to the Audit Committee meeting held on 27 September 2021.</p> <p>The content of these papers including significant matters arising from the audit were discussed with the members of the Audit Committee in meetings during the course of the audit. These papers are available to view online as part of the Committee packs for those meetings.</p>
Materiality	<p>We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p> <p>Based on our professional judgement, materiality for the Council's accounts was set at £1.8m which equated to 2% of estimated gross expenditure at the planning stage of the audit. This benchmark was chosen as the Council is a non-profit organisation and total expenditure is a key measure of financial performance for users of the financial statements.</p> <p>We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £90k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We would also report to the Audit Committee on any uncorrected disclosure matters identified when assessing the overall presentation of the financial statements. For the avoidance of doubt, these matters were identified and communicated to the audit committee in relation to the audit of the 2018/19 Statement of Accounts in the meeting held in September 2021.</p>
Significant Risks	<p>Our audit work was designed to specifically address the significant audit risks presented in further detail below. These significant audit risks were the areas that were deemed to be those with the greatest potential of being materially incorrect in the financial statements and were therefore areas of greater focus for the audit team.</p> <ul style="list-style-type: none"> • <u>Valuation of property assets:</u> <p>The Council held £316.5m of property assets at 31 March 2019, an increase of £21.8m from prior year. The increase is made up of £12.8m revaluation gain, £9.0m of additions and disposals of £0.9m, offset by depreciation of £8.0m and reversal of depreciation to the gain on revaluation of £8.9m. Investment properties increased from £9.5m to £11.7m, of which £2.9m was additions and the remainder being valuation losses.</p> • Risk identified

A market review is carried out annually by Wilks, Head & Eve (WHE, a member of Chartered Surveyors and Town Planners), on behalf of the Council. Council dwellings, Other Land and Buildings and Surplus Properties are subject to periodic revaluation: all such assets are revalued at 5 year intervals. These were last valued as at 1 April 2014 by the Valuation Office Agency. The next full revaluation is due to be carried out in 2019/20.

Property valuations have been an area of challenge for the Council previously, which resulted in a change in valuer to WHE due to delays over delivery from previous firms.

- **Deloitte response**

- Our testing of the valuations of the Council’s property assets involved our property valuation specialists, Deloitte Real Estate (DRE) to review and challenge the valuation undertaken, as well as testing where relevant of inputs to the valuation. We checked that the property valuations included in the financial statements agree to the valuation report. We concluded that the valuations were materially correct, with a number of immaterial uncorrected misstatements identified. We made a number of recommendations to the Council to improve the valuation process in future years.

- **Cut off and Completeness of Expenditure via accruals and provisions:**

We concluded satisfactorily in this area and there are no findings to report.

- **Risk identified**

Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We rebutted this risk, and instead identified that the fraud risk lies with the completeness of expenditure and completeness and valuation of accruals. As per Practice note 10 most public bodies are net spending bodies, the risk of material misstatements due to fraud related to expenditure and accruals is high as public sector bodies may manipulate expenditure/ accruals which involve degree of estimations in order to meet externally set targets.

- **Deloitte response**

- We obtained an understanding of the key controls in place in relation to recording completeness of accruals and provisions.
- We tested the completeness of expenditure by performing a detailed review of accruals and provisions.
- As part of this focused testing, we challenged any assumptions made in relation to year end accruals and provisions.
- We reviewed the year on year movement in accruals and provisions and investigated significant movements.
- We tested a detailed sample of expenditure to ensure that there were no instances where items were recorded in the incorrect period especially at year end.

- **Management override of controls:** We concluded satisfactorily in this area. We did not identify any significant bias in the key judgements made by management based on work performed. Furthermore, we did not identify any instances of management override of controls in relation to the specific

	<p>transactions tested based on work performed. There are no other findings to report</p> <ul style="list-style-type: none"> • Risk identified <p>In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council’s controls for specific transactions.</p> • Deloitte response <ul style="list-style-type: none"> ○ Significant and unusual transactions: There were no significant or unusual transactions in the period. ○ Journals: We obtained an understanding of the controls in place and performed relevant testing. ○ The journal entries were selected using computer assisted profiling based on areas which we consider to be of increased interest. ○ We completed testing of the appropriateness of journal entries recorded in the general ledger. We tested the appropriateness of other adjustments made in the preparation of financial reporting. ○ Accounting estimates: We obtained an understanding of the controls over key accounting estimates and judgements. The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest: valuation of the Council’s estate and the pension liability. We reviewed accounting estimates for biases that could result in material misstatements due to fraud.
<p>Overall opinion</p>	<p>We issued an unqualified opinion on the Council’s 2018/19 accounts on 29 June 2022. Our opinion confirms that the accounts present a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended.</p>
<p>Annual Governance Statement and Other Information</p>	
<p>No issues were identified in relation to this work</p>	<p>As appointed auditors, we review the Annual Governance Statement (“AGS”) and other information presented with the financial statements to check that information is consistent with the financial statements. Following our procedures, the Council issued an addendum to the AGS covering the arrangements over the Council’s subsidiaries and other investments. We do not have any other findings to report in this area.</p>
<p>Powers and Duties</p>	
<p>We did not receive any questions about the accounts or make any public interest reports</p>	<p>Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.</p> <p>We have a duty to consider whether to issue a report in the public interest about something we believe the Council should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>

5. Value for Money

Background and approach

We are required to issue a value for money ("VfM") conclusion within our report on the financial statements. We are required to base our VfM conclusion on criteria specified by the National Audit Office ("NAO") where we are required to be satisfied those proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Our assessment is based on the following reporting criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

The following sub-criteria are then used to inform and guide our work and inform our overall judgement although there is no requirement to separate these nor to report against each sub-criteria:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Council.

We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.

We did not identify any significant risks as part of our risk assessment. Our reporting to the Audit Committee also included our observations in respect of the Council's reserves and the risks looking forward in respect of financial sustainability.

The VfM conclusion

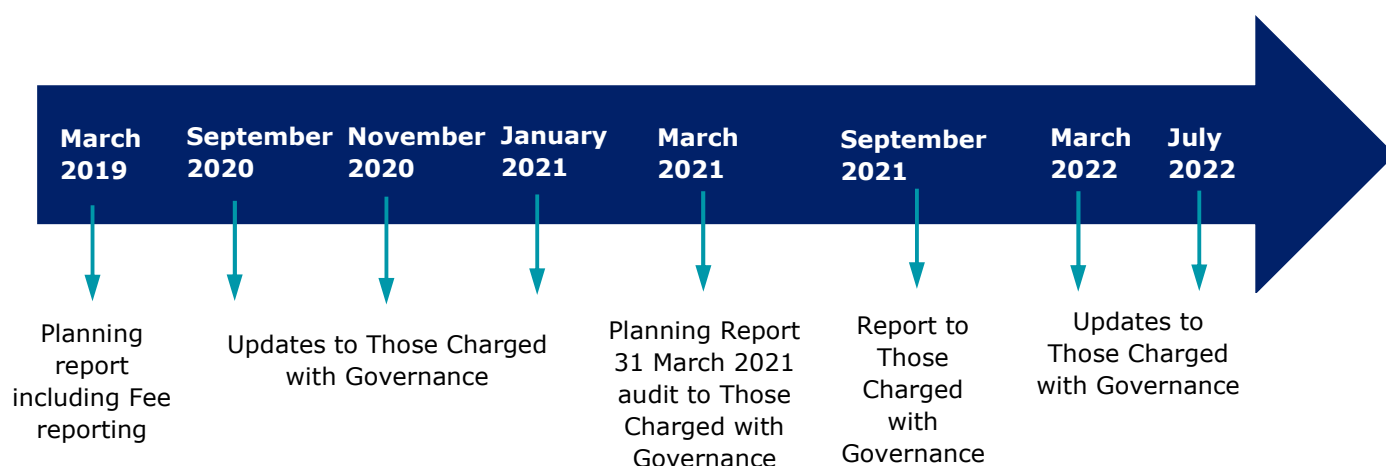
Having performed our work in line with guidance received from the National Audit Office we issued an unqualified value for money conclusion for the 2018/19 financial year.

6. Other Matters

Reports issued

Reports issued during the course of the 2018/19 audit included:

- Planning report including Fee reporting in March 2019;
- Updates on 2018/19 audit to Those Charged with Governance issued in September 2020, November 2020, January 2021 and March 2021;
- Report to Those Charged with Governance on the Planning report of the 20/21 audit of the Council in March 2021;
- Report to Those Charged with Governance on 2018/19 audit of the Council in September 2021;
- Updates on 2018/19 audit to Those Charged with Governance issued in March 2022 and July 2022; and
- This Annual Audit Letter.



Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Council but no control procedures can provide absolute assurance in this area.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2022 Deloitte LLP. All rights reserved.

This page is intentionally left blank

Report To:	Audit and Standards Committee
Date:	12 September 2022
Report Title:	Treasury Management Monitoring Report
Report of:	Chief Finance Officer
Ward(s):	All
Purpose of report:	To present details of recent Treasury Management activity.
Officer Recommendations:	To note and recommend that Cabinet accepts that Treasury Management Activities for the period 1 April to 30 June 2022 has 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: Ola Owolabi Post title: Deputy Chief Finance Officer E-mail: ola.owolabi@lewes-eastbourne.gov.uk Telephone number: 01273 485083

1. Introduction

- 1.1 The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.
- 1.2 The Treasury Strategy Statement also requires the Audit and Standards Committee to review a formal summary report detailing the recent Treasury Management activities before it is considered by Council, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.
- 1.3 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to treasury management reports by the Audit & Standards Committee before they were reported to the full Council.

Annual Treasury Management training

- 1.4 In line with the requirements to ensure an appropriate training for Councillors, a training session on the Treasury Management activities has been arranged to take place on **Monday 24th October 2022**, via TEAMS. The virtual training will be delivered by the Council's treasury management advisors – Link Asset Services.

2. Treasury Management Activity

- 2.1 The timetable for reporting Treasury Management activity in 2022/23 is shown within the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
4 June 2022	2021/22 Annual Report (up to 31 March 2022)
12 September 2022	1 April to 30 June 2022
14 November 2022	1 July to 30 September 2022
16 January 2023	1 October to 31 December 2022
13 March 2023	1 January to 28 February 2023

2.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held between 1 April to 30 June 2022 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 £	Int Rate %	Long-term Rating
Standard Charter Sustainable	29/04/2022	29/07/2022	91	5,000,000	1.05	A+
DMO	09/05/2022	09/08/2022	92	5,000,000	0.92	*
Bayerische Landes Bank	16/05/2022	16/08/2022	92	5,000,000	1.16	A-
DMO	16/05/2022	18/07/2022	63	3,500,000	0.93	*
DMO	27/06/2022	30/08/2022	64	5,000,000	1.24	*

*UK Government body and therefore not subject to credit rating

2.3 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured between 1 April to 30 June 2022, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £102.4m over this period.

Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
DMO	05/01/2022	05/04/2022	90	1,300,000	0.100	*
DMO	02/02/2022	04/04/2022	61	5,000,000	0.250	*
Link - Standard Charter Sustainable	01/03/2022	29/04/2022	59	5,000,000	0.640	A+

Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
Link - Bayerische Landesbank	14/03/2022	14/04/2022	31	5,000,000	0.600	A-
DMO	25/03/2022	25/04/2022	31	4,000,000	0.550	*
DMO	30/03/2022	01/04/2022	2	7,000,000	0.550	*
DMO	01/04/2022	11/04/2022	10	12,000,000	0.550	*
DMO	05/04/2022	19/04/2022	14	5,000,000	0.550	*
DMO	11/04/2022	25/04/2022	14	3,000,000	0.550	*
Link - Bayerische Landesbank	14/04/2022	16/05/2022	32	5,000,000	0.730	A-
DMO	19/04/2022	03/05/2022	14	7,000,000	0.550	*
DMO	25/04/2022	09/05/2022	14	6,500,000	0.640	*
DMO	03/05/2022	20/05/2022	17	12,600,000	0.815	*
DMO	20/05/2022	27/05/2022	7	3,500,000	0.800	*
DMO	27/05/2022	27/06/2022	31	5,000,000	0.930	*
DMO	01/06/2022	15/06/2022	14	7,500,000	0.800	*
DMO	15/06/2022	28/06/2022	13	8,000,000	1.025	*
Total				<u>102,400,000</u>		

*UK Government body and therefore not subject to credit rating

At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits held in the period 1 April to 30 June 2022 was 0.91%, which was below the average bank base rate for the period of 0.99%.

2.4 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £3.0m generating interest of approximately £6.8k.

	Balance at 30 June 2022 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£5,000	£5,000	0.49
Lloyds Bank Corporate Account	£2,488	£2,284	0.01
Lloyds Bank Call Account	£2,210	£975	0.05

2.5 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown below. The approved Investment Strategy allows a maximum investment of £10m in each fund, and at no time was this limit exceeded.

	Balance at 30 June 2022 £'000	Average balance £'000	Average return %
Deutsche Managed Sterling Fund	£0,001	0,001	0.00

2.6 Treasury Bills (T-Bills)

There were no Treasury Bills held as at 30 June 2022, and there was no activity in the period.

2.7 Secured Investments

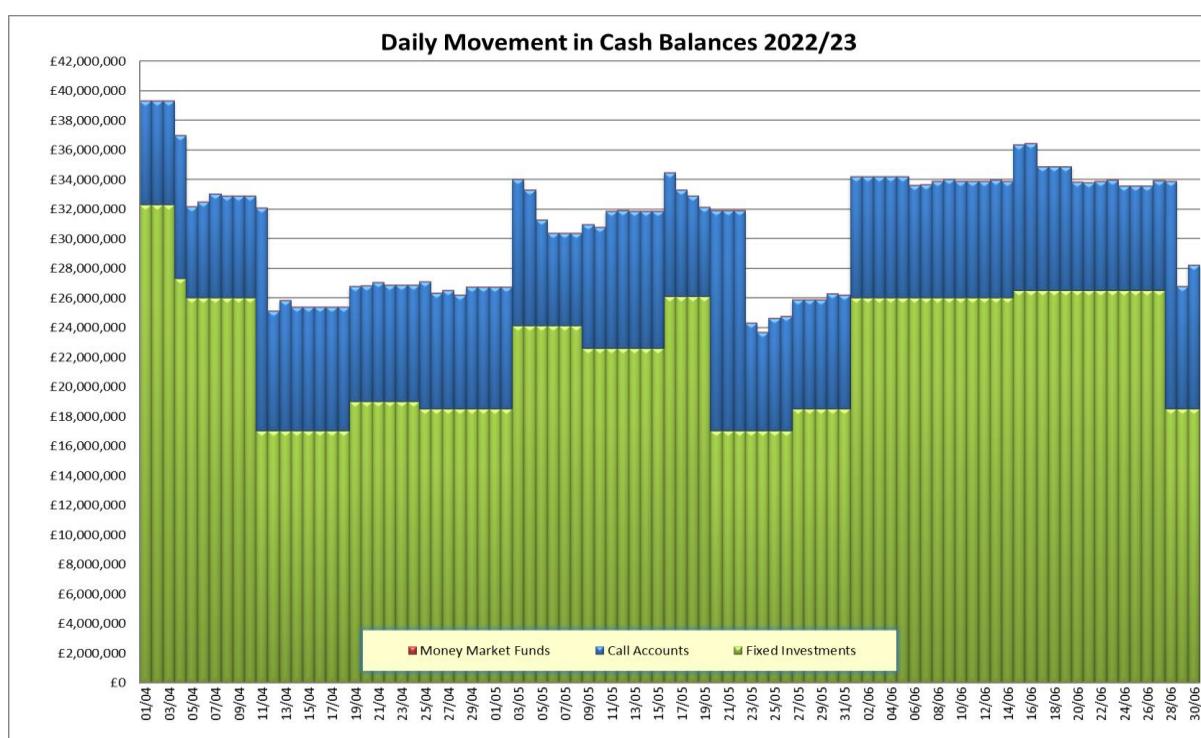
There were no Secured Investments as at 30 June 2022.

2.8 Tradeable Investments

There were no Tradeable Investments as at 30 June 2022, and there was no activity in the period.

3. Overall investment position

3.1 The chart below summarises the Council's investment position over the period 1 April to 30 June 2022. It shows the total sums invested each day as Fixed Term deposits, amounts held in Deposit accounts and Money Market Funds.



4. Annual Investment Strategy

4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 which includes the Annual Investment strategy, was approved by the Full Council on Monday, 21 February 2022. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity;
- Yield.

Approved limits within the Annual Investment Strategy were not breached during the period ending 30 June 2022, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 3 days during the period.

5. Borrowing

- 5.1 The current account with Lloyds Bank generally remained with credit limits throughout most of the period.

Interest Rate Forecast

- 5.2 The Council appointed Link Group as its treasury advisor 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.

The latest forecast on 21st June is compared below to the previous forecast (10th May). A comparison of these forecasts shows that PWLB rates have increased generally and show a speed up in the rate of increase in Bank Rate as inflation is now posing a greater risk. The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally as inflation concerns abound. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but without pushing the economy into recession.

Links current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities.

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

Link Group Interest Rate View 10.5.22													
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
3 month ave earnings	1.20	1.50	1.70	2.00	2.00	2.00	2.00	2.00	1.70	1.70	1.70	1.70	1.70
6 month ave earnings	1.60	1.90	2.10	2.20	2.20	2.20	2.20	2.10	2.00	1.90	1.90	1.90	1.90
12 month ave earnings	2.00	2.20	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.10	2.10	2.10	2.10
5 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50
10 yr PWLB	2.80	2.80	2.90	2.90	2.90	2.90	2.90	2.90	2.80	2.80	2.80	2.80	2.80
25 yr PWLB	3.00	3.10	3.10	3.20	3.20	3.20	3.10	3.10	3.00	3.00	3.00	3.00	3.00
50 yr PWLB	2.70	2.80	2.80	2.90	2.90	2.90	2.80	2.80	2.70	2.70	2.70	2.70	2.70

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of our previous forecasts, Links money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

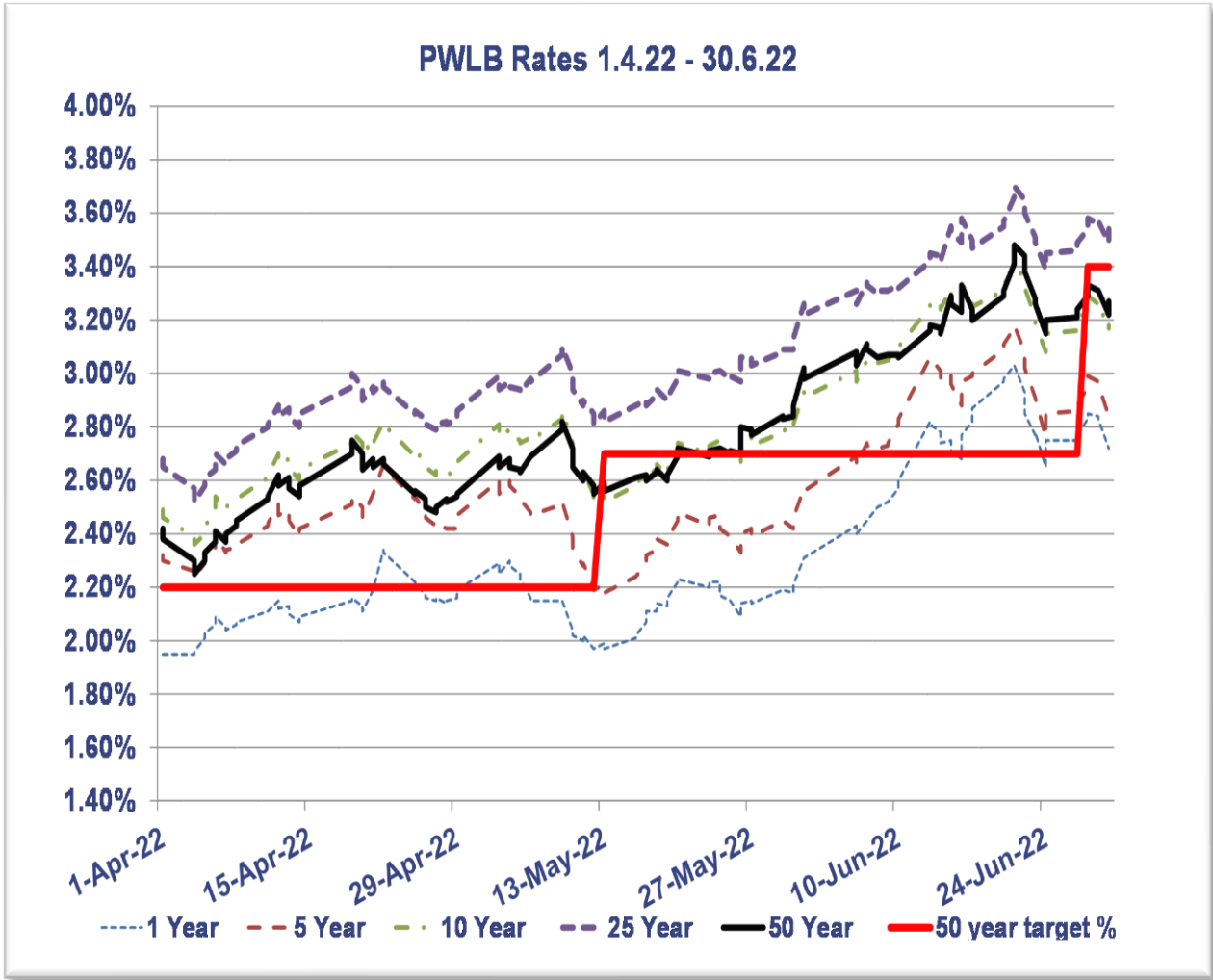
- Links forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

Economic background

- 5.3 Following Russia's invasion of Ukraine in February, global inflationary pressures have intensified sharply, leading to a sizeable deterioration in the outlook for world and UK growth. The economic backdrop in the April-June quarter was characterised by higher oil, gas and commodity prices, fears of rising and persistent inflation and its damaging impact on consumers' cost of living, little indication of an imminent end to Russia-Ukraine hostilities and supply chain bottlenecks exacerbated by war in Ukraine and lockdowns in China.
- 5.4 Added to this was tough rhetoric and action by central bankers globally on fighting inflation through higher interest rates and quantitative tightening even as financial conditions became increasingly difficult for consumers, more so for those whose wages have not kept pace with inflation.
- 5.5 In the UK inflation remained elevated. Ofgem, the energy regulator, increased the energy price cap by 54% in April, equivalent to around £700 for a household with average energy consumption (the cap had already increased 12% back in October 2021). May data showed CPI edging higher to 9.1% while the core CPI rate, which removes energy, fuel and food was 5.9%. RPI rose to 11.7%.
- 5.6 The labour market continued to show signs of tightness as employers struggled to fill vacancies with workers with skill sets matching their requirements. The unemployment rate for April fell to 3.8% and is now below pre-pandemic levels. Pay growth was 6.8% for total pay (including bonuses) and 4.2% for regular pay; however, adjusted for inflation, growth in total pay was just 0.4%, whilst regular pay fell 2.2%.
- 5.7 Unsurprisingly, with disposable income squeezed and another energy cap increase due in October, consumer confidence plummeted to the level last seen during the 2008/09 financial crisis. Quarterly GDP growth was 0.8% in the January-March quarter and the Bank of England now expects a decline of 0.3% in Q2 2022.
- 5.8 Having increased interest rates by 0.25% in April, the Bank of England's Monetary Policy Committee on the 15th of June 2022 voted 6-3 to increase the official Bank Rate by 0.25% to 1.25%. Those members in the minority preferred to increase Bank Rate by 0.5%. Rises in the input and output producer price measures suggest further inflationary pressure is in the pipeline. The Bank of England is therefore unlikely to become complacent, so further rate rises look likely in the near term.
- 5.9 Annual inflation in the US rose to 8.6% in May, the highest in nearly 40 years. The Federal Reserve also stepped up its fight against inflation with a 0.5% hike in rates in May followed by a further increase of 0.75% in June, the latter its most aggressive hike since 1994 and higher than markets expected, taking policy rates to a range of 1.5% - 1.75%.

PWLB maturity certainty rates year to date to 30th June 2022

- 5.10 Gilt yields and PWLB rates were on a rising trend between 1st April and 30th June. The 50 year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 2.70% in May before moving even higher to 3.40% in June.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	3.03%	3.18%	3.41%	3.70%	3.48%
Date	21/06/2022	21/06/2022	21/06/2022	21/06/2022	21/06/2022
Average	2.32%	2.58%	2.84%	3.08%	2.81%
Spread	1.08%	1.00%	1.05%	1.18%	1.23%

6 Compliance with Treasury and Prudential Limits

6.1 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 TMSS. As at 30 June 2022, the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

Treasury Prudential Indicators	2022/23 Estimate Indicator	2022/23 Projected Outturn	RAG Status
Authorised limit for external debt (CS 4.2.4)	£143.0m	£143.0m	GREEN
Operational boundary for external debt (CS 4.2.4)	£130.0m	£130.0m	GREEN
Gross external debt (CS 4.2.2)	£78.0m	£51.67m	GREEN
Capital Financing Requirement (CS 2.3.4)	£109.7m	£96.0m	GREEN
Debt vs CFR under/(over) borrowing	£31.7m	£44.3m	GREEN
Investments (Average)	£3.0m	£3.0m	GREEN
Investment returns expectations	1.0%	0.96%	AMBER
Upper limit for principal sums invested for longer than 365 days			
<i>Maturity structure of fixed rate borrowing - upper limits:</i>			
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
*Capital expenditure (CS 2.1.3)			
General Fund	£35.7m	2.1m	AMBER
HRA	£18.3m	1.1m	AMBER
Commercial Activities/ non- financial investments	£3.1m	0.3m	AMBER
<i>Ratio of financing costs to net revenue stream (CS 8.1.1):</i>			
Proportion of Financing Costs to Net Revenue Stream (General Fund)	4.2%	4.2%	GREEN
Proportion of Financing Costs to Net Revenue Stream (HRA)	11.0%	11.0%	GREEN

Key: CS – 2022/23 Capital Strategy; *Revised Capital Programme including 2021/22 slippages

7. Non-treasury investments

The non-treasury investment activity includes loans to Council-owned companies or the purchase of property assets for the purpose of income generation.

7.1 Lewes Housing Investment Company -

Lewes Housing Investment Company (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC was established to acquire, improve, and let residential property at market rents. A capital allocation of £2.5m was approved

as potential commercial loan funding to facilitate property purchases. At 31 March 2022, a total of £2,065 working capital has been drawn down. The balance has been rolled forward into 2022/23. There have been no transactions during the period 1 April 2022 to 30 June 2022.

7.2 **Aspiration Homes LLP –**

Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Lewes District Council and Eastbourne Borough Council. Incorporated in June 2017, AH was established for the purpose of developing housing to be let at affordable rent. A capital allocation of £17.5m was approved as potential commercial loan funding to AH to facilitate property purchases. At 31 March 2022, a total of £3,043,855 has been drawn down for the purchase of Gray's School, Newhaven, and Caburn Field, Ringmer. The balance has been rolled forward into 2022/23.

A working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2022, £20,000 of the working Capital facility loan had been drawn down. There have been no transactions during the period 1 April 2022 to 30 June 2022.

8. **Environmental, Social and Governance Investment - update**

8.1 The Cabinet at its meeting on 3 February 2022 approved the 2022/23 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.

8.2 While a wide range of ESG investment are currently limited, there are expectation 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 (i.e., prioritising security, liquidity before yield).

8.3 The Council holds a £5m deposit balance within the Standard Chartered Bank Sustainable Time Deposit, which function 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. These loan and project assets include green financing, sustainable infrastructure projects, microfinance, 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.

9. **Economic Background**

9.1 As expected, the Bank of England's Monetary Policy Committee continue to increase the Bank Rate and a detailed economic commentary on developments during period ended 30 June 2022 is attached as **Appendix A**.

10. Financial Appraisal

10.1 All relevant implications are referred to in the above paragraphs.

11. Risk Management Implications

11.1 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.

12. Equality Analysis

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

13. Legal Implications

13.1 There are no legal implications from this report.

14. Environmental sustainability implications

14.1 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.

15. Appendices

15.1 Appendix A - Detailed economic commentary

15.2 Appendix B - 2022/23 Q1 Capital Programme

15.3 Appendix C - GLOSSARY - Local Authority Treasury Management Terms

16. Background Papers

16.1 Treasury Strategy Statements 2022/23.

Link Treasury Services Limited - Detailed economic commentary on developments during quarter ended 30th June 2022

1 Economics update

- The second quarter of 2022 saw:
 - GDP fall by 0.1% m/m in March and by 0.3% m/m in April;
 - An easing rather than a collapse in the composite Purchasing Managers Index (PMI);
 - A further rise in Consumer Price Index (CPI) inflation to a new 40-year high of 9.1% in May;
 - The first signs that the weakening in economic activity is filtering into a slightly looser labour market;
 - Bank Rate rise to 1.25%, taking it to its highest level since the Global Financial Crisis;
 - Gilt yields caught up in the global surge in bond yields triggered by May's strong rise in US inflation;
 - Rising global bond yields and concerns over growth drive a global sell-off in equity markets.
- Following the 0.1% m/m fall in GDP in March and the 0.3% m/m contraction in April, the economy is now moving towards a recession (two quarters of falling output in a row). Indeed, GDP would need to rise by 0.4-0.5% m/m in both May and June to prevent the economy from contracting in Q2 as a whole. That said, without the joint wind down of the COVID-19 Test and Trace and vaccination programme, GDP would have risen by 0.2% m/m and 0.1% m/m in March and April respectively. That's hardly strong, but it suggests the underlying momentum is not quite as weak as the headline figures imply.
- There is not much evidence that higher inflation and higher interest rates have yet become a big drag on activity. Services output did fall by 0.3% m/m in April. But output in consumer-facing services, conversely, rose by a solid 2.3% m/m in April. And although the Office for National Statistics (ONS) said that some of the 1.0% m/m fall in manufacturing output was linked to the drag on activity from higher prices, it also said that some of the 0.4% m/m drop in construction output in April was a drop back after the boost in the wake of February's Storm Eunice.
- The fact that the composite PMI didn't fall in June also suggests that in Q2 (Apr – June) real GDP has softened rather than collapsed. The S&P Global/CIPS all-sector PMI for June was unchanged from its level of 53.1 in May, signalling tepid but positive growth. According to the Lloyd's barometer, business confidence in May also remained remarkably resilient.
- Despite the fall in the GfK composite measure of consumer confidence to a new record low of -41 in June, April's £1.4bn rise in consumer credit suggests households appear to have turned to credit to support their spending as the cost-of-living squeeze has intensified. Meanwhile, the household saving rate held steady at 6.8% in Q1 in line with its long-term average and we expect households to lower their saving rate further when the bigger falls in real incomes come in Q2 and Q3 to cushion the blow to spending.

- The Chancellor's latest fiscal support of £10.3bn (0.5% of GDP), which comprised £15.3bn of handouts to households, partly funded by a £5bn tax on the profits of oil and gas producers, will help support GDP in the second half of the year. And with the Prime Minister and the Chancellor desperately needing to boost their popularity, some tax cuts may be announced in the Autumn Budget.
- There have been early signs that the recent weakening in economic activity is filtering through into a slightly looser labour market. The unemployment rate edged up from 3.7% in the three months to March to 3.8%. The single-month data showed that employment fell by 254,000 in April and the unemployment rate rose from 3.5% to 4.2%. And the upward march in the number of job vacancies slowed, with the three-month average only rising from 1.296m in April to 1.300m in May. A seasonal adjustment of the single-month data implies that vacancies fell in May for the first time since COVID-19 was rife in December.
- At the same time, a 1.8% m/m fall back in average earnings in April meant that the 3myy rate of earnings eased from 7.0% in March to 6.8% in April. And a lot of the 0.5% m/m rise in earnings excluding bonuses was probably due to the 6.6% rise in the National Living Wage on 1st April. The 3myy rate of earnings excluding bonuses stayed at 4.2%.
- That said, conditions in the labour market remain exceptionally tight. The unemployment rate is still close to its recent 47-year low, and there is the same number of unemployed people as job vacancies and at 6.8% in April, the 3myy rate of average earnings is at a 10-year high (although it is still falling in real terms) and is well above the 3.0-3.5% that is broadly consistent with the 2.0% inflation target (assuming that productivity growth is 1.0-1.5%).
- CPI inflation rose from 9.0% in April to a new 40-year high of 9.1% in May and it is not yet close to its peak. The increase in CPI inflation in May was mainly due to a further leap in food price inflation from 6.7% to a 13-year high of 8.5%. With the influence of increases in agricultural commodity prices yet to fully feed into prices on the supermarket shelves, we think that food price inflation will rise above 10% in September. And with two-thirds of the observation period for the Ofgem price cap having now passed, something like a 40% rise in utility prices is pretty much baked in the cake for October. The further rise in core producer price inflation, from 13.9% to 14.8%, suggests that core goods CPI inflation will probably rise to 14% before long. We think that will take CPI inflation to a peak of around 10.5% in October.
- The rise in services CPI inflation from 4.7% in April to 4.9% in May suggests that domestic price pressures are still strengthening.
- There now seems to be an even greater likelihood that second-round effects, whereby high inflation feeds back into higher price and wage expectations, keep inflation higher for longer. For some time, the Monetary Policy Committee (MPC) has placed a lot of weight on the results of the Bank of England's monthly Decision Maker Panel which asks businesses how they expect to change their prices and wages over the next year. May's survey revealed that businesses still expect to raise their selling prices by 6.0% and their wages by 4.8% over the next year. Meanwhile, XpertHR said that pay settlements across the economy stayed at a 30-year high of 4.0% in May. The government appears to be contemplating raising public sector pay by up to 5%. And the 7.1% pay rise granted to some railway workers sets a high bar for the negotiations that led to train strikes across large parts of the country in mid-June.

- The MPC has now increased interest rates five times in as many meetings and raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed raised rates by 75 basis points (bps) in June and a handful of other central banks have recently raised rates by 50bps, the Bank of England's action is relatively dovish. The MPC's decision not to follow the Fed and raise rates by more makes some sense. The UK's status as a larger importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- But the MPC's new guidance is that if there are signs of "more persistent inflationary pressures" it will, "if necessary, act forcefully in response". We expect the MPC to continue to raise rates in steps of 25bps rather than 50bps. We think the MPC will raise rates from 1.25% now to a peak of 2.75% next year. That's higher than the peak of 2.00% forecast by economists, but lower than the peak priced into the financial markets.
- Gilt yields have been caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. And in response to signs that central banks (particularly the US Fed) are going to raise interest rates faster to get on top of inflation, we now think that 10-year gilt yields will reach a peak of 2.70% (up from 2.39% currently) this year and into 2023.
- While the S&P 500 is 8.4% below its level a month ago, the FTSE 100 is 5.7% below it. Part of the sell-off has been driven by the rapid rise in global bond yields and the resulting downward pressure on equity valuations as well as concerns over economic growth.
- Finally, the pound has already weakened from \$1.37 and €1.21 earlier this year to \$1.21 and €1.16. A lot of these moves have been driven by concerns over the outlook for the global economy and the resulting poor performance of risky assets, which has increased the demand for the dollar relative to sterling. If interest rates rise faster and further in the US than in the UK, rate differentials and a worsening in risk appetite will push the pound even lower, from \$1.21 now to \$1.18 by the end of 2022. We don't expect the pound to fall by as much against the euro (from €1.16 to €1.14 next year). But once global inflation and global interest rates peak, the pound will probably benefit from the return of risk appetite. It may rise to \$1.25 by the end of 2023 and to \$1.30 by the end of 2024.
- After the Bank of England became the first major western central bank to put interest rates up in this upswing in December, it has quickly followed up its first 0.15% rise by a further four 0.25% rises to 1.25%, in what is very likely to be a series of increases repeated throughout the rest of 2022 and into 2023.

GLOSSARY

Local Authority Treasury Management Terms

Terms	Descriptions
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.
CFR	<p>Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed.</p> <p>The CFR increases with capital expenditure and decreases with capital finance and MRP.</p>
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
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.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.

Terms	Descriptions
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DLUHC	Department for Levelling Up, Housing and Communities (<i>formerly known as Ministry of Housing, Communities & Local Government - MHCLG</i>).
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government’s debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
Income Return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
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. Due to be phased out by 2022.

Terms	Descriptions
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
PWLB	Public Works Loan Board – 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. Not available in Northern Ireland.
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.
Short-dated	Usually means less than one year
TMSS	Approved Council's Treasury Management Strategy Statement
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.

Agenda Item 9

Report to:	Audit and Standards Committee
Date:	12 September 2022
Title:	Internal Audit and Counter Fraud Report for the Financial Year 2022-2023 – 1st April 2022 to 30th June 2022
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To provide a summary of the activities of Internal Audit and Counter Fraud for the first quarter of the financial year 2022-2023 – 1st April 2021 to 30th June 2022.
Officer recommendation(s):	<ol style="list-style-type: none">1) That the information in this report be noted and members identify any further information requirements.2) The Committee is requested to consider and adopt the Audit Charter.3) The Committee is requested to consider and adopt the Code of Ethics for Internal Auditors.
Reasons for recommendations:	<p>The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council’s arrangements for identifying and managing risk.</p> <p>The Public Sector Internal Audit Standards expect the Audit Charter to be periodically reviewed and brought to the Audit and Standards Committee for approval.</p> <p>The Public Sector Internal Audit Standards expect Internal Auditors to abide by a code of ethics. For best practice the Internal Audit team hold their own Code of Ethics for Internal Auditors: the Audit and Standards Committee are requested to evidence this best practice by reviewing and approving the Code.</p>
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 Standards Committee includes the duties to agree an

Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.

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 for the first quarter of the financial year 2022-23.

2 Review of the work of Internal Audit carried out in the first quarter of the financial year 2022-23

2.1 During the first quarter of the financial year the work of the Internal Audit team has to concentrate on completing the annual reviews that have to be carried out. There are 11 of these and they cover the main financial systems.

2.2 Four of these have been issued in Final in the first quarter along with even reports on follow-ups of audits carried out in previous years. One further report was issued in draft within the quarter.

2.3 Appendix A lists all reports that have been issued in the first quarter of the year.

2.4 Appendix B lists all the audits which are still subject to follow up reviews. The table shows the results of all 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.

2.5 Appendix C lists all the outstanding recommendations against reports after one or more follow ups have been carried out.

2.6 Of the audits listed in Appendix C the following should be noted:

Outstanding after 4 follow ups

- Business Continuity Plans: 1 high risk recommendation outstanding – work is well underway on addressing this last recommendation.

Outstanding after 3 follow ups

- Leaseholder Management and Recharges: 2 medium risk recommendations outstanding – looking to establish a leaseholder panel for consultations. Will publish an interim handbook if not completed by August.
- Arrears Collection – 1 low risk recommendation outstanding – an Arrears Collection Strategy is expected to be in place by September.

Outstanding after 2 follow ups

- Procurement: 9 medium risk recommendations outstanding – see 2.7
- Members Allowances: 2 medium recommendations outstanding – at previous follow ups there have not been enough claims to test. Checks will be made and a follow up completed as soon as possible.
- Officers Expenses: 1 medium and 6 low risk recommendations outstanding – two low risk recommendations are awaiting a meeting of

the Senior Managers' Forum and all the rest need forms to be updated and this is reported as being ongoing in all cases.

2.7 At the time of writing this report a full follow up is still to be carried out on Procurement. However, the Strategic Procurement Manager and Systems and Transactional Manager were asked to give a brief update. The responses from the Strategic Procurement Manager are:

- Write a Procurement Strategy – in progress.
- Write a Procurement forward plan – initial plan developed and being updated as new projects come on-line.
- Publicise corporate contracts – contracts registers are on the website.
- Contract procedure rules should make clear that corporate contracts must be used – will be included as part of the strategy
- Spend analysis should be used to identify contract opportunities – reports are reviewed quarterly to identify contract opportunities.

The responses from the Systems and Transactional Manager are:

- All CAFI users reminded in March 2022 of the need to raise purchase orders prior to ordering goods and services with suppliers and to let suppliers have the purchase order number so this could be entered on the invoice that the supplier sends to the appropriate authority. All suppliers paid in last 3 years have been written to via email to be informed of expectations with regards sending invoices in. We are about to carry out a follow up exercise starting in mid-September to contact all CAFI users again, plus all suppliers, to let them know we will be from a set date, probably 01/11/2022, no longer accepting supplier invoices where here is no valid purchase order number quoted on them. These will be returned to suppliers after this date asking for them to be resubmitted with this information on. There are, and will be, supplier exemptions, most notably around utility invoicing.
- This has not been actioned yet. A general email will be sent out to all CAFI users reminding them of this and also to update our, “How to raise a PO” instructions on the web.
- Discussions between the Strategic Procurement Manager and Systems and Transactional Manager concerning the “Type of Creditors” functionality on CAFI have yet to take place.

As soon as the annual audits are completed, a full follow up on Procurement will be carried out.

2.8 The work of the audit team has been concentrating on completing the annual audits. During this time follow up reviews are put on hold. However, once the annual audits are completed, the follow ups will be picked up and completed.

3 Review of the work of Counter Fraud carried out in the first quarter of the financial year 2022-23

3.1 Housing Tenancy – The team continue to work closely with colleagues in Homes First and Legal to build on the existing investigations and find possible solutions in response to the backlog of cases generated and delayed by Covid-19 restrictions. There are 33 ongoing sublet/abandonment tenancy cases at

various stages. Four cases were closed during this period with the successful return of one property resulting in a net saving to the authority of £93,000.

- 3.2 Right To Buy - There continues to be a steady volume of Right To Buy applications since autumn 2021. 16 cases are currently either being checked to prevent and detect fraud and protect the authority against money laundering with 19 previously withdrawn applications still requiring a home visit to verify residential status. Four applications were withdrawn resulting in a net preventative saving of £335,400.
- 3.3 Housing Applications/Homeless Placement – the team are working directly with colleagues in Homes First to implement additional counter-fraud measures to ensure the limited housing stock that is available will only be allocated to those in genuine need.
- 3.4 National Non-Domestic Rates – As part of the review of Small Business Grant Fund applications, discrepancies of Small Business Rate Relief and liable rate payer have been found. A number of cases are currently still under review, with one case closed down during this quarter with no change in business rates.
- 3.5 Council Tax – 13 cases have been investigated where discounts/exemptions were being claimed which have resulted in rebilling with a net recoverable income of £33,460 generated for the authority and a preventative saving of £15,492. A review of Council Tax exemptions/disregards will continue through 2022/23.
- 3.6 Council Tax Reduction – 4 cases are currently under investigation.
- 3.7 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. However, this has begun to change with eight cases closed in this period with no further action required.
- 3.8 National Fraud Initiative – The 2020/21 exercise is gradually nearing completion; the Counter Fraud team have cleared 1013 cases in this quarter with no additional savings or fraud found. It is anticipated that a second batch of Covid-19 grant matches incorporating phase 2 grants will be made at some point during this financial year (original release date was April 2022).
- 3.9 Data Protection Requests – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During this period the team have dealt with six Data Protection requests from the Police and other authorities. In addition, 15 Gas Safety checks were completed on council properties where the tenant has not responded.
- 3.10 Covid-19 Business Grants - Following on from the government's announcement to support businesses through the Covid-19 pandemic, the team have been undertaking post verification checks to include evidence sampling of random cases selected by the Department for Business, Energy and Industrial Standards. It is anticipated that this work will continue into the autumn.

3.11 A trial at Chichester Crown Court was heard in December 2021 where a former Lewes District Council tenant was found guilty of two counts of fraud for two separate Right to Buy applications. The sentence hearing was delayed until April 2022 where the judge handed down a 24-month prison sentence for each offence to run concurrently, this is suspended for 24 months. The former tenant was also required to complete 40 hours of unpaid work within 12 months, pay a victim surcharge order and prosecution costs of £15,887.

The Counter-Fraud, Legal and Homes First teams put a significant amount of work into this case which is only the second ever Right To Buy criminal prosecution made by the council.

The property has already been returned to the council following a successful civil court case in 2021 and is now being used by a family with a genuine housing need.

3.12 A table showing the savings made by the Counter Fraud team in 2022-2023 can be found at Appendix D. A table has been added to this appendix to give an explanation of how the amounts have been calculated.

4 Updating Policies

4.1 Work is currently underway to ensure that the suite of policies for Internal Audit and Counter-Fraud are reviewed and updated where appropriate. As these are updated they will be brought to the committee to be considered and approved.

4.2 The Public Sector Internal Audit Standards expect the Internal Audit function to hold an Audit Charter which covers the powers, role and authority of the Internal Audit function. The Standards also expect the Charter to be approved by the committee. The Charter has been subject to a review and is therefore brought to the committee for approval. The Audit Charter can be found at Appendix E.

4.3 The Public Sector Internal Audit Standards expect Internal Audits to abide by a code of ethics as set out in the Standards. For best practice, Internal Audit hold their own Code of Ethics for Internal Auditors based on the Standards and this has also been reviewed. Whilst bringing this Code to the committee is not required within the Standards, committee are asked to approve the Code to evidence best practice. The Code of Ethics for Auditors can be found at Appendix F.

4.4 The committee is requested to consider and approve both the Audit Charter and the Code of Ethics for Internal Auditors.

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 – Audit Charter
- Appendix F – Code of Ethics for Internal Auditors

LIST OF ALL REPORTS ISSUED DURING THE FIRST QUARTER OF 2022-23**Follow Up Reports Issued In Current Year For Audits Completed In Previous Years**

AUDIT	FOLLOW UP	DATE FOLLOW UP ISSUED	ASSURANCE LEVEL	
Officers Expenses	Second	12.04.22	Substantial	See Appendix B for full details
Use of Social Media	First	09.05.22	Full	All recommendations addressed
Business Continuity Planning	Fourth	11.05.22	Substantial	See Appendix B for full details
Love Clean Streets	First	20.05.22	Partial	See Appendix B for full details
Arrears Collection	Third	24.05.22	Substantial	See Appendix B for full details
Implementation of Housing Software	Third	16.06.22	Full	All recommendations addressed
Leaseholder Management and Recharges	Third	27.06.22	Partial	See Appendix B for full details

Audit Reports Issued In Current Year

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-DUE
Treasury Management 2021-22	07.04.22	Substantial	N/A
Housing Rents 2021-22	23.06.22	Substantial	N/A
Payroll 2021-22	28.06.22	Substantial	N/A
Council Tax 2021-22	29.06.22	Substantial	N/A

Draft Reports Issued In the Current Year That Are Awaiting Responses

AUDIT	DATE DRAFT ISSUED
Contracts Management	22.06.22

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.

POSITION OF AUDITS REQUIRING FOLLOW UP

AUDIT	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
Business Continuity Plans	06.11.20	Minimal	21.05.21	Partial	19.08.21	Partial	20.12.21	Partial	11.05.22	Substantial	Nov 22
Procurement	09.12.20	Partial	26.07.21	Partial	16.12.21	Partial	Apl 22				
Leaseholder Management and Recharges	11.12.20	Partial	10.09.21	Substantial	24.03.22	Substantial	27.06.22	Partial	Sep 22		
Arrears Collection	06.01.21	Partial	06.09.21	Partial	18.01.22	Partial	24.05.22	Substantial	Oct 22		
Members Allowances	12.01.21	Substantial	14.07.21	Substantial	22.12.21	Substantial	Jun 22				
Officers Expenses	02.02.21	Substantial	09.11.21	Substantial	21.04.22	Substantial	Jul 22				
Fly Tipping	26.03.21	Partial	22.09.21	Partial	09.02.22	Substantial	13.07.22	Full			
Love Clean Streets	16.12.21	Partial	20.05.22	Partial	Aug 22						
Furloughing	06.12.21	Full	Mar 22								
Regeneration Projects	06.12.21	Substantial	Mar 22								
Film Liaison Unit	27.01.22	Minimal	Apl 22								
Use of Social Media	02.02.22	Partial	09.05.22	Full							
Information Governance	07.02.22	Partial	Jun 22								
Covid – New ways of working	11.02.22	Partial	Jun 22								
Construction Industry Tax	16.02.22	Partial	May 22								

This page is intentionally left blank

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
<p>Business Continuity Planning</p> <p>November 20</p>	Minimal	4	0	0	11.05.22	Fourth	Substantial	1	0	0	Nov 22	<p>Business Continuity Plans for every department must be completed and adopted as soon as possible.</p> <p>(6 months)</p>	<p>The Emergency Planning Officer is producing guidance for Heads of Service on how to convert their completed Business Impact Assessments into Business Continuity Plans.</p> <p><u>Audit comment</u></p> <p>The overarching Business Continuity Plan is in place and progress is well underway with producing both Business Impact Assessments and Business Continuity Plans for departments. As the guidance needs to be given and the plans written, a further review of the departmental plans will be carried out in six months.</p>

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
Procurement December 2020	Partial	0	11	0	16.12.21	Second	Partial	0	9	0	Apr-22	A Procurement Strategy must be written, adopted and disseminated. (12 months)	Due to working pressures this has not progressed however, it has been agreed that the Strategic Procurement Manager role will be made permanent from 1st January 2022. This should help facilitate its progress however, the appointment has not yet been formalised by the issue of a contract.
												A Procurement Forward Plan must be written, adopted and disseminated. (6 months)	In progress, a number of business plans have been received to support the developments of the forward plans. There is potential for this to be incorporated into the Community Wealth Building Officer role.
												Performance against the Procurement Forward Plan must be monitored and reported. (6 months)	The comments from the last follow up apply and the Strategic Procurement Manager has monitored savings and social value commitments against the procurements which he has managed. <u>Audit comment:</u> Responsibility for updating the contract register going forward must be identified.

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>Policies and procedures must clearly state that Corporate contracts must be publicised around the Council. (12 months)</p>	<p>Councils are required to publish transparency data about their contracts on a quarterly basis. Although the councils' contract registers are published on the website, they are incomplete and the data in some cases is inaccurate. <u>Audit comment:</u> Responsibility for updating the contract register going forward must be identified.</p>
												<p>Policies and procedures must clearly state that where corporate contracts exist these, and no other company, must be used. (12 months)</p>	<p>Amendments to the Contract Procedure Rules are still being worked on.</p>
												<p>Creditor expenditure must be regularly reviewed and investigated to highlight opportunities to put contracts in place and identify failure to use current corporate contracts. (6 months)</p>	<p>Spend analysis is completed on an annual basis. <u>Audit comment:</u> To ensure that expenditure out of contract is identified promptly spend analysis should be completed on a more regular basis.</p>
												<p>Non-compliance of raising purchase orders must be monitored and persistent offenders reported to the head of</p>	<p>We are reviewing available resources to be able to implement this new initiative including assigning the new interim</p>

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
												the relevant service area. (6 months)	systems accountant to this task to ensure compliance.
												A note must be added to guidance on raising invoices reminding officers to: • check the contracts register to consider whether their order could fall under the remit of a supplier with whom the organisation has an outstanding contract. Where a corporate contract exists these, and no other company, must be used • prompt officers to consider using suppliers already set up on the creditors system for a similar product (3 months)	Guidance for raising purchase orders will be updated to remind officers to check the contracts register for the supply of goods and services.
												The ability to expand the "Types" facility within Creditors must be investigated and if possible use of "Types" implemented across EBC, LDC, EHL and SEESL. (6 months)	A meeting with the Strategic Procurement Manager will be arranged to consider the use of "Types" and whether this would 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
Leaseholder Management and Recharges December 2020	Partial	0	2	0	28.06.22	Third	Partial	0	1	0	Sep-22	The Leaseholder Charges, Handbook, Legal and General Leasehold scheme and Permission for Alterations form must be made available on the councils' website, for LDC Leaseholders. (6 months)	The first draft was completed in April 2022. We are looking to establish a leaseholder panel that can lead the LDC leaseholder consultations at the moment. If the consultations for the new handbook have not been completed by August, then we will look to publish an interim leaseholder handbook online.
												A Leaseholder Handbook must be made available on the council's website. (6 months)	The first draft was completed in April 2022. We are looking to establish a leaseholder panel that can lead the LDC leaseholder consultations at the moment. If the consultations for the new handbook have not been completed by August, then we will look to publish an interim leaseholder handbook online.
Arrears Collection January 2021	Partial	2	2	3	24.05.22	Third	Substantial	0	0	1	Oct-22	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	An overarching corporate arrears collection strategy will be considered and adopted. It is expected that this will be completed by September 2022.

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
												accordance with approved guidelines. (3 months)	
Members Allowances January 2021	Substantial	0	3	0	22.12.21	Second	Substantial	0	2	0	Jun-22	All expenditure must be evidenced by official VAT receipts. Where expenditure includes VAT, reimbursement must be claimed through the creditors system. (1 month)	<u>Audit Comment</u> No claims including VAT had been made by the time of the follow up so this could not be checked
												All expenditure must be charged to the correct general ledger code. (1 month)	<u>Audit Comment</u> Testing at follow up revealed one claim had been incorrectly coded
Officers Expenses February 2021	Substantial	2	2	11	09.11.21	First	Substantial	0	1	6	Jul 22	The Reimbursement of Officers Expenses via Creditors claim form must be updated to include a link to up to date relevant council rules. (3 months)	An initial start has been made on an updated claim form.
												Officers expenses claims forms should be amended to have a tick box to be completed to show that a VAT receipt has been attached and a disclaimer that expenses claims may be questioned if there is no VAT receipt or the receipt is illegible.	An initial start has been made on an updated claim form.

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
												(3 months)	
												Consideration should be given to listing the most regularly used detail codes on the instructions tab of the Officers Expenses claim form. (e.g. travel, subsistence, equipment etc) and a note to cross reference this put onto the form itself. (3 months)	An initial start has been made on an updated claim form.
												A field must be added to the car mileage claim form to indicate if the mileage is undertaken by cycle rather than car. (3 months)	An initial start has been made on an updated claim form.
												The mileage claim form must be changed to ask for the total mileage as calculated by AA route planner and not ask for mileometer readings. A screen dump of the AA route planner showing the route and total mileage should also be asked for on the claim and no claim processed unless a screen dump was sent with the claim. (3 months)	An initial start has been made on an updated claim form.
												Claims for off-peak travel between Lewes	Deputy Chief Finance Officer confirmed that due to unforeseen meeting

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
												and Eastbourne must be paid at the post 9am return rail fare once the appropriate Easit discount has been applied regardless of whether the officer claiming used the Easit discount in accordance with the Travel Policy. (1 month)	rearrangements the item was not raised at the last Senior Managers Forum. Deputy Chief Finance Officer confirmed that it will be added to next meeting's agenda.
												Detail codes quoted on expense claim forms must be checked, prior to payment being made, to ensure that where the claim is relates to an obvious cost (e.g. subsistence) the correct code has been used. (3 months)	Deputy Chief Finance Officer confirmed that due to unforeseen meeting rearrangements the item was not raised at the last Senior Managers Forum. Deputy Chief Finance Officer confirmed that it will be added to next meeting's agenda.
Fly Tipping March 2021	Partial	0	7	0	13.07.22	Third	Full	0	0	0		All recs addressed	

REPORTS ISSUED 21/22

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
Love Clean Streets Application December 21	Partial	3	1	0	20.05.22	First	Partial	2	0	0	Aug 22	<p>A new contract must be negotiated with BBITS for the use of the Love Clean Streets service, in accordance with the Contract Procedure Rules. The contract must be passed through Legal Services.</p> <p>(3 months)</p>	<p>The Love Clean Streets service should be the responsibility of Neighbourhood First team.</p> <p>There is no current resource in place to perform a contract negotiation with the software developer.</p> <p>The software developer will be contacted to establish the first steps.</p>
												<p>Business Applications Manager comment - the business own their systems, rather than ICT BAU. A system owner needs to be found, in the business.</p> <p>Audit comment – no response was received from the Head of Neighbourhood First</p> <p>(3 months)</p>	<p>The Love Clean Streets service should be the responsibility of Neighbourhood First team.</p> <p>There is no current resource in place to perform a contract negotiation with the software developer.</p> <p>The software developer will be contacted to establish the first steps.</p>

This page is intentionally left blank

INCOME AND SAVINGS ACROSS THE CURRENT FINANCIAL YEAR

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	0	0	0	0	0	0	0	0	0
Right To Buy value saved through intervention	0	£93,000.00	0	0	0	0	0	0	0	£93,000.00
Housing intervention/fraud	0	£335,400.00	0	0	0	0	0	0	0	£335,400.00
Revenues										
National Non Domestic Rates	0	0	0	0	0	0	0	0	0	0
Council Tax	£33,460.07	0	0	0	0	0	0	0	£33,460.07	0
Value of ongoing Council Tax increase per week	0	£15,492.16	0	0	0	0	0	0	0	£15,492.16
Council Tax Penalties	0	0	0	0	0	0	0	0	0	0
CTR & Housing Benefit										
Council Tax Reduction	0	0	0	0	0	0	0	0	0	0
Council Tax Reduction weekly incorrect benefit	0	0	0	0	0	0	0	0	0	0
Housing Benefit	0	0	0	0	0	0	0	0	0	0
Housing Benefit weekly incorrect benefit	0	0	0	0	0	0	0	0	0	0
Income from Administrative penalty collection	0	0	0	0	0	0	0	0	0	0
NFI										
Overpayments identified	0	0	0	0	0	0	0	0	0	0
Weekly incorrect benefit identified	0	0	0	0	0	0	0	0	0	0
TOTALS	£33,460.07	£443,892.16	£0	£0	£0	£0	£0	£0	£33,460.07	£443,892.16

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:	LDC Audit and Standards Committee and EBC Audit and Governance Committee (September 2021)
Date of publication:	
Revision due:	
Final Equality and Fairness Analysis (EaFA) report approved by:	Not applicable
Date final EaFA report approved:	Not applicable

CONTENTS

Powers	2
Role and Mandate	2
Authority	2
Organisation	2
Independence and Objectivity	3
Responsibilities	3
Internal Audit Plan	3
Reporting and Monitoring	4
Periodic Assessment	4
Quality Assurance and Improvement Programme	5
Review of the Charter	5

1. Powers

- 1.1 The Audit and Standards Committee, Lewes District Council, and the Audit and Governance Committee, Eastbourne Borough Council, (the committees) have established Internal Audit with the authority, purpose, responsibilities and duties as are set out in this Charter.
- 1.2 The committees empower Internal Audit to be able to conduct its work in accordance with the agreed plan, with free and unfettered access to people and information, consistent with the purpose, responsibilities and duties as set out in this Charter and any other matters that may be delegated by the Audit Committee to Internal Audit from time to time.

2. Role and Mandate

- 2.1 Internal Audit is an independent and objective, assurance and consulting activity forming part of the system of governance and internal control.
- 2.2 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.
- 2.3 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.

3. Authority

- 3.1 Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any of the business records, physical properties and personnel pertinent to carrying out any engagement.
- 3.2 All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

4. Organisation

- 4.1 The Chief Internal Auditor (CIA) will communicate with, and report quarterly, to the audit committees.
- 4.2 The CIA reports functionally to the Chief Finance Officer.
- 4.3 The CIA also has right of access directly to the Chief Executive, the Chairs of the Audit Committees and the Head of Legal Services should this be deemed necessary.
- 4.4 All work undertaken by the audit team is carried out in accordance with the Public Sector Internal Audit Standards.

5. Independence and Objectivity

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 The CIA will confirm to the audit committees, at least annually, the organisational independence of the internal audit activity.

6. Responsibilities

- 6.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the councils' governance, risk management and internal control processes in relation to the defined goals and objectives.
- 6.2 Internal Audit is responsible for evaluating all processes (Audit Universe) including governance processes and risk management processes with its approach set out in 7 and 8.
- 6.3 Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate. Other areas of consultancy may be considered.
- 6.4 Internal Audit is responsible for reporting significant risk exposures and control issues, identified through its work, to the committees.

7. Internal Audit Plan

- 7.1 At least annually the CIA will submit an internal audit plan to the committee to review and approve.
- 7.2 Internal Audit's plan will be risk based and aligned to the councils' objectives where appropriate.
- 7.3 The CIA will report any resourcing limitations within the team, and their impact, to the committees.
- 7.4 The internal audit plan will be developed using the Audit Universe and by identifying areas of risk or current concern. The suggested plan will be considered by CMT before submission to the committees for approval.
- 7.5 Progress against the plan will be reported quarterly to the committees.
- 7.6 The scope of internal audit will include:

- completeness, reliability and integrity of financial, management and performance information
- design and effectiveness of controls
- means of safeguarding assets, employees and interests
- processes for identifying, reporting and managing risks
- systems established to ensure compliance with policies, plans, contracts, legislation and regulations including those set by the councils and those established externally
- economy, efficiency and effectiveness in the use of resources

7.7 Internal Audit will continually seek to maintain independence and objectivity and will use professional judgement when considering rotation of staff on audit assignments.

8. Reporting and Monitoring

- 8.1 Findings may be prepared and issued by Internal Audit following the conclusion of internal audit engagements and will be distributed as appropriate. Internal Audit results will be communicated to the committees where appropriate.
- 8.2 The internal audit report may include management's response and corrective action to be taken in regard to the specific finding and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area, should include an action plan and timescales for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
- 8.3 The internal audit activity will be responsible for appropriate follow up on audit recommendations. All significant observations/recommendations will remain open until the responsible manager has provided assurance or, if relevant, further testing has shown that the necessary mitigating action has been carried out.

9. Periodic Assessment

- 9.1 The CIA is responsible for providing a self-assessment, at least annually, of the internal audit activity. This will be via reports to the committees on performance and a review of how the function meets the Public Sector Internal Audit Standards.
- 9.2 The CIA will also ensure that an external assessment is conducted at least every five years.

10. Quality Assurance and Improvement Programme

- 10.1 Internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance to the Definition of Internal Auditing, Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics for Internal Auditors. The programme also assesses the efficiency

and effectiveness of the internal audit activity and identifies opportunities for improvement.

11. Review of the Charter

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

STRONGER together



Lewes District Council



Working in partnership with **Eastbourne Homes**

Document name:	Code of Ethics for Internal Auditors
Document type:	Policy
Authority(ies) covered:	Aligned
Responsible (Executive Lead):	Chief Finance Officer
Accountable (Operational Lead):	Chief Internal Auditor
Version (e.g. first draft, final report):	First Draft Update
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

Contents

Introduction [2](#)
Code of Ethics [2](#)
Rules of Conduct [3](#)
Due Professional Care [4](#)
Working Relationships [6](#)
Seven Principles of Public Life [7](#)

CODE OF ETHICS FOR INTERNAL AUDITORS

Introduction

The Code of Ethics is a comprehensive statement of the values and principles that should guide the daily work of the Internal Audit function.

This code does not supersede or replace the requirements of the councils' terms and conditions of employment or other relevant codes and policies.

Code of Ethics

Internal Auditors are expected to behave ethically and uphold the following principles issued by the Relevant Internal Audit Standard Setters as the Public Sector Internal Audit Standards (PSIAS).

Integrity	the integrity of internal auditors establishes trust and this provides the basis for reliance on their judgement.
Objectivity	internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
Confidentiality	internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
Competency	internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors...

Integrity	<ul style="list-style-type: none"> • shall perform their work with honesty, diligence and responsibility • shall observe the law and make disclosures expected by the law and the profession • shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation • shall respect and contribute to the legitimate and ethical objectives of the organisation
Objectivity	<ul style="list-style-type: none"> • shall not participate in any activity or relationship that may impair or be presumed to impair the unbiased assessment. This participation includes those

- activities or relationships that may be in conflict with the interests of the organisation
- shall not accept anything that may impair or be presumed to impair their professional judgement
 - shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- Confidentiality
- shall be prudent in the use and protection of information acquired in the course of their duties
 - shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation
- Competency
- shall engage only in those services for which they have the necessary knowledge, skills and experience
 - shall perform internal audit services in accordance with the Public Sector Internal Audit Standards
 - shall continually improve their proficiency and the effectiveness and quality of their services.

Due Professional Care

Auditors are also expected to exercise due professional care as follows:

Principles of due professional care

Due professional care is:

- working with competence and diligence – it does not imply infallibility
- the use of audit skills, knowledge and judgement based on appropriate experience, training (including CPD), ability, integrity and objectivity
- respecting and understanding confidentiality.

Adherence to these standards will contribute to demonstrating that due professional care has been exercised.

Responsibilities of the individual auditor

Individual auditors are personally responsible for applying due professional care to their own work and conducting themselves appropriately. They should:

- be fair and not allow prejudice or bias to override objectivity
- declare any interest that could be perceived to be conflicting or could potentially lead to conflict
- not accept any gifts, hospitality, inducements or other benefits for employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's policy)

- use all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base their conclusions, professional judgements and recommendations
- be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest
- have sufficient knowledge to identify indicators that fraud or corruption may have been committed
- disclose all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements
- not use information they obtain in the course of their duties for personal benefit or gain.

Responsibilities of the Chief Internal Auditor and Audit Manager

The Chief Internal Auditor and Audit Manager should develop a monitoring and review programme to ensure that due professional care is achieved and maintained.

The Chief Internal Auditor and Audit Manager should ensure that procedures are in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct.

The Chief Internal Auditor and Audit Manager should make provision to avoid potential conflicts of interest and for the appropriate training and continuing professional development of all internal audit staff.

Working Relationships

The work of internal audit means that auditors are involved with a wide range of relationships. The quality of these relationships impacts on the effective delivery of service as well as the reputation and independence of the function.

Management

Management (and staff at all levels) need to have confidence in the integrity, independence and capability of internal audit. It is important to build co-operative relationships with management but these must not detract from auditors reporting control issues where necessary. Audit work must be planned in conjunction with management to ensure timings are acceptable unless unannounced visits are necessary. It is also important to keep managers abreast of the ongoing work and any major observations that will be noted in the report.

Other internal auditors

Where auditors need to work with internal auditors from another organisation the roles and responsibilities of each and the level of reliance on each others work should be agreed.

External Auditors

Internal audit provides assurance within the councils whereas external audit is responsible for giving an independent opinion on the organisation's financial statements and its use of resources.

There should be mutual recognition and respect leading to a joint improvement in performance. It is also important to avoid any duplication in work. It should be possible for both parties to rely on each other's work thereby enabling them to evaluate, review and only re-perform where necessary.

The Chief Internal Auditor and Audit Manager should meet regularly with a representative of the external auditors to consult on and co-ordinate their plans and discuss how work can be tailored to satisfy each party's responsibilities in areas of common interest.

Other regulators and inspectors

The Chief Internal Auditor and Audit Manager should seek to establish a dialogue with the agencies that may interact with the organisation, with a view to exchanging relevant information.

Elected members

The Chief Internal Auditor and Audit Manager must establish and maintain good working relationships and channels of communications with members.

The Seven Principles of Public Life

In addition internal auditors must have regard to the Seven Principles of Public Life which the Committee of Standards of Public Life believes should apply to all the public services. These are:

- Selflessness: holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- Integrity: holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- Objectivity: in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

- Accountability: holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- Openness: holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- Honesty: holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- Leadership: holders of public office should promote and support these principles by leadership and example.

This page is intentionally left blank

Report to:	Audit and Standards Committee
Date:	12 September 2022
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.

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 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 August 2022 Review

3.1 The Strategic Risk Register was taken to Corporate Management Team on 24th August 2022 for the quarterly review.

3.2 SR_022 – “Changes to the economic environment makes the council economically less stable”. Corporate Management Team considered the wording of the description number 4. “Covid 19 has had a serious impact on the council’s finances”. It is felt that the greater threat to council finances is now from the issues of the slowing economy and rising inflation. The wording has therefore been altered to read, “Inflation affecting council costs is having a significant impact on the council’s finances”.

3.3 SR_024 – “The employment market provides unsuitable employment base for the needs of the organisation”. Corporate Management Team are aware of there being a general issue with recruitment across all sectors currently. The effect of this has become more noticeable to the council. This risk has therefore been fully reviewed and the following amendments have been made to update the information.

- The risk description was “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”. This has been altered to read, “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”.
- A new internal control has been added to reflect the current steps being taken. This reads “Maximising flexibility around recruitment and retention”.
- It was decided to increase the likelihood score from 3 (likely) to 5 (almost certain) but it was felt that the impact should remain at (moderate).

3.4 SR_027 – “Council materially impacted by the medium to long-term effects of an event under the Civil Contingencies Act”. The Committee raised questions around this risk and Corporate Management Team discussed these and considered that the mitigating actions listed and agreed to add two more. These are:

“Funds set aside to help fund responses to an event” and “Working with the Environment Agency on climate change measures”.

3.5 The changes can be seen on the Strategic Risk Register 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.

This page is intentionally left blank

Strategic Risk Register (Lewes)



Report Type: Risks Report
Generated on: 31 August 2022

Current Risk Matrix		LIKELIHOOD 1 - Unlikely 2 - Possible 3 - Likely 4 - Highly Likely 5 - Almost Certain	IMPACT 1 - Minor 2 - Moderate 3 - Significant 4 - Major 5 - Critical
		The numbers in circles relate to the amount of risks currently positioned in each box.	

Page 81

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_021	No political and partnership continuity/consensus with regard to organisational objectives.	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy, unfit for purpose.	4	4	16	<u>Reduces Likelihood</u> 1. Create inclusive governance structures which rely on sound evidence for decision making. <u>Reduces Impact</u> 2. Annual review of corporate plan and Medium-Term Financial Strategy. 3. Creating an organisational architecture that can respond to changes in the environment.	Chief Executive	2	3	6	Amber	01-Nov-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
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> <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 the ability of customers to pay rent and council tax.</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><u>Reduces Likelihood</u></p> <p>5. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme.</p>	Chief Finance Officer	4	5	20	Red	01-Nov-2022
SR_023	Unforeseen socio-economic and/or demographic shifts creating significant	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p>	5	5	25	<p><u>Reduces Likelihood and Impact</u></p> <p>1. Grounding significant corporate decisions based on up-to-date, robust, evidence</p>	Director of Service Delivery	3	3	9	Amber	01-Nov-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	changes of demands and expectations.	<p>3. Council structure unsustainable and not fit for purpose.</p> <p>4. Heightened likelihood of fraud.</p> <p>5. Failure to support Newhaven Port Authority in the changes could result in an economic downturn in the town.</p>				<p>base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling).</p> <p>2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme).</p> <p>3. Working with the Port Authority to provide support, advice and to help explore funding options.</p>						
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	<p><u>Reduces Likelihood</u></p> <p>1. Changes increase non-financial attractiveness of the council to current and future staff.</p> <p>2. Appropriate reward and recognition policies reviewed on a regular basis.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>3. Pursuit of mutually beneficial shared service arrangements.</p> <p>4. Maximising flexibility around recruitment and retention</p>	Asst Director for HR and Transformation	5	2	10	Amber	01-Nov-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_025	Not being able to sustain a culture that supports organisational objectives and future development.	<ol style="list-style-type: none"> Decline in performance. Higher turnover of staff. Decline in morale. Increase in absenteeism. Service failure. Increased possibility of fraud. The council's Recovery and Stabilisation programme fails to meet its objectives. 	4	4	16	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> Build an organisational culture that supports equality and inclusivity through communication and support. <p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. Continue to develop communications through ongoing interactions with staff. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme. 	Asst Director for HR and Transformation	3	4	12	Amber	01-Nov-2022
SR_026	Council prevented from delivering services for a prolonged period of time.	<ol style="list-style-type: none"> Denial of access to property. Denial of access to technology/information. Denial of access to people. 	5	5	25	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> Adoption of best practice IT and Asset Management policies and procedures. <p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> The council has created a more flexible, less locationally dependent service architecture. 	Chief Executive	2	4	8	Amber	01-Nov-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						<u>Reduces Impact</u> 3. Regularly reviewed and tested Business Continuity Plans 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.	Chief Executive	2	3	6	Amber	01-Nov-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						<p><u>Reduces Likelihood</u></p> <p>7. Adoption of, and action taken to implement, the council's Climate Change and Sustainability Strategy.</p>						
SR_028	Failure to meet regulatory or legal requirements.	<p>1. Trust and confidence in the council is negatively impacted.</p> <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>	3	4	12	<p><u>Reduces Likelihood</u></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>	Chief Executive	2	4	8	Amber	01-Nov-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						<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> <p>3. Reputational damage if governance procedures are inadequate.</p> <p>4. Failure to abide by company law.</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>3. Ensure that projects meet core principles.</p> <p>4. Ensure governance processes are set up and adhered to.</p>	<p>Director of Regeneration and Planning</p> <p>And</p> <p>Chief Executive</p>	3	3	9	Amber	01-Nov-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
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	02-Aug-2022

Report to:	Audit and Standards Committee
Date:	12 September 2022
Title:	Annual Governance Statement Report
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To seek the Committee's approval of the Annual Governance Statement.
Officer recommendation(s):	To comment on and approve the updated draft Annual Governance Statement for 2021-22.
Reasons for recommendations:	To meet the Council's legal requirement to produce an Annual Governance Statement.
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 Corporate governance involves everyone in local government. Two definitions are:

“Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.

“How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – CIPFA/SOLACE

1.2 The council has a legal requirement to produce an Annual Governance Statement each year in accordance with the Accounts and Audit Regulations, 2015. The statement accompanies the Statutory Statement of Accounts once adopted.

1.3 The Audit and Standards Committee is tasked with overseeing the risk management, internal control and reporting to the council. A key component of this work is to approve the Annual Governance Statement.

2 Background

2.1 The Annual Governance Statement was brought to the committee in July and was agreed. However, following the meeting, it was noted that in updating and trying to improve the layout, a couple of paragraphs had been missed out of the new

version. For this reason, the amended Annual Governance Statement has been brought back to the committee for review and approval.

3 Missing Paragraphs

3.1 Both missing paragraphs are from the section “Review of Effectiveness” which begins on page six of the Annual Governance Statement.

3.2 The first paragraph is “Managing the Risk of Fraud and Corruption”. This paragraph explains five principles of the Code of Practice on Managing the Risk of Fraud and Corruption (Cipfa) and includes a brief statement on how these are met.

3.3 The second paragraph is the “Financial Management Code”. Local authorities are expected to disclose compliance with the Financial Management Code and identify any outstanding areas for improvement or change.

3.4 These paragraphs have been reinstated and can be found in the attached, updated Annual Governance Statement.

4 Improving the Process

4.1 Historically, there has been limited input to the Annual Governance Statement, with reliance being placed on the Chief Internal Auditor to check for relevant updates from senior management.

4.2 For the 2022-23 Annual Governance Statement, some new processes are being put in place to ensure that there is better input into collating information. Regular quarterly meetings have been set up with the Head of Legal Services and Monitoring Officer, the Head of Democratic Services, and the Governance and Compliance Head and Group Company Secretary. A meeting has also been set up with the Deputy Chief Finance Officer toward the end of the year to discuss financial issues and the Financial Management Code. Other meetings will be set up with appropriate managers to discuss any other areas necessary.

5. Actions

5.1 The changes referred to in paragraph 3 have been highlighted on the attached, amended, Annual Governance Statement.

5.2 The committee is asked to review and consider these updates and approve the amended Annual Governance Statement.

5.3 Once agreed, the statement will be passed to the Leader and the Chief Executive to sign. Once signed the statement will be published on the council’s website.

6 Financial appraisal

6.1 There are no financial implications arising from this report.

7 Legal implications

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

8 Risk management implications

8.1 Failure to produce an Annual Governance Statement, and to maintain proper assurance arrangements to support its production, can reduce the likelihood of the council meeting its objectives, and attract criticism from the council's stakeholders and the council's external auditor. The Audit and Standards Committee review of the Annual Governance Statement significantly reduces these risks.

9 Equality analysis

9.1 A detailed Equality analysis is not required for this report.

10 Appendices

10.1 Appendix 1 – Annual Governance Statement

11 Background papers

11.1 Internal Audit Report for the financial year 2021-2022.

This page is intentionally left blank



Lewes District Council

Annual Governance Statement

Responsibility

Lewes District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It also needs to ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

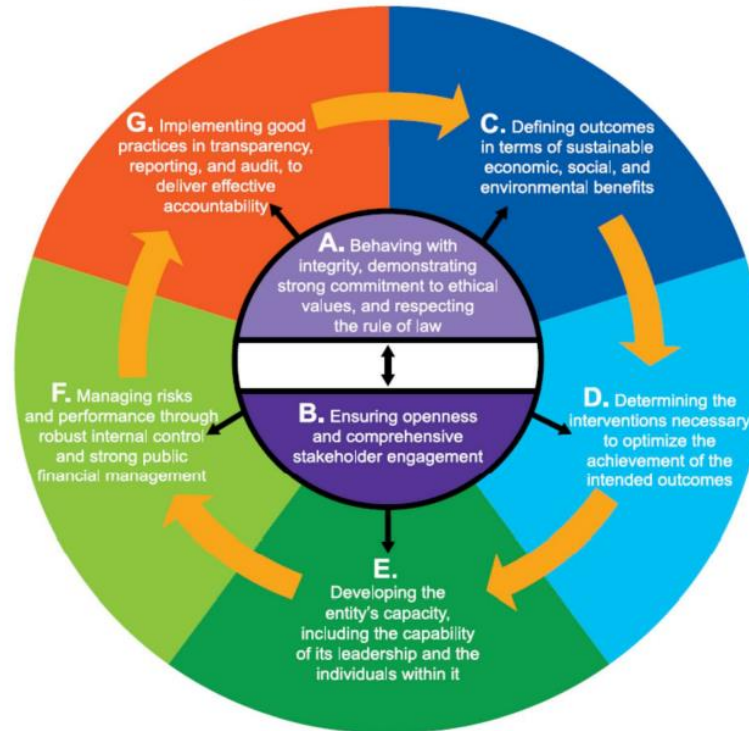
What is governance?

Governance is about how the council ensures that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which the council is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Lewes District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE¹ Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website (www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance)

The principles of good governance are given in the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016* from which the following diagram is taken.

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**



Source: CIPFA 2016

The Code of Corporate Governance contains a table which demonstrates how the council meets the core principles.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

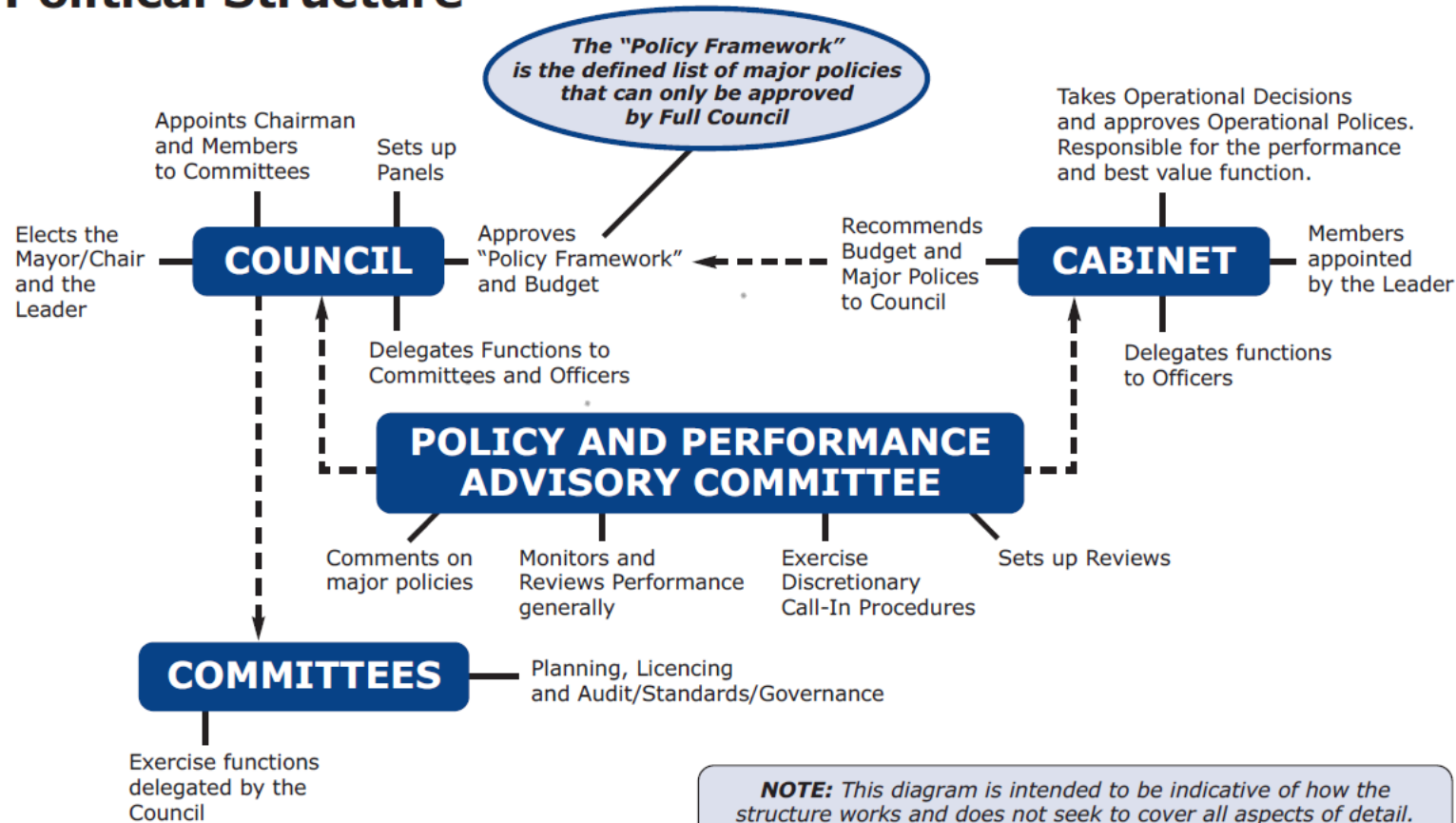
The production of this Annual Governance Statement forms part of the governance framework by providing a review of the governance arrangement in operation during the financial year.

The Governance Framework

The diagram on the next page shows how the political structure of the council works and interacts.

How it Works...

The Modernised Political Structure



Roles and Responsibilities

Head of Internal Audit

The head of internal audit (Chief Internal Auditor) provides an independent opinion on the control environment. This is based on the work of the internal audit team in delivering a risk-based audit plan of a breadth sufficient for the head of internal audit to place reliance on it to base their opinion on.

Monitoring Officer

The Head of Legal Services has been designated as the Monitoring Officer. The Monitoring Officer has the duty to ensure that the council, its officers and its elected Councillors, maintain high standards of conduct.

Chief Finance Officer

The Chief Finance Officer has been designated as the s.151 Officer. They are responsible for ensuring that the council controls and manages its money efficiently.

Scrutiny and Review

Scrutiny and review is provided by the following:

Audit and Standards Committee

The committee provides assurance by carrying out independent scrutiny of areas such as audit, risk management, counter fraud and financial accountability. It does this by way of reviewing reports provided to its quarterly meetings.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=423>

Policy and Performance Advisory Committee

The committee reviews the delivery of services and performance and supports the work of the Cabinet and Council. It allows Councillors outside the Cabinet, and members of the public, to have a greater say in council matters by investigating issues of local concern.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=641>

Cabinet

The Cabinet is responsible for most day-to-day decisions of the council. Each member is assigned a portfolio identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=417>

Corporate Management Team

The team provides strategic management and planning. The team also considers the annual Internal Audit plan, Strategic Risk Register and Annual Governance Statement.

External Audit

The external auditors audit the financial statements and provide an opinion on these. They produce an Annual Audit Letter which assesses how the council manages its resources and delivers value for money.

Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The governance framework has been in place at the council for the year ended 31 March 2022.

One element used to gain assurance is information gathered from Managers' Assurance Statements. These statements contain questions based on the core principles of good governance as well as other areas such as safeguarding, the Bribery Act and the Regulation of Investigatory Powers Act. These are completed by senior managers and any issues raised are considered.

Opinion of the Chief Internal Auditor

The work of the Internal Audit team was impacted by carrying a vacancy and the absence of a team member for an extended period of time at the beginning of the year. Later in the year, the restructure in the team led to a vacancy while a new position was filled. This impacted the audit plan and reduced the number of audits that could be undertaken during the year. However, it is considered that there were still a reasonable number of reviews carried out across the authority and did not significantly limit the scope of the work.

The Chief Internal Auditor is required to give an opinion of the overall adequacy and effectiveness of the control environment. The control environment is considered in three ways: the production of the Annual Governance Statement the effectiveness of Internal Audit, and the results of the work of Internal Audit.

Effectiveness of Internal Audit: A self-assessment against the Public Sector Internal Audit Standards has been carried out and shows that the work of the Internal Audit team is carried out in accordance with the standards.

The work of Internal Audit: It has been noted that a number of recommendations remain outstanding after following up reviews. Many of these are being affected by ongoing lack of resources. This appears to have been caused by the response to the Covid-19 pandemic, changes in staffing, and an inability to be able to fill vacancies in some areas.

While the governance framework is in place and working, and Internal Audit are carrying out their work in accordance with standards, the opinion on the control environment has to be caveated by the number of outstanding recommendations.

Managing the Risk of Fraud and Corruption

The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

Financial Management Code

The CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management (FM) Code's intention is to help create a culture of strong financial management and address the financial pressures that councils are facing. The self-regulation approach is

also to prevent local authorities ‘failing’ and avoid any need for any external control or reductions in current powers. By complying with the principles and standards within the Code, the council will be able to demonstrate its financial sustainability.

In 2021/22 the Chief Finance Officer (S151) has taken account of the requirements of the CIPFA Financial Management Code and has acknowledged the approaches to Value for Money and the council’s financial resilience. A significant amount of the Code activities implementation are part of the Finance, Internal Audit, and other department team’s current activities and the Section 151 Officer has reached the overall conclusion that the Lewes District Council is compliant with the principles of the Code.

The Chief Finance Officer has identified the council’s long-term financial viability as the key risk area regarding future compliance with the Code and this is being assessed through a combination of: the budget setting process; the Medium Term Financial Strategy; regular reviews of the council’s capital programme; Treasury Management Strategy and the provision of clear and regular financial updates/training to Members. The council has a satisfactory record of financial management and so, analysing the council’s structures, processes and procedures against the FM Code’s Financial Management Standards, shows a reasonable level of compliance with these principles. However, there are areas where further actions/consideration needs to be given to ensure full compliance with every aspect of the FM Code.

Companies

The council is also expected to report on separate bodies set up by the council and to give a full picture of the relationship with those bodies. The following table gives the details of these bodies and, where appropriate, it includes a link to where information can be found in respect of information such as reports and accounts.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Aspiration Homes LLP (Limited Liability Partnership)	Incorporated on 30 June 2017. To ensure the councils have the overall capacity to maximise housing investment and funding opportunities. To act as the asset holding vehicle for affordable housing properties that cannot, for financial accounting or other reasons be held in EBC or LDC	Limited Liability Partnership LDC and EBC Company number: OC41800	Governed by LLP Agreement and an Executive Committee of 6 - made up of 3 elected members from each authority.	Lewes District Council Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50% Eastbourne Borough Council	Aspiration Homes will act as the asset holding vehicle for affordable housing properties developed through the EHICL and LHICL commercial development programmes. Support has included a £10 million loan to be funded from borrowing by LDC to Aspiration Homes LLP. www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
	respective Housing Revenue Accounts.			Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50%	
Lewes Housing Investment Company Ltd (LHICL) (4 July 2017)	Company Active To undertake more commercial development, place shaping activities and hold associated respective assets, in a way which meets legal and regulatory requirements and ensures that the council has distinct control over such assets.	Company LDC only Company number: 10848011	Governed by Articles of Association and a Board of 5 directors made up of senior staff and Elected Members from Lewes District Council.	Wholly owned by Lewes District Council	To enable the council to undertake non HRA development and use associated forms of tenancies www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities

Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, Regulation of Investigatory Powers Act. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors, Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

Issues raised this year that were considered by the Corporate Management Team were:

Capacity: It was noted that there is a shortage of workers in the employment market that is affecting all sectors and is a national issue. Where demand has increased over Covid, these teams have been given increased resources. The employment market is also monitored with consideration given to collaboration and partnerships working to further navigate these national challenges.

Economy: In response to the financial implications of the response to the Covid pandemic, early engagement with the Department for Levelling Up, Housing and Communities, regular return of all financial information, close working of cashflow transactions, cost controls, regular member briefings and engagements have all been put in place. Transactional changes and solutions to financial shortfalls are in place and are expected to be continued.

The Corporate Management team are therefore of the opinion that there are no significant governance issues. However, it is acknowledged that the following areas are of considerable concern:

- Longer term impact of the pandemic on the council's finances
- Longer term local government funding allocation
- Increasing demand for key services

The council maintains a strategic risk register and carries out regular reviews of its internal controls to ensure early prevention and/or mitigation of risks and governance concerns.

Statement by Head of Democratic Services

One minor governance issue is that, on occasions, there is a lack of understanding over delegated powers currently available to officers. However, the scheme of delegation and council constitutions continue to be reviewed and aligned to improve clarity, wherever possible. As Head of Democratic Services, I am not aware of any major governance issues in my area or elsewhere in the organisation.

Statement by the Monitoring Officer

Work is underway to align the schemes of delegation to officers. In addition, there is a piece of work to incorporate into the Code of Conduct for Members, the best elements of the Local Government Association's model code. This is at an early stage and may not be complete until the end of 2022/23. In the meantime, there is nothing inherently inadequate or defective with the existing code (in so far as legislation allows). Whilst the amendments planned will be improvements, the current state of affairs does not represent a significant governance issue.

Covid-19 pandemic

2020-21 was the second year of the Covid-19 pandemic. The council again faced a loss of income and cost pressures. However, financial management and the control environment provided a sound structure to mitigate risks.

UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2020/21

No significant issues were reported in 2020/21.

SIGNIFICANT GOVERNANCE ISSUES 2021/2022

There are no significant governance issues to report.

STATEMENT

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Standards Committee and that, subject to the actions identified above, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Lewes District Council:

.....
Leading Member

.....
Chief Executive

Date:

This page is intentionally left blank